

**Mavi Giyim Sanayi ve Ticaret
Anonim Őirketi and
Its Subsidiaries**

Condensed Consolidated Interim Financial Statements
As At and For The Six Month Period Ended
31 July 2017

This report contains 39 pages of financial statement explanatory notes.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

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Independent auditors' report on review of condensed consolidated interim financial statements

To the Board of Directors of Mavi Giyim Sanayi ve Ticaret Anonim Şirketi,

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Mavi Giyim Sanayi ve Ticaret Anonim Şirketi as at 31 July 2017, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial statements ('the condensed consolidated interim financial statements'). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 31 July 2017 are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

A member of KPMG International Cooperative

Serkan Ercin, SMMM

Partner

12 September 2017

İstanbul, TÜRKİYE

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Condensed Consolidated Interim Statement of Financial Position
As at 31 July 2017

(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

	<i>Notes</i>	Reviewed 31 July 2017	Audited Restated ⁽¹⁾ 31 January 2017
ASSETS			
Current assets			
Cash and cash equivalents	6	203,340	158,056
Trade receivables		99,438	109,381
- Due from related parties	8	--	4,059
- Due from third parties	9	99,438	105,322
Other receivables		21,723	21,491
- Due from third parties		21,723	21,491
Derivatives	20	--	7,336
Inventories		296,418	287,844
Prepayments		21,926	20,388
Current tax asset		441	5,287
Other current assets		16,663	15,597
Total current assets		659,949	625,380
Non-current assets			
Other receivables		2,021	2,014
- Due from third parties		2,021	2,014
Prepayments		--	68
Property and equipment		147,273	136,579
Intangible assets		49,031	55,551
Goodwill	11	93,206	100,472
Deferred tax assets		8,963	6,746
Total non-current assets		300,494	301,430
TOTAL ASSETS		960,443	926,810

(1) See Note 2.3.

The accompanying notes from an integral part of these condensed consolidated interim financial statements.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Condensed Consolidated Interim Statement of Financial Position (continued)
As at 31 July 2017

(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

	<i>Notes</i>	Reviewed 31 July 2017	Audited Restated ⁽¹⁾ 31 January 2017
LIABILITIES			
Current liabilities			
Loans and borrowings	7	227,519	230,814
Trade payables		331,267	299,515
- Due to related parties	8	111,295	108,740
- Due to third parties	9	219,972	190,775
Payables to employees		14,721	14,849
Other payables		34,815	86,721
- Due to related parties	8	24,484	76,365
- Due to third parties		10,331	10,356
Derivatives	20	5,922	--
Current tax liabilities		3,063	203
Provisions		11,795	10,630
- Provisions for employee benefits	12	2,658	2,159
- Other provisions	12	9,137	8,471
Deferred revenue		12,693	11,985
Other current liabilities		2,526	9,746
Total current liabilities		644,321	664,463
Non-current liabilities			
Loans and borrowings	7	120,254	105,209
Provisions		3,343	3,151
- Provisions for employee benefits	12	3,343	3,151
Deferred revenue		107	119
Deferred tax liabilities		11,803	13,398
Total non-current liabilities		135,507	121,877
TOTAL LIABILITIES		779,828	786,340
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	49,657	49,657
Reserves		(9,896)	(16,749)
Retained earnings		145,812	115,797
Equity attributable to owners of the Company		185,573	148,705
Non-controlling interests		(4,958)	(8,235)
Total equity		180,615	140,470
TOTAL EQUITY AND LIABILITIES		960,443	926,810

1 See Note 2.3.

The accompanying notes from an integral part of these condensed consolidated interim financial statements.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Condensed Consolidated Interim Statement of Profit or Loss and Other
Comprehensive Income

For the six month period ended 31 July 2017

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Notes	Reviewed 1 February – 31 July 2017	Not reviewed 1 May – 31 July 2017	Reviewed 1 February – 31 July 2016	Not reviewed 1 May – 31 July 2016
Revenue		828,792	400,634	585,144	274,836
Cost of sales		(409,400)	(189,451)	(290,621)	(129,934)
Gross profit		419,392	211,183	294,523	144,902
Administrative expenses		(45,965)	(22,340)	(34,823)	(18,177)
Selling, marketing and distribution expenses	14	(279,913)	(141,378)	(207,020)	(103,540)
Research and development expenses		(11,226)	(5,717)	(8,705)	(4,319)
Other income	15	1,237	196	1,446	154
Other expenses	15	(357)	(306)	(1,459)	(568)
Operating profit		83,168	41,638	43,962	18,452
Finance income	16	2,726	(2,603)	1,935	(3,229)
Finance costs	17	(39,129)	(15,100)	(22,269)	(4,895)
Net finance costs		(36,403)	(17,703)	(20,334)	(8,124)
Profit before tax		46,765	23,935	23,628	10,328
Income tax expense	18	(11,068)	(5,733)	(5,331)	(2,266)
- Tax expense		(13,463)	(4,205)	(10,074)	(2,568)
- Deferred tax income/(expenses)		2,395	(1,528)	4,743	302
Profit		35,697	18,202	18,297	8,062
Profit attributable to:					
Owners of the Company		34,095	17,082	18,297	8,062
Non-controlling interests		1,602	1,120	--	--
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit liability		(20)	64	168	105
- Related tax		4	(13)	(34)	(21)
Items that are or may be reclassified to profit or loss					
Foreign operations - foreign currency translation differences		6,912	9,455	(614)	511
Cash flow hedging reserves		(3,060)	(3,060)	--	--
- Related tax		612	612	--	--
Other comprehensive income net of tax		4,448	7,058	(480)	595
Total comprehensive income attributable to:					
Owners of the Company		36,868	23,941	17,817	8,657
Non-controlling interests		3,277	1,319	--	--
Total comprehensive income		40,145	25,260	17,817	8,657
Earnings per share					
Basic earnings per share (full TL)	19	0.6866	0.3440	0.3684	0.1623
Diluted earnings per share (full TL)	19	0.6866	0.3440	0.3684	0.1623
Earnings before interest, tax, depreciation and amortization (EBITDA)	26	111,781	56,194	65,222	29,311

The accompanying notes from an integral part of these condensed consolidated interim financial statements.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Condensed Consolidated Interim Statements of Changes In Equity

As at and for the six month period ended 31 July 2017

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Share capital	Legal reserves	Purchase of share of entities under common control	Other comprehensive income/expense not to be reclassified to profit or loss		Other comprehensive income/expense to be reclassified to profit or loss		Retained earnings		Attributable to owners of the Company	Attributable to non-controlling interest	Total equity
				Remeasurement of defined benefit liability	Other reserve	Foreign currency translation reserve	Hedging reserve	Retained earnings	Net profit			
Balance as at 1 February 2016	49,657	14,819	(35,757)	(4,211)	(4,080)	6,855	--	34,889	33,453	95,625	--	95,625
Transfers	--	2,608	--	--	--	--	--	30,845	(33,453)	--	--	--
Total comprehensive income	--	--	--	134	--	(614)	--	--	18,297	17,817	--	17,817
Total balance as at 31 July 2016	49,657	17,427	(35,757)	(4,077)	(4,080)	6,241	--	65,734	18,297	113,442	--	113,442
Balance as at 1 February 2017	49,657	17,427	(35,757)	(4,461)	(4,080)	10,152	--	65,733	50,064	148,735	(8,235)	140,500
Impact of remeasurement of goodwill ¹	--	--	--	--	--	(30)	--	--	--	(30)	--	(30)
Restated balance as at 1 February 2017	49,657	17,427	(35,757)	(4,461)	(4,080)	10,122	--	65,733	50,064	148,705	(8,235)	140,470
Transfers	--	--	--	--	--	--	--	50,064	(50,064)	--	--	--
Acquisition of NCI (Note 13)	--	--	--	--	4,080	--	--	(4,080)	--	--	--	--
Total comprehensive income	--	--	--	(16)	--	5,237	(2,448)	--	34,095	36,868	3,277	40,145
Total balance as at 31 July 2017	49,657	17,427	(35,757)	(4,477)	--	15,359	(2,448)	111,717	34,095	185,573	(4,958)	180,615

