



mavi

Mavi Giyim Sanayi ve Ticaret A.Ş.

**Interim Report of the First Quarter between February 1 - April 30,
2017**

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1- General Information

i. Scope of the Report

This Interim Report is the Report of Board of Directors, prepared according to CMB Communiqué II, Numbered 14.1; related to the first quarter, ended April 30, 2017.

Within this report, the Company (Mavi Giyim Sanayi ve Tic. A.Ş.) and its subsidiaries will be defined as "Group".

ii. 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 TRY k 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 USDk 17,165 from USDk 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 TRYk 32,841 and TRYk 32,872, respectively and foreign currency translation reserves decreased by TRY 30 in the consolidated financials as at 31 January 2017. This remeasurement has no effect on the statement of profit or loss.

iii. About Mavi

Mavi Giyim San. ve Tic. A.Ş., is established in Turkey. The registered address of the Company is Sultan Selim Mahallesi Eski Büyükdere Caddesi No:53 34418, Kağıthane, İstanbul.

Mavi engages in wholesale and retail sales of ready-to-wear denim apparel. The product range includes knit and woven shirts, t-shirts, jackets, skirts, dresses, accessories and denim bottoms for men, women and children.

Our Company is a member of Büyük Mükellefler Tax Office with tax no. 613 002 7985, registered in Istanbul Trade Registry under registration no. 309315.

Fiscal year of the Company is between February 1 – January 31; and our interim report consists of the first quarter of the fiscal year 2017, between February 1 – April 30.

Official websites of the Company are www.mavi.com, www.mavicompany.com and www.maviyatirimciliskileri.com

As of April 30, 2017 Group's total number of employees is 3.447 (3.065 in Turkey, 382 in International offices)

iv. Capital Structure

Capital structure of the Group as of April 30, 2017 is as follows;

	%	April 30, 2017
Blue International Holding B.V.	100	49.657.000
	100	49.657.000

Company's shared capital consist of 49.657.000 shares, all such shares are issued, fully paid and have a nominal value of TRY 1.00 each at the date of April 30, 2017.

Our authorized share capital limit is TRY 245.000.000.

As from starting to be traded in Borsa Istanbul by June 15, 2017; the share structure of the company changed as below:

	%	June 15, 2017
Blue International Holding B.V.	45	22.345.650
Publicly-traded	55	27.311.350*
	100	49.657.000

*Additional shares sold are included

v. Structure and Composition of the Board of Directors

Board of Directors		
Name	Position	Year Elected – Year Term Ends
Seymur Tari	Chairmen of the Board	2015 - 2018
Ragıp Ersin Akarlılar	Vice Chairmen	2015 - 2018
Arif Kerem Onursal	Member	2015 - 2018

Fatma Elif Akarlılar	Member	2015 - 2018
Hatice Hale Özsoy	Member	2015 - 2018
Ahmet Cüneyt Yavuz	Member	2017 - 2018

Auditor

Name	Position	Year Elected – Year Term Ends
Tuba Toprakçı Yılmaz	Auditor	2015 - 2018

2 – Information Related to Operations

i. Organisational Structure

As of April 30, 2017 Group's total number of employees is 3.447 (3.065 in Turkey, 382 in International offices)

In the organisational structure of the Company, 10 directorships are reporting directly to our CEO, namely;

- *Global HR*
- *Global Finance*
- *Global IT*
- *Global Sourcing*
- *Global Brand*
- *Global Supply Chain*
- *Global Category*
- *Turkey Sales*
- *E-Commerce*
- *International Markets*

Additionally, as from May 8, 2017 Internal Audit Director started to work and directly reports to the Board.

ii. Operations

Company operates through three sales channels;

- Retail; represents our sales to consumers at mono-brand stores that we operate ourselves,
- Wholesale; sales are to third-party retailers that then on-sell to customers, which includes department store chains, corner shops and other stores and third-party e-commerce channels as well as franchise mono-brand stores
- E-commerce; represents direct sales that the Company makes to consumers on our own websites

Mavi sells its products in 35 countries including Turkey, USA, Canada, Germany and Russia.

During the first quarter, we opened 11 new mono-brand stores (10 in Turkey and 1 in Russia) and reached up to 294 mono-brand stores directly operated by the Company. (271 in Turkey and 23 in International)

In Turkey, 10 new stores roll-out with an average of 586 sqm; the expansion of 7 existing stores corresponding to 2,111sqm; as a result, total 271 retail stores in Turkey, reached up to 125k sqm by the end of Q1 compared to 117k sqm at the end of fiscal year 2016.

Turkey sales increased by 25% as a result of;

- strong LFL performance (19.7%), with
 - 11.6% transaction
 - 7.3% basket size
- 10 new store openings and 7 retail store expansions
- as well as 42% increase in E-commerce.

International sales increased by 148% to TRY 78.6 million, from TRY 31.7 million in Q1 FY 2016, with inorganic growth supported by acquisition of US and Canada businesses in August 2016. On a pro-forma basis, sales increased by 34%.

iii. Direct and Indirect Subsidiaries

Direct and indirect subsidiaries of the Company are as follows;

Subsidiary	Country	Share
Mavi Europe AG	Germany	87.50%
Mavi Jeans Nederland BV	Netherlands	100%
Mavi Jeans LLC Limited	Russia	100%
Mavi Kazakhstan LLP	Kazakhstan	100%
Eflatun Giyim Yatırım Tic. A.Ş.	Turkey	51%
Mavi Jeans Canada	Canada	38,25%
Mavi Jeans Inc.	USA	51%