1 See Note 2.3.

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the six month period ended 31 July 2017
(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

	<i>Notes</i>	Reviewed 1 February – 31 July 2017	Reviewed 1 February – 31 July 2016
Cash flow from operating activities			
Net profit for the period		35,697	18,297
Depreciation and amortization expense		28,613	21,260
Finance income		(356)	(214)
Finance cost		33,621	19,838
Provision for unused vacation	12	537	1,273
Provision for employee severance indemnity		1,633	538
Fair value change of derivatives		4,455	2,174
Impairment loss on receivables		(400)	260
Inventory obsolescence, reversals		(4,263)	5,977
Loss on disposal of property and equipment, net		135	335
Tax expense		11,068	5,331
Unrealized currency translation difference		6,923	1,952
Changes in:			
Change in trade receivables		6,753	(2,403)
Change in inventory		(4,166)	(48,684)
Change in prepaid expenses		(1,470)	(1,944)
Change in receivables from related parties		4,055	999
Change in other receivables		(239)	(3,588)
Change in other current and non-current assets		(1,066)	(570)
Change in employee benefits liabilities		(36)	303
Change in trade payables		29,197	14,298
Change in payables to related parties		2,554	29,937
Change in payables to employees		(128)	1,433
Change in other payables		(25)	(106)
Change in deferred revenue		696	1,963
Change in short term and long term provisions		666	1,528
Change in other liabilities		(7,221)	(4,059)
Employee benefits paid		(1,382)	(1,096)
Income tax paid		(6,562)	(4,081)
Net cash from operating activities		139,289	60,951
Cash flows from investing activities			
Acquisition of tangible assets	10	(34,439)	(28,705)
Proceeds from sale of tangible assets		--	--
Acquisition of intangible assets	10	(1,640)	(2,311)
Acquisition of subsidiary, net of cash acquired		(39,821)	--
Proceeds from sale of intangible assets		--	--
Interest received		356	214
Net cash flow used in investing activities		(75,544)	(30,802)
Put option paid		--	--
Proceeds from loans and borrowings		104,638	133,257
Repayment of loans and borrowings		(95,221)	(127,038)
Proceeds of settlement of derivatives		5,743	769
Other financial payments		(17,536)	(11,808)
Interest paid		(16,085)	(8,031)
Net cash flow used in financing activities		(18,461)	(12,851)
Net increase in cash and cash equivalent		45,284	17,298
Cash and cash equivalents at the beginning of the year	6	158,056	111,374
Cash and cash equivalents at the end of the period	6	203,340	128,672

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the six month period ended 31 July 2017

(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

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Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the six month period ended 31 July 2017

(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

1 Reporting entity

Mavi Giyim Sanayi ve Ticaret A.Ş. (the “Company” or “Mavi Giyim”), established in 1991, engages in wholesale and retail sales of ready-to-wear denim apparel. The product range includes knit and woven shirts, t-shirts, sweaters, jackets, skirts, dresses, accessories and denim bottoms for men, women and children.

The Company’s registered office is Sultan Selim Mahallesi, Eski Büyükdere Caddesi, No. 53, 34418 Kağıthane İstanbul/Turkey.

Export sales operations started in 1994. Mavi Giyim has offices and showrooms in Heusenstamm, Düsseldorf, Sindelfingen, Munich, Hamburg, Berlin, Zurich, Salzburg, Prague, Brussels, Moscow, New York, Los Angeles, Atlanta, Dallas, Chicago, Vancouver, Toronto and Montreal.

With the appropriate permission from İstanbul Stock Exchange Market Presidency, shares equal to TL 27,311 representing 55% of nominal shares of the Company’s TL 49,657 was offered to public on 15 June 2017. As a result of the offering, main shareholder from Company’s partnership structure Blue International Holding B.V.’s shares decreased to 45% from 100%. The primary shareholder of the Company as at 31 July 2017 is Blue International Holding B.V. (“Blue International”) with 46.55% ownership (31 January 2017 Blue International with 100% ownership).

The condensed consolidated interim financial statements as at 31 July 2017 include financial position and the results of Mavi Giyim, Mavi Europe AG (“Mavi Europe”), Mavi Nederland BV (“Mavi Nederland”) and Mavi LLC (“Mavi Russia”), Eflatun Giyim Yatırım Ticaret Anonim Şirketi (“Eflatun Giyim”), Mavi Jeans Incorporated (“Mavi Canada”), Mavi Jeans Incorporated (“Mavi United States of America (“USA”)), Mavi Kazakhstan LLP and its subsidiaries are referred here as the (“Group”) and individually (“the Group entity”) in this report.

The ownership interest of and voting power held by the Company as at and for the periods ended 31 July 2017 and 31 January 2017 are as follows:

Subsidiaries	Place of Incorporation	Principal Activities	Effective Shareholding %	
			31 July 2017	31 January 2017
Mavi Europe	Germany	Wholesale and retail sales of apparel	87.50	87.50
Mavi Nederland	Netherland	Wholesale sales of apparel	100.00	100.00
Mavi Russia	Russia	Wholesale and retail sales of apparel	100.00	100.00
Mavi Kazakhstan ⁽²⁾	Kazakhstan	Retail sales of apparel	100.00	100.00
Eflatun Giyim	Turkey	Holding company	51.00	51.00
Mavi Canada ⁽¹⁾	Canada	Wholesale and retail sales of apparel	38.25	38.25
Mavi USA	USA	Wholesale and retail sales of apparel	51.00	51.00

⁽¹⁾ The Group holds %51 percent voting right in Mavi Canada.

⁽²⁾ The Group has been planning to start legal process of dissolution the operations in Mavi Kazakhstan. As of 31 July 2017, Mavi Kazakhstan does no longer proceed any operations. (Note: 25)

As of 31 July 2017, the Group’s total number of employees is 3,503 (31 January 2017: 3,340).

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the six month period ended 31 July 2017
(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

2 Basis of presentation of financial statements

2.1 Basis of accounting

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 January 2017 (‘last annual financial statements’). They do not include all of the information required to be a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant for an understanding of changes in the Group’s financial position and performance since the last annual financial statements.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on 12 September 2017. General Assembly has the authority to modify the condensed consolidated interim financial statements.

(b) Basis of measurement

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The condensed consolidated interim financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value. The methods used to measure fair values are discussed further in Note 2.2.

(c) Functional and presentation currency

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (“TL”) which is the Company’s functional currency. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

These accompanying condensed consolidated interim financial statements are presented in thousands of TL which is the Company’s functional currency except when the otherwise indicated. All other currencies are indicated in full unless otherwise indicated.

The table below summarizes functional currencies of the Group entities.

Company	Functional currency
Mavi Giyim	TL
Mavi Europe	Euro (“EUR”)
Mavi Nederland	EUR
Mavi Russia	Rouble (“RBL”)
Mavi Kazakhstan	Kazakhstan Tenge (“KZT”)
Eflatun Giyim	TL
Mavi USA	US Dollars (“USD”)
Mavi Canada	Canada Dollars (“CAD”)

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the six month period ended 31 July 2017
(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

2 Basis of presentation of financial statements (continued)

2.1 Basis of accounting (continued)

(d) Use of judgements and estimates

In preparing these condensed consolidated interim financial statements management has made judgements, estimates, and assumptions that affects the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The significant judgements made by the management in applying the Groups accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 January 2017.

2.2 Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the last annual financial statements.

Going concern assumption

Condensed consolidated interim financial statements are prepared in accordance with the going concern assumption that the Group will gain benefit from its assets and meet the liabilities in the following year within the natural flow of its activities.

Measurement of fair values

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. This fair value is determined for disclosure purposes or when acquired in a business combination.

(ii) Derivative financial liabilities

Forward exchange contracts

The fair values of forward exchange contracts are based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(iii) Other non-derivative financial liabilities

Fair value of other non-derivative financial liabilities are determined during the initial recognition and for disclosure purposes at the end of each period. Fair values are calculated as reduction of present values of prospective principal and interest cash flows with market interest rate at the measurement date. Fair values of current non-derivative financial liabilities are accepted same as their carrying values.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the six month period ended 31 July 2017
(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

2 Basis of presentation of financial statements (continued)

2.2 Significant accounting policies (continued)

Measurement of fair values (continued)

(iv) Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets. The fair value of customer relationships acquired in a business combination are determined according to the excess earnings methods and replacement cost approach.

(v) Property, plant and equipment

The fair value of property and equipment recognized as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

2.3 Restatements

On 12 August 2016, Mavi Giyim acquired the shares and controlling interest of 51% in Eflatun, which has 100% and 75% shareholding interest in Mavi US and Mavi Canada, respectively.

On 31 August 2016, the Group recognized TL 25,371 as contingent consideration liability, which was USD 8,587 at the date of acquisition, in addition to acquisition amount. As a result of the quotation of the Company shares in stock Exchange on 15 June 2017, the ultimate shareholders of the Company changed and the exit occurred. The market price of the company determined by the participants ended up with a result that Company should pay additional price to Eflatun Giyim shareholders.

Thus, the contingent consideration liability has increased to USD 17,165 from USD 8,587. The Group has determined that the market participants has valued the Group relying on the same information, facts and circumstances which were used by the Company management at the time of the acquisition date.

Group’s accounting policies require remeasurement of goodwill if the fair value of the contingent consideration liability would change as a result of differences coming from newly-acquired information regarding the existed events and conditions at the date of acquisition.

Reassessment performed in accordance with this accounting policy, goodwill and other payables to related parties are increased by TL 32,841 and TL 32,872, respectively and foreign currency translation reserves decreased by TL 30 in the consolidated financials as at 31 January 2017. This remeasurement has no effect on the statement of profit or loss. For the further explanation see Note 5.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the six month period ended 31 July 2017

(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

2 Basis of presentation of financial statements (continued)

2.4 Standards issued but not yet effective and not early adopted as of 31 July 2017

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on the consolidated financial position or performance of the Group.

IFRS 15 Revenue from Contracts with customers

The standard replaces existing IFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the standard on the consolidated financial position or performance of the Group.

IFRS 16 Leases

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, International Financial Reporting Interpretations Committee (“IFRIC”) 4 Determining Whether an Arrangement Contains a Lease, SIC (“Standard Interpretations Committee”) 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Group is in the process of assessing the impact of the amendment on consolidated financial position or performance of the Group.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The amendments clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is in the process of assessing the impact of the amendment on consolidated financial position or performance of the Group.

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2 Basis of presentation of financial statements (continued)

2.4 Standards issued but not yet effective and not early adopted as of 31 July 2017 (continued)

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

IAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management’s intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of consolidated financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers’ risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Group does not expect that application of IFRS 17 will have significant impact on its consolidated financial statements.

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2 Basis of presentation of financial statements (continued)

2.4 Standards issued but not yet effective and not early adopted as of 31 July 2017 (continued)

IFRIC 23 –Uncertainty over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company’s tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 23.

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 12 “Disclosure of Interests in Other Entities”

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

IAS 28 “Investments in Associates and Joint Ventures”

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

3 Seasonality of operations

The condensed consolidated interim financial statements of the Group also comprises the effects of seasonality. Therefore, the half year operating results for the period ended 31 July 2017 are not indicative of the results for the financial year.

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4 Operating segments

	1 February- 31 July 2017			1 May - 31 July 2017			1 February- 31 July 2016			1 May - 31 July 2016		
	Reportable segment			Reportable segment			Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total	Turkey	International	Total	Turkey	International	Total
Segment revenue ⁽¹⁾	677,292	151,500	828,792	327,724	72,910	400,634	524,178	60,966	585,144	245,616	29,220	274,836
-Retail	524,612	23,757	548,369	288,825	12,864	301,689	399,061	13,866	412,927	216,000	7,340	223,340
-Wholesale	143,024	121,750	264,774	34,350	57,314	91,664	118,120	46,063	164,183	26,216	21,353	47,569
-E-commerce	9,656	5,993	15,649	4,549	2,732	7,281	6,997	1,037	8,034	3,400	527	3,927
Segment profit before tax	39,195	7,570	46,765	18,598	5,337	23,935	26,532	(2,904)	23,628	12,707	(2,379)	10,328

	31 July 2017			31 January 2017		
	Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total
Total segment assets	832,373	128,070	960,443	699,875	226,935	926,810
Total segment liabilities	628,758	151,070	779,828	572,556	213,784	786,340

The Group has 6 strategic operating segments based on the geographical areas where sales are generated. These divisions are managed separately because they require different trading and marketing strategies. Only Turkey operations are determined to be a reportable segment. None of the other segments except Turkey met the quantitative thresholds as at and for the six month period ended 31 July 2017 and 2016 and year end 31 January 2017. International segment comprises Europe, USA, Canada, Russia and rest of the world.

⁽¹⁾ Segment revenue comprised of third party sales after elimination between consolidated entities.

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5 Acquisition of subsidiary

On 12 August 2016, Mavi Giyim acquired the controlling interest of 51% in Eflatun, which has 100% and 75% shareholding interest in Mavi US and Mavi Canada, respectively. Eflatun Giyim is a holding company, which owns Mavi US and Mavi Canada shares and has no ongoing any other operations. As a result, the Group obtained control of the Mavi USA and Mavi Canada.

On 31 August 2016, the Group recognized TL 25,371 as contingent consideration liability, which was USD 8,587 at the date of acquisition, in addition to acquisition amount. As a result of the public offering of the Company shares in stock Exchange on 15 June 2017, the contingent consideration liability has increased to USD 17,165 (In equivalent of TL 50,713) from USD 8,587 in accordance with Share Purchase Agreement (“SPA”) in which has clauses to regulate the contingent consideration liability. The Group has determined that the market participants has valued the Group relying on the same information, facts and circumstances which were used by the Company management at the time of the acquisition date.

Group’s accounting policies require remeasurement of goodwill if the fair value of the contingent consideration liability would change as a result of differences coming from newly-acquired information regarding the existed events and conditions at the date of acquisition.

The following tables summarized the remeasurement of the acquisition date fair value of each major class of consideration transferred and remeasurement of the goodwill arising from the acquisition.

Cash	16,807
Contingent consideration	50,713
Fair value of consideration transferred or will be transferred	67,520
Cash acquired through business combination	(578)
Contingent consideration	(50,713)
Net cash outflows	16,229
Goodwill	
Consideration transferred	67,520
NCI, based on their proportionate interest in the recognized amounts of the assets and liabilities of Eflatun	(7,123)
Fair value of identifiable net liabilities assumed	14,251
Goodwill	74,648

As of 31 January 2017 rearranged and recognized goodwill amount, which considers currency translation differences to functional currency of the Group TL, equals to TL 96,739. The recalculated amount was TL 74,648 as of 31 August 2016 (Note 11).