3 – Summary Financials

TRYm	Q1 2016	Q1 2017	Change (%)
Revenue	310,3	428,2	38,0%
Cost of Sales	(160,7)	(219,9)	36,9%
Gross Profit	149,6	208,2	39,2%
Gross Margin	48,2%	48,6%	
Profit Before Tax	13,3	22,8	71,6%
Income Tax Expense	(3,1)	(5,3)	74,1%
Profit	10,2	17,5	70,9%
Profit Margin	3,3%	4,1%	23,9%
Non-controlling Interest	-	0,5	n.a.
Profit Attr. to Owners' Equity	10,2	17,0	66,2%
EBITDA	35,9	55,6	54,8%
EBITDA Margin	11,6%	13,0%	

TRYm	31 January 2017 Restated	30 April 2017	Change (%)
Assets			
Current Assets			
Cash and Cash Equivalents	158,1	156,3	(1,1%)
Trade Receivables	109,4	185,4	69,5%
Inventories	287,8	289,5	0,6%
Current Tax Assets	5,3	0,3	(95,3%)
Other Current Assets	64,8	75,6	16,6%
Total Current Assets	625,4	706,9	13,0%
Non-Current Assets			
Property and Equipment	136,6	144,3	5,7%
Intangible Assets ¹	156,0	144,1	(7,6%)
Other Non-Current Assets	8,8	12,0	35,7%
Total Non-Current Assets	301,4	300,4	(0,3%)
Total Assets	926,8	1.007,3	8,7%
Liabilities			
Current Liabilities			
Short-Term Debt	230,8	229,7	(0,5%)
Trade Payables	299,5	348,6	16,4%
Other Current Liabilities	134,1	133,0	(0,9%)
Total Current Liabilities	664,5	711,3	7,0%
Non-Current Liabilities			
Long-Term Financial Liabilities	105,2	125,2	19,0%
Other non-current Liabilities	16,7	15,5	(7,1%)
Total Non-Current Liabilities	121,9	140,7	15,4%
Total Liabilities	786,3	852,0	8,3%
Equity			
Total Equity	140,5	155,4	10,6%
Total Equity & Liabilities	926,8	1.007,3	8,7%

TRYm	Q1 2016	Q1 2017
Profit ¹	10,2	17,5
Cash Flow from Operating Activities	43,4	68,6
Δ in Net Working Capital ²	(37,7)	(55,9)
Net Cash from Operating Activities	5,7	12,7
Cash Flows from Investing Activities		
Capex	(13,2)	(21,5)
Other Investing Cash Flow ³	0,1	0,2
Net Cash Flow Used in Investing Activities	(13,1)	(21,3)
Cash Flows from Financing Activities		
Net Cash Flows Used in Financing Activities	(0,5)	10,0
Net Cash Flow	(7,9)	1,4
Cash and Cash Equivalents at the Beginning of the Period ⁴	111,4	154,8
Cash and Cash Equivalents at the End of the Period ⁴	103,5	156,3

i. Financial Overview of the Management

First quarter of fiscal year 2017 actualized in line with the targets and expectations of the Management.

- Group's Consolidated Revenue increased by 38% to TRY 428 million in Q1 2017, compared with the same period of the previous year.
- Gross profit increased by 39% to TRY 208 million, corresponding to an increased gross margin of 48.6%
- EBITDA reached up to TRY 56 million with a margin of 13% resulting to 55% growth, compared with previous year.
- Net income increased by 71% to TRY 17 million by the end of Q1 2017.
- TRY 199 million net debt at the end of Q1 2017 is 1.0 times EBITDA, in line with the end of fiscal year 2016.
- CAPEX as percentage of sales at the end of Q1 2017 is 5%.

ii. Dividend Distribution Policy

The dividend distribution policy of the Company is to pay dividends when permitted by applicable regulations and the articles of association and to the extent dividend distribution is feasible as per the Company's financial condition. The dividend distribution policy has been approved by the Company's board of directors and will be submitted for the approval of the general assembly.

The dividend distribution policy aims to distribute at least 30% of the distributable net profit, calculated as per applicable laws and tax regulations, in cash, in the form of bonus shares or a combination of the two. The board of directors will submit a dividend distribution proposal for the approval of our shareholders in each ordinary general assembly by taking into consideration the market expectations, subsidiaries' capital needs and long-term strategies, investment and financial policies, financing needs, short term liabilities, profitability and liquidity of the Company. The Company may consider making interim dividend payments or the dividend payment in installments subject to the approval of the general assembly. The total dividend to be distributed will be shared among the shareholders pro rata to their shareholding and regardless of date of issuance or acquisition of their shares. There is no privilege granted to any of the shares with respect to dividend distribution.

4 – Developments After Reporting Period

- In line with the Corporate Governance Principles; International Operations Advisory Board is established within BoD dated May 16, 2017 decision numbered 2017/26; Audit Committee, Corporate Governance Committee and Early Risk Detection Committee established within BoD dated May 24, 2017 decision numbered 2017/28.
- The Company, Fatma Elif Akarlılar and Seyhan Akarlılar has an Agreement dated April 30, 2016 regarding to the acquisition of the remaining 49% share of Eflatun Giyim Yatırım Tic. A.Ş. The Company, Fatma Elif Akarlılar and Seyhan Akarlılar through the protocol on July 5, 2017 resolved that the share put option deemed to be held by Fatma Elif Akarlılar and Seyhan Akarlılar pursuant to the agreement dated April 30, 2017 is null and void from the beginning. The share purchase option of the Company under such agreement remains in effect.

Disclaimer on Forward Looking Statements

This memorandum contains / may contain forward looking statements that relate to our prospective performance, and such statements reflect the Company's assumptions about its future operations. The forward looking statements reflect the management's belief based on the information currently available to them. Mavi Giyim's actual results depend on future events and uncertainties that may materially affect the Company's performance.