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6 Cash and cash equivalents

As at 31 July 2017 and 31 January 2017, cash and cash equivalents comprises the following:

	31 July 2017	31 January 2017
Cash on hand	1,513	1,403
Cash at banks	101,760	61,529
<i>Demand deposits</i>	40,494	18,265
<i>Time deposits</i>	61,266	43,264
Other cash and cash equivalents	100,067	95,124
Cash and cash equivalents in the statement of consolidated financial statement	203,340	158,056
Bank overdrafts	(4,899)	(3,224)
Cash and cash equivalents in the statement of consolidated cash flows	198,441	154,832

As at 31 July 2017 and 31 January 2017, other cash and cash equivalents consist of credit card receivables with maturities less than 3 months.

As at 31 July 2017 and 31 January 2017, the details of time deposits based on maturity dates and interest rates of the Groups are as below:

	Maturity	Interest rate	31 July 2017
TL	1 August 2017	13.30%	33,618
USD	1 August 2017	1.80%	10,550
EUR	1 August 2017	0.75%	17,098
			61,266

	Maturity	Interest rate	31 January 2017
TL	1 February 2017	6.75%	8,000
USD	1 February 2017	1.90%	22,745
EUR	1 February 2017	1.05%	12,519
			43,264

As at 31 July 2017 and 31 January 2017, there is no restriction or blockage on cash and cash equivalents. The Group’s exposure to foreign currency risk and sensitivity analyses are disclosed in Note 23.

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7 Loans and borrowings

As at 31 July 2017 and 31 January 2017, financial borrowings comprise the following:

	<u>31 July 2017</u>	<u>31 January 2017</u>
<u>Current liabilities</u>		
Unsecured bank loans	96,966	148,416
Current portion of unsecured bank loans	125,615	79,127
Secured bank loans	39	47
Bank overdraft	4,899	3,224
	227,519	230,814
<u>Non-current liabilities</u>		
Unsecured bank loans	120,254	105,209
	120,254	105,209

As at 31 July 2017 and 31 January 2017, loan and borrowings comprised the following:

	<u>31 July 2017</u>	<u>31 January 2017</u>
Bank loans	347,773	336,023
	347,773	336,023

As at 31 July 2017 and 31 January 2017, the repayments of loan agreements according to the original maturities comprised the following:

	<u>31 July 2017</u>	<u>31 January 2017</u>
Less than one year	227,519	230,814
One to two years	88,700	76,743
Two to three years	31,080	27,781
Three to four years	323	355
Four to five years	151	330
	347,773	336,023

As at 31 July 2017 and 31 January 2017, maturities and conditions of outstanding loans comprised the following:

	31 July 2017				Carrying amount
	Currency	Nominal interest rate%	Maturity	Face value	
Unsecured bank loans	EUR	0.75%-2.99%	2017-2019	103,527	103,681
Unsecured bank loans	TL	0.00%-16.37%	2017-2020	174,761	176,122
Unsecured bank loans	USD	3.20%-4.99%	2017-2021	66,949	67,931
Secured bank loans	CAD	0.00%	2020	39	39
				345,276	347,773
	31 January 2017				Carrying amount
	Currency	Nominal interest rate%	Maturity	Face value	
Unsecured bank loans	EUR	0.75%-3.00%	2017-2019	102,150	103,079
Unsecured bank loans	TL	0.00%-15.23%	2017-2019	162,331	163,278
Unsecured bank loans	USD	3.20%-4.75%	2017-2021	69,315	69,619
Secured bank loans	CAD	0.00%	2020	47	47
				333,843	336,023

The Group's exposure to foreign currency and sensitivity analyses for financial liabilities are disclosed in Note 23.

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8 Related party

Related parties in condensed consolidated interim financial statements are determined as key management personnel, board of directors, family members, subsidiaries controlled by the Company. Several related party transactions are carried out during ordinary course of the business.

Ultimate controlling party of the Group is Akarlılar Family indirectly holds 30.4% as at 31 July 2017 (31 January 2017: Turkish Private Equity Fund II: 54%).

(a) Related party balances

As at 31 July 2017 and 31 January 2017, short term receivables from related parties comprised the following:

	<u>31 July 2017</u>	<u>31 January 2017</u>
Due from related parties		
Mavi LLC ⁽¹⁾	--	4,048
Erak Giyim Sanayi Ticaret A.Ş. (“Erak”)	--	11
	--	4,059

⁽¹⁾ Due from Mavi LLC (registered in USA) is comprised of loan given which is interest rate is 4%. As at 31 July 2017, the loan was paid.

	<u>31 July 2017</u>	<u>31 January 2017</u>
Prepayments given to related parties		
Erak ⁽¹⁾	11,098	11,983
	11,098	11,983

⁽¹⁾ Advances given to Erak is related to fabric purchases and are tracked in prepayments.

	<u>31 July 2017</u>	<u>31 January 2017</u>
Due to related parties		
Erak ⁽¹⁾	99,057	93,186
Akay Lelmalabis Elgazhizah LLC (“Akay”) ⁽²⁾	12,009	14,978
Kitsch Apparel Inc. (“Kitsch Apparel”) ⁽³⁾	229	447
Erma Tekstil Dış Ticaret Kollektif Şirketi (“Erma”)	--	129
	111,295	108,740

⁽¹⁾ Amounts due to Erak, a company controlled by immediate family members of the shareholder of the parent company, are for purchases of inventory. Amounts are non-interest bearing and have 90 days repayment date.

⁽²⁾ Amount comprise of inventory purchases to subsidiary Akay situated in Egypt. Amounts are non-interest bearing and have 90 days repayment date.

⁽³⁾ Amounts due to Kitsch Apparel Inc., a shareholder company under control of Arkun Durmaz are non-interest bearing with no specific terms of repayment. The Group pays management fee to Kitsch Apparel based on 4% of Mavi Canada’s revenue.

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8 Related party (continued)

(a) Related party balances (continued)

As at 31 July 2017 and 31 January 2017, other short term payables to related parties comprised the following:

	<u>31 July 2017</u>	<u>31 January 2017</u>
Other payables to related parties		
Eflatun Giyim shareholders ⁽¹⁾	21,041	66,119
Emin Cezairli ⁽³⁾	1,721	--
Ezher Cezairli ⁽³⁾	861	--
Serdar Mazmanoğlu ⁽³⁾	861	--
Put option liability ⁽²⁾	--	10,246
Total other payables to related parties	24,484	76,365
Short term other payables to related parties	24,484	76,365
Long term other payables to related parties	--	--

⁽¹⁾Payables to Eflatun Giyim shareholders comprised of contingent payables due to the acquisition of Eflatun Giyim. Please see Note 5 for further details. On 18 July 2017, according to the protocol signed among the Company and Eflatun Giyim shareholders, the payment made on 17 May 2017 for the acquisition of Eflatun was fixed to foreign currency rate at the acquisition date. As a result of this agreement, the parties were agreed that the remaining balance to be paid is amounting to USD 5,942 thousand.

⁽²⁾ The minority shareholders had a contingent consideration right of 12.5% for Mavi Germany shares. Please see Note 13 for further details.

⁽³⁾ On 29 March 2017, the non-controlling interest owners in Mavi Germany decided to exercise their put option rights. The exercise price of the put option would be EUR 2,500 thousand. Payable to non-controlling interest holders of Mavi Germany will be paid in six instalments. No interest would be charged during the instalments. According to the agreement made with non-controlling shareholders, at 31 October 2017, all instalments would be paid and the Group plans to take over the non-controlling interests. As at 31 July 2017, the Group paid TL 6,662 (in Equivalent of EUR 1,667)

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8 Related party (continued)

(b) Related party transactions

For the period ended 31 July 2017 and 2016, the sales to related parties of the Group comprised the following:

	1 February – 31 July 2017	1 May – 31 July 2017	1 February – 31 July 2016	1 May – 31 July 2016
Sales to related parties				
Mavi USA ⁽¹⁾	--	--	326	103
Mavi Canada ⁽¹⁾	--	--	321	95
	--	--	647	198

⁽¹⁾ The Group acquired 51% of the shares and voting interests in Eflatun Giyim. As a result, the Group consolidated the results of Mavi USA and Mavi Canada as of the acquisition date. These transactions are related to the periods before acquisition.

For the period ended 31 July 2017 and 2016, the services given to related parties of the Group comprised the following:

	1 February – 31 July 2017	1 May – 31 July 2017	1 February – 31 July 2016	1 May – 31 July 2016
Services given to related parties				
Mavi USA ⁽¹⁾⁽²⁾	--	--	621	198
Mavi Canada ⁽¹⁾⁽²⁾	--	--	520	147
Mavi LLC	34	--	--	--
	34	--	1,141	345

⁽¹⁾ Service given to related parties mainly comprise of design and sourcing charges.

⁽²⁾ The Group acquired 51% of the shares and voting interests in Eflatun Giyim. As a result, the Group obtained the control of the Mavi USA and Mavi Canada. These transactions are related to the periods before acquisition.

For the period ended 31 July 2017 and 2016, purchases from related parties of the Group comprised the following:

	1 February – 31 July 2017	1 May – 31 July 2017	1 February – 31 July 2016	1 May – 31 July 2016
Purchase from related parties				
Erak	148,373	74,768	127,773	53,674
Akay ⁽¹⁾	23,961	8,306	1,607	1,084
	172,334	83,074	129,380	54,758

⁽¹⁾ The increase in the amount is a result of the acquisition of Mavi USA and Mavi Canada on August 2016.

For the period ended 31 July 2017 and 2016, the services from related parties of the Group comprised the following:

	1 February – 31 July 2017	1 May – 31 July 2017	1 February – 31 July 2016	1 May – 31 July 2016
Services from related parties				
Erak ⁽¹⁾	687	387	401	273
CM Objekt Heusenstamm GBR ⁽²⁾	315	168	269	136
Mavi Jeans Holding Inc. ⁽⁴⁾	265	131	90	--
Sylvia House Inc. ⁽³⁾	253	123	99	--
Erma	3	--	40	--
	1,523	809	899	409

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8 Related party (continued)

(b) Related party transactions (continued)

- (1) The Group rented Çerkezköy and Bayrampaşa retail stores from Erak.
- (2) Mavi Europe rented its office from CM Objekt Heusenstamm GBR.
- (3) Mavi Canada rented its office in Yeltown, Vancouver from Sylvia House Inc.
- (4) Mavi Canada rented its Office and warehouse from Mavi Jeans Holding Inc.

(c) Information regarding benefits provided to the Group’s key management

For the six month period ended 31 July 2017, short term benefits provided to senior management and board of directors amount to TL 11,250 (31 July 2016: TL 7,176).

For the period ended 31 July 2017 and 31 January 2017, the Group does not have any payables to any board of director or key management personnel of the Group.

9 Trade receivables and payables

Short term trade receivables

As at 31 July 2017 and 31 January 2017, short term trade receivables are as follows:

	<u>31 July 2017</u>	<u>31 January 2017</u>
Trade receivables from others	99,438	105,322
Trade receivables from related parties	--	4,059
	99,438	109,381

As at 31 July 2017 and 31 January 2017, short term trade receivables from others are as follows:

	<u>31 July 2017</u>	<u>31 January 2017</u>
Trade receivables	89,995	96,272
Post-dated cheques	7,588	7,581
Endorsed cheques	1,855	1,398
Notes receivables	--	71
Doubtful receivables	13,179	14,037
Allowance for doubtful receivables (-)	(13,179)	(14,037)
	99,438	105,322

Details related to Group’s exposure to foreign currency risk for short term trade receivables is disclosed in Note 23.

Short term trade payables

As at 31 July 2017 and 31 January 2017, short term trade payables of the Group are as follows:

	<u>31 July 2017</u>	<u>31 January 2017</u>
Trade payables to third parties ⁽¹⁾	219,972	190,775
Trade payables to related parties	111,295	108,740
	331,267	299,515

Trade payables mainly consist of unpaid amounts of trade purchases and ongoing expenditures.

Details related to Group’s exposure to foreign currency risk for short term trade payables is disclosed in Note 23.

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9 Trade receivables and payables (continued)

Short term trade payables (continued)

As at 31 July 2017 and 31 January 2017, short term trade payables due to others are as follows:

	<u>31 July 2017</u>	<u>31 January 2017</u>
Trade payables to third parties ⁽¹⁾	215,658	186,112
Expense accruals	4,314	4,663
	219,972	190,775

Trade payables comprises of the unpaid amounts of trade purchases and ongoing expenditures.

⁽¹⁾ Trade payables to third parties comprise factoring payables amounting TL 58,335 (31 January 2017: TL 81,385). The Company performs import factoring for foreign good purchases. In this context, foreign suppliers transfer their receivables to finance organizations after receiving Company’s confirmation.

10 Property and equipment and intangible assets

The amount of tangible and intangible assets purchased during the six month period ended 31 July 2017 is TL 36,079 (31 July 2016: TL 31,016).

Net book value of tangible and intangible assets sold during the six month period ended 31 July 2017 amounted to TL 135 (31 July 2016: TL 1,020).

11 Goodwill

As at 31 July 2017, and 31 January 2017, the carrying amount of goodwill allocated to each cash generating unit is as follows;

	<u>31 July 2017</u>	<u>Restated 31 January 2017</u>
Mavi America	81,016	87,976
Mavi Canada	8,457	8,763
Other	3,733	3,733
	93,206	100,472

Goodwill amounting TL 67,631, which was formerly reported as of 31 January 2017, has been restated to TL 100,472. At the same time TL 32,841 restatement effect includes TL 7,499 foreign currency translation.

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12 Provisions, contingent assets and liabilities

Short term provisions

As at 31 July 2017 and 31 January 2017, short term provisions are as follows:

	31 July 2017	31 January 2017
Provision for employee benefits	2,658	2,159
Other short term provisions	9,137	8,471
	11,795	10,630

Short term provision for employee benefits consists of provision for vacation pay liability. For the periods ended 31 July, the movement of provision for vacation liability is as follows:

	2017	2016
1 February balance	2,159	862
Effect of movements in exchange rates	(38)	24
Current period provision	537	1,273
31 July balance	2,658	2,159

Vacation pay liability is calculated by remaining number of unused vacation days and average daily salary.

Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term vacation pay liability if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

In accordance with the existing labour law in Turkey, the Company is required to pay to the employee, whose employment is terminated due to any reasons, the wage of the deserved and unused vacation days over the gross prevailing wage and other benefits subject to contract at the date the contract is terminated. Vacation pay liability is the total undiscounted liability of the deserved and unused vacation days of all employees.

For the period ended 31 July 2017 and 31 January 2017, details of other short term provisions are as follows:

	31 July 2017	31 January 2017
Legal provision ⁽¹⁾	1,974	1,892
Return provision	5,736	4,817
Other provisions	1,427	1,762
	9,137	8,471

⁽¹⁾ Legal provision mainly comprised of labour lawsuits.

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12 Provisions, contingent assets and liabilities (continued)

Short term provisions (continued)

For the periods ended 31 July 2017 and 2016, the movement of short term provision is as follows:

	Legal provision	Return provisions	Other provisions	Total
1 February 2016 balance	1,210	4,059	750	6,019
Current year provision	1	1,028	670	1,699
Effect of movements in exchange rates	--	51	20	71
Provisions used during year	--	--	(283)	(283)
31 July 2016 balance	1,211	5,138	1,157	7,506

	Legal provision	Return Provisions	Other provisions	Total
1 February 2017 balance	1,892	4,817	1,762	8,471
Current year provision	105	1,782	361	2,248
Effect of movements in exchange rates	(23)	(20)	(6)	(49)
Provisions used during year	--	(843)	(690)	(1,533)
31 July 2017 balance	1,974	5,736	1,427	9,137

Long term provisions

For the six month period ended 31 July 2017 long term provisions consist of severance pay liabilities in amount of TL 3,343 (31 January 2017: TL 3,151).

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13 Capital, reserves and other capital reserves

Paid-in capital

As at 31 July 2017 and 31 January 2017, paid capital is as follows:

	%	31 July 2017	%	31 January 2017
Blue International	46.55	23,116	100.00	49,657
Publicly held	53.45	26,541	--	--
	100.00	49,657	100.00	49,657

As of 31 July 2017 paid-in capital of the Company comprises 49,657,000 shares issued of full TL 1 each (31 January 2017: 49,657,000 shares).

Other reserves

The difference between exercise price of put option and the carrying amount of the minority interests that are derecognized under other reserves by the Group. Subsequent changes to fair value of put option obligations are also recognized in profit or loss. On 29 March 2017, the non-controlling interest owners in Mavi Germany decided to exercise their put option rights. As a result of this transaction other reserves in amount of TL 4,080 has been reclassified to retained earnings.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss.

14 Selling, marketing and distribution expenses

For the periods ended 31 July 2017 and 2016, selling, marketing and distribution expenses comprised the following:

	1 February – 31 July 2017	1 May – 31 July 2017	1 February – 31 July 2016	1 May – 31 July 2016
Rent expenses	(104,416)	(54,381)	(81,491)	(42,739)
Personnel expenses	(95,195)	(49,383)	(67,987)	(33,000)
Depreciation and amortization expenses	(22,191)	(11,352)	(17,688)	(9,058)
Other	(58,111)	(26,262)	(39,854)	(18,743)
	(279,913)	(141,378)	(207,020)	(103,540)

15 Other income and expense

For the periods ended 31 July 2017 and 2016, other operating income comprised the following:

	1 February – 31 July 2017	1 May – 31 July 2017	1 February – 31 July 2016	1 May – 31 July 2016
Damage compensation income ⁽¹⁾	282	71	1,188	33
Salary protocol income	222	89	184	92
Decoration income ⁽²⁾	687	12	--	(20)
Other	46	24	74	49
	1,237	196	1,446	154

⁽¹⁾ Income from insurance claims.

⁽²⁾ Income from decoration incentives within the scope of Turquality.

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15 Other income and expense (continued)

For the periods ended 31 July 2017 and 2016, other expenses comprised the following:

	1 February – 31 July 2017	1 May – 31 July 2017	1 February – 31 July 2016	1 May – 31 July 2016
Kazakhstan restructuring expenses ⁽¹⁾	--	--	(728)	--
Store closing expense	(157)	(157)	(362)	(362)
Other	(200)	(149)	(369)	(206)
	(357)	(306)	(1,459)	(568)

⁽¹⁾Expense related to closure of legally owned stores in Kazakhstan.

16 Finance income

For the periods ended 31 July 2017 and 2016, finance income comprised the following:

	1 February – 31 July 2017	1 May – 31 July 2017	1 February – 31 July 2016	1 May – 31 July 2016
Interest income on:				
Receivables and payables, net	1,154	1,154	405	405
Time deposits	356	134	214	(319)
	1,216	(3,891)	1,316	(3,315)
Foreign exchange gain	2,726	(2,603)	1,935	(3,229)

17 Finance costs

For the periods ended 31 July 2017 and 2016, finance costs comprised the following:

	1 February – 31 July 2017	1 May – 31 July 2017	1 February – 31 July 2016	1 May – 31 July 2016
Interest expenses on:				
Interest expenses on purchases	(11,465)	(4,994)	(6,542)	(2,479)
Financial liabilities measured at amortized cost	(16,085)	(8,055)	(8,031)	(4,319)
	(27,550)	(13,049)	(14,573)	(6,798)
Change in fair value of forward contracts	(4,455)	(187)	(2,174)	4,034
Foreign exchange loss	(1,053)	145	(257)	(205)
Credit card commission expenses	(3,562)	(1,557)	(3,406)	(1,842)
Import financing expenses	(1,999)	(1,048)	(1,342)	(412)
Other	(510)	596	(517)	328
	(39,129)	(15,100)	(22,269)	(4,895)

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18 Income taxes

Corporate tax rate of Turkey is 20%. For the six month period ended 31 July 2017, Group's effective tax rate is 24% (31 July 2016: 23%). The main reasons of difference between the corporate tax rate and the effective tax rate are listed below:

- Variety of tax rates of the Group's subsidiaries operates outside of Turkey; and
- The effect of non-deductible expenses increases tax rate to 24%.

19 Earnings per share

The amount of earnings per share is calculated by dividing the net period profit attributable to the owners of the Company shares by the weighted average share of the company's shares during the period. The calculation of earnings per share for the periods ended 31 July 2017 and 2016 is as follows:

	1 February – 31 July 2017	1 May – 31 July 2017	1 February – 31 July 2016	1 May – 31 July 2016
Net profit for the year attributable to owners of the Company	34,095	17,082	18,297	8,062
Weighted average number of ordinary shares (basic)	49,657,000	49,657,000	49,657,000	49,657,000
Earnings per ordinary share (full TL)	0.6866	0.3440	0.3684	0.1623

20 Derivatives

As at 31 July 2017 and 31 January 2017, short term derivative assets and liabilities are as follows:

	31 July 2017	31 January 2017
Forward assets	--	7,336
Forward liabilities	(5,922)	--
	(5,922)	7,336

As of 31 July 2017, the Group has open forward contracts in the notional amount of USD 27,222 in equivalent of TL 96,070. Ineffective portion of forward contracts amounting to TL 172 is reclassified to profit or loss and effective portion amounting to TL 331 is imputed to inventory. The remaining balance of effective portion of forward contracts amounting to TL 3,060 is recognized in other comprehensive income.

21 Operating leases

Leases as lessee

As at 31 July 2017 and 31 January 2017, total minimum lease payments pursuant to leases are as follows:

	31 July 2017	31 January 2017
Less than one year	188,169	189,940
1-5 year	486,418	498,515
More than 5 years	79,852	90,655
	754,439	779,110

Group has leased retail stores and its head office through an operating lease.

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22 Commitments

(a) Warranties, pledges and mortgages

As of 31 July 2017 and 31 January 2017, the Group's guarantee / pledge / mortgage ("GPM") position statement is as follows:

	31 July 2017					
	TL Equivalent	TL	EUR	RUB	USD	CAD
A. On behalf of its own legal personality of the total amount of GPMs	124,411	4,093	25,608	--	4,113	--
Guarantee	124,411	4,093	25,608	--	4,113	--
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	939	--	15	13,960	--	15
Guarantee	886	--	15	13,960	--	--
Pledge	--	--	--	--	--	--
Mortgage	53	--	--	--	--	15
C. Total amount of GPM given to conduct other 3rd parties to guarantee the depts.						
Guarantee	--	--	--	--	--	--
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
D. Total amount of other GPM						
i. Total amount of GPM given on behalf of the main partners	--	--	--	--	--	--
Guarantee	--	--	--	--	--	--
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
ii. Total amount of GPM given on behalf of other group companies which are not in the scope of B and C section						
Guarantee	--	--	--	--	--	--
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
iii. Total amount of GPM given on behalf of other group companies which are not in the scope of C section						
Guarantee	--	--	--	--	--	--
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
Total GPM	125,350	4,093	25,623	13,960	4,113	15

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22

Commitments (continued)

(a) Warranties, pledges and mortgages (continued)

	31 January 2017					
	TL Equivalent	TL	EUR	RUB	USD	CAD
A. On behalf of its own legal personality of the total amount of GPMs	103,194	4,070	20,456	--	3,989	--
Guarantee	103,194	4,070	20,456	--	3,989	--
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	1,319	--	94	13,960	--	16
Guarantee	1,272	--	94	13,960	--	--
Pledge	--	--	--	--	--	--
Mortgage	47	--	--	--	--	16
C. Total amount of GPM given to conduct other 3rd parties to guarantee the depts.	--	--	--	--	--	--
Guarantee	--	--	--	--	--	--
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
D. Total amount of other GPM	--	--	--	--	--	--
i. Total amount of GPM given on behalf of the main partners	--	--	--	--	--	--
Guarantee	--	--	--	--	--	--
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
ii. Total amount of GPM given on behalf of other group companies which are not in the scope of B and C section	--	--	--	--	--	--
Guarantee	--	--	--	--	--	--
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
iii. Total amount of GPM given on behalf of other group companies which are not in the scope of C section	--	--	--	--	--	--
Guarantee	--	--	--	--	--	--
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
Total GPM	104,513	4,070	20,550	13,960	3,989	16

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22 Commitments *(continued)*

(a) Warranties, pledges and mortgages *(continued)*

As of 31 July 2017, ratio of other GPM given by the Group to equity was 0% (31 January 2017: 0%).

As of 31 July 2017, letter of guarantees given to third parties for the amount of TL 82,953 are representing guarantees given to Eximbank for the purpose of importing goods (31 January 2017: TL 61,019).

The Group has purchase commitments related to inventory amounting to TL 269,937 as of 31 July 2017 (31 January 2017: TL 219,915).

(b) Guarantees received

As of 31 July 2017, Group has received letter of guarantees for the amount of TL 7,739 as in the form of security (31 January 2017: 6,354).

23 Nature and level of risks related to financial instruments

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The functional currencies of Group entities are CAD, USD, EUR, RUB and KZT.

The Group uses derivative financial instruments such as short-term forward foreign exchange contracts to hedge currency risk.

Interest rates of the loans are determined on the currency of the loan. Currency of loans, are mainly used in TL, match the cash flow generated from operations of the Group. In such way, Group protects itself from financial risks without using derivative instruments.

Interest rate risk

Group is not exposed to risk of interest rate fluctuations since the total amount of floating interest rate loans and borrowings are insignificant.

Capital Management

The Board’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence; to sustain future development of the business and to maintain an optimal capital structure in order to reduce the cost of capital.

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23 Nature and level of risks related to financial instruments (continued)

Currency Risk

The foreign currency exchange rates as at balance sheet date of the related periods are as follows:

	<u>31 July</u> <u>2017</u>	<u>31 January</u> <u>2017</u>
EUR / TL	4.1316	4.0983
USD / TL	3.5292	3.8324
RUB / TL	0.0589	0.0635
CAD / TL	2.8096	2.9111

The foreign currency average exchange rates for the six month period ended 31 July 2017 and 2016 are as follows:

	<u>31 July</u> <u>2017</u>	<u>31 July</u> <u>2016</u>
EUR / TL	3.9510	3.2568
USD / TL	3.6061	2.9100
RUB / TL	0.0593	0,0425
CAD / TL	2.7155	2,2143

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23 Nature and level of risks related to financial instruments (continued)

Market risk

Currency risk

As of 31 July 2017, the Group's foreign currency position specified in the following table arises from foreign currency denominated assets and liabilities.

	TL Equivalent	USD	Euro	Other
1. Trade receivables	5,506	1,161	--	1,525
2a. Monetary financial assets (including cash. banks)	30,193	3,410	4,246	816
2b. Non-monetary financial assets	--	--	--	--
3. Other	7,911	2,231	7	3
4. Current assets (1+2+3)	43,610	6,802	4,253	2,344
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
8. Non-current assets (5+6+7)	--	--	--	--
9. Total assets (4+8)	43,610	6,802	4,253	2,344
10. Trade payables	(60,609)	(16,848)	(235)	--
11. Financial liabilities	(95,433)	(3,189)	(20,374)	--
12a. Monetary other liabilities	(24,484)	(5,962)	(833)	--
12b. Non-monetary other liabilities	--	--	--	--
13. Short term liabilities (10+11+12)	(180,526)	(25,999)	(21,442)	--
14. Trade payables	--	--	--	--
15. Financial liabilities	(17,711)	(1,781)	(2,766)	--
16a. Monetary other liabilities	--	--	--	--
16b. Non-monetary other liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	(17,711)	(1,781)	(2,766)	--
18. Total liabilities (13+17)	(198,237)	(27,780)	(24,208)	--
19. Net asset/(liability) position of derivative instruments (19a-19b)	(5,922)	(1,678)	-	--
19a. Hedged total asset	-	-	-	-
19b. Hedged total liabilities	(5,922)	(1,678)	-	-
20. Position of net foreign currency assets/liabilities (9-18+19)	(160,549)	(22,656)	(19,955)	2,344
21. Position of net foreign currency monetary assets/liabilities(IAS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(162,538)	(23,209)	(19,962)	2,341

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23 Nature and level of risks related to financial instruments (continued)

Market risk (continued)

Currency risk (continued)

As of 31 January 2017 the Group's foreign currency position specified in the following table arises from foreign currency denominated assets and liabilities.

	TL Equivalent	USD	Euro	Other
1. Trade receivables	5,730	1,124	--	493
2a. Monetary financial assets (including cash, banks)	36,219	6,090	3,143	1
2b. Non-monetary financial assets	--	--	--	--
3. Other	3,761	968	13	--
4. Current assets (1+2+3)	45,709	8,181	3,156	494
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	111	16	12	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
8. Non-current assets (5+6+7)	111	16	12	--
9. Total assets (4+8)	45,820	8,197	3,168	494
10. Trade payables	(80,290)	(20,977)	25	--
11. Financial liabilities	(47,187)	(65)	(11,453)	--
12a. Monetary other liabilities	(76,365)	(17,253)	(2,500)	--
12b. Non-monetary other liabilities	--	--	--	--
13. Short term liabilities (10+11+12)	(203,842)	(38,296)	(13,928)	--
14. Trade payables	--	--	--	--
15. Financial liabilities	(16,482)	(386)	(3,661)	--
16a. Monetary other liabilities	--	--	--	--
16b. Non-monetary other liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	(16,482)	(386)	(3,661)	--
18. Total liabilities (13+17)	(220,325)	(38,682)	(17,588)	--
19. Net asset/(liability) position of derivative instruments (19a-19b)	7,336	1,914	--	--
19a. Hedged total asset	7,336	1,914	--	--
19b. Hedged total liabilities	--	--	--	--
20. Position of net foreign currency assets/liabilities (9-18+19)	(167,168)	(28,571)	(14,420)	494
21. Position of net foreign currency monetary assets/liabilities(IAS 7.B23)(=1+2a+5+6a-10-11-12a-14-15-16a)	(178,265)	(31,453)	(14,433)	494

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23 Nature and level of risks related to financial instruments (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

The Group's foreign exchange risk consists of movements of TL against Euro, US Dollar and Rouble and Australia Dollar.

The basis for performing sensitivity analysis to measure foreign exchange risk is to disclose total currency position of the Company. Total foreign currency position consists of all purchase/sales agreements in foreign currency and all assets and liabilities. Analysis does not include net foreign currency investments.

The Group's short term and long term borrowings are carried out in balance under pooling/portfolio model.

Foreign Currency Sensitivity Analysis				
31 July 2017				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
10% change of the USD against TL				
1- Net USD denominated asset/liability	(7,404)	7,404	(7,404)	7,404
2- Hedged portion of TL against USD risk(-)	--	--	592	(592)
3- Net effect of USD (1+2)	(7,404)	7,404	(6,812)	6,812
10% change of the EURO against TL				
4- Net EURO denominated asset/liability	(8,244)	8,244	(8,244)	8,244
5- Hedged portion of TL against EURO risk(-)	-	-	-	-
6- Net effect of EURO (4+5)	(8,244)	8,244	(8,244)	8,244
10% change of other against TL				
7- Net other denominated asset/liability	(407)	407	(407)	407
8- Hedged portion of TL against other risk(-)	-	-	-	-
9- Net effect of other (7+8)	(407)	407	(407)	407
Total (3+6+9)	(16,055)	16,055	(15,463)	15,463

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23 Nature and level of risks related to financial instruments (continued)

Market risk (continued)

Currency risk (continued)

Foreign Currency Sensitivity Analysis				
31 January 2017				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
10% change of the USD against TL				
1- Net USD denominated asset/liability	(11,683)	11,683	(11,683)	11,683
2- Hedged portion of TL against USD risk(-)	734	(734)	734	(734)
3- Net effect of USD (1+2)	(10,949)	10,949	(10,949)	10,949
10% change of the EURO against TL				
4- Net EURO denominated asset/liability	(5,910)	5,910	(5,910)	5,910
5- Hedged portion of TL against EURO risk(-)	--	--	--	--
6- Net effect of EURO (4+5)	(5,910)	5,910	(5,910)	5,910
10% change of other against TL				
7- Net other denominated asset/liability	143	(143)	143	(143)
8- Hedged portion of TL against other risk(-)	--	--	--	--
9- Net effect of other (7+8)	143	(143)	143	(143)
Total (3+6+9)	(16,717)	16,717	(16,717)	16,717

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24 Financial risk management

Fair values

The table below presents fair values and carrying amounts of financial assets and liabilities along with their amounts measured at fair value. If the carrying amount is an approximate assumption of the fair value, the table below does not include the fair value information of assets and liabilities not measured at fair value.

	Carrying amount			Fair value			
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 July 2017							
Financial assets measured at fair value							
Derivatives	--	--	--	--	--	--	--
Financial assets not measured at fair value							
Trade receivables from third parties	99,438	--	99,438	--	--	--	--
Other receivables from third parties ⁽¹⁾	23,744	--	23,744	--	--	--	--
Cash and cash equivalents	203,340	--	203,340	--	--	--	--
Total	326,522	--	326,522	--	--	--	--
Financial liabilities measured at fair value							
Derivatives	(5,922)	--	(5,922)	--	(5,922)	--	(5,922)
Financial liabilities not measured at fair value							
Bank overdrafts	--	(4,899)	(4,899)	--	--	(4,899)	(4,899)
Bank loans	--	(342,874)	(342,874)	--	--	(342,874)	(342,874)
Trade payables to third parties	--	(219,972)	(219,972)	--	--	--	--
Other payables to related parties	--	(24,484)	(24,484)	--	--	(24,484)	(24,484)
Other payables to third parties	--	(10,331)	(10,331)	--	--	--	--
Trade payables to related parties	--	(111,295)	(111,295)	--	--	--	--
Total	(5,922)	(713,855)	(719,777)	--	(5,922)	(372,257)	(378,179)

⁽¹⁾ Other receivables from third parties excludes deposits and guarantees given.

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24 Financial risk management (continued)

Fair values (continued)

	Carrying amount			Fair value			
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 January 2017							
Financial assets measured at fair value							
Derivatives	7,336	--	7,336	--	7,336	--	7,336
Financial assets not measured at fair value							
Trade receivables from third parties	105,322	--	105,322	--	--	--	--
Other receivables from third parties ⁽¹⁾	21,098	--	21,098	--	--	--	--
Trade receivables from related parties	4,193	--	4,193	--	--	--	--
Cash and cash equivalents	158,056	--	158,056	--	--	--	--
Total	296,005	--	296,005		7,336		7,336
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value							
Other payables to related parties	--	(76,365)	(76,365)	--	--	(76,365)	(76,365)
Financial liabilities not measured at fair value							
Bank overdrafts	--	(3,224)	(3,224)	--	--	(3,224)	(3,224)
Bank loans	--	(332,799)	(332,799)	--	--	(332,799)	(332,799)
Trade payables to third parties	--	(190,775)	(190,775)	--	--	--	--
Other payables to third parties	--	(10,356)	(10,356)	--	--	--	--
Trade payables to related parties	--	(108,740)	(108,740)	--	--	--	--
Total	--	(722,259)	(722,259)			(412,388)	(412,388)

⁽¹⁾ Other receivables from third parties excludes deposits and guarantees given.

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24 Financial risk management (continued)

Fair value disclosures

The Group estimates the fair values of financial instruments based on market information readily available and proper valuation approaches. The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments measured at fair value in the statement of financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

When measuring fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable	Intra-relationship between significant unobservable inputs and fair value measurement
Forward exchange contracts	Forward pricing: the fair value is determined using quoted forward Exchange rate and present value calculations based on high credit quality yield curves in the respective currencies.	Not applicable.	Not applicable.

Financial instruments not measured at fair value

Other financial liabilities ⁽¹⁾	Discounted cash flows: the valuation model considers the present value of expected payment, discounted using a risk-adjusted discounted rate.		
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⁽¹⁾ Other financial liabilities include bank loans.

As the financial assets and liabilities have short term in nature, the carrying amounts approximate their fair values.

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25 Subsequent events

As at 11 August 2017, the Group ceased its Kazakhstan operations and initiated liquidation process.

26 Ebitda reconciliation

The Directors of the Group have presented the performance measure EBITDA as they monitor this performance measure at a consolidated level and they believe this measure is relevant to an understanding of the Group’s financial performance. Profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation and amortization.

EBITDA is not a defined performance measure in IFRS. Reconciliation EBITDA for the six month period ended 31 July 2017 and 2016 are as follows:

	1 February – 31 July 2017	1 May – 31 July 2017	1 February – 31 July 2016	1 May – 31 July 2016
Profit	35,697	18,202	18,297	8,062
Income tax expense	11,068	5,733	5,331	2,266
Profit before tax	46,765	23,935	23,628	10,328
Adjustment for:				
-Net finance costs	36,403	17,703	20,334	8,124
-Depreciation and amortization	28,613	14,556	21,260	10,859
EBITDA	111,781	56,194	65,222	29,311