



mavi

Mavi Giyim Sanayi ve Ticaret A.Ş.
Interim Report for the Six Months Period
February 1 - July 31, 2017

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1- Corporate Information

This Interim Report is the Report of the Board of Directors, prepared according to CMB Communiqué II, Numbered 14.1; related to the first half of 2017, ended July 31, 2017.

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

i. 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 to local and international customers. The product range includes knit and woven shirts, t-shirts, jackets, skirts, dresses, accessories and denim bottoms for men, women and children. International sales operations started in 1994 and the company has showrooms in Heusenstamm, Düsseldorf, Sindelfingen, Munich, Hamburg, Berlin, Zürich, Salzburg, Prag, Brüksel, Moskova, New York, Los Angeles, Atlanta, Dallas, Chicago, Vancouver, Toronto and Montreal.

Our Company is a member of Büyük Mükellefler Tax Office with tax id number 613 002 7985, registered under Istanbul Trade Registry with registration number 309315.

Fiscal year of the Company is between February 1 – January 31 in line with the fashion apparel business seasons; and our interim report consists of the first six months period of the fiscal year 2017, between February 1 – July 31.

Official company websites are www.mavi.com and www.mavicompany.com

ii. Capital Structure

Company’s shared capital consist of 49.657.000 shares, all of which are issued, fully paid and have a nominal value of TRY 1.00 each at the date of July 31, 2017. Our authorized share capital limit is TRY 245,000,000.

With the appropriate permission from İstanbul Stock Exchange Market Presidency, shares equal to TL 27,311 representing 55% of nominal shares was offered to public on 15 June 2017 with the ticker MAVI.

Capital structure of the Group as of July 31, 2017 is as follows;

	%	31 July 2017
Blue International Holding B.V.	46.55	23,115,396
Publicly Listed	53.45	26,541,604
	100.00	49,657,000

iii. Direct and Indirect Subsidiaries

Direct and indirect subsidiaries of the Company are as follows;

Subsidiary	Country	Share
Mavi Europe AG	Almanya	87.50%
Mavi Jeans Nederland BV	Hollanda	100.00%
Mavi Jeans LLC Limited	Rusya	100.00%
Mavi Kazakhstan LLP	Kazakistan	100.00%
Eflatun Giyim Yatırım Tic. A.Ş.	Türkiye	51.00%
<i>Mavi Jeans Canada</i>	<i>Kanada</i>	<i>38.25%</i>
<i>Mavi Jeans Inc.</i>	<i>ABD</i>	<i>51.00%</i>

iv. Structure and Composition of the Board of Directors

Our Board consists of six members, two of which are independent board members.

As of July 31, 2017 the Board of Directors is as follows:

Director	Role	Executive/Independent
Ragıp Ersin Akarlılar	Chairman	Non-Executive
Seymur Tarı	Vice Chairman	Non-Executive
Elif Akarlılar	Member	Executive
Cüneyt Yavuz	Member	Executive
Ahmet Ashaboğlu	Member	Independent
Nevzat Aydın	Member	Independent

Also within this reporting period Arif Kerem Onursal and Hatice Hale Özsoy Bıyıklı have served as board members up to July 17, 2017. Short biographical information about the board members can be found on our company website www.mavicompany.com.

In order to assist the Board of Directors with their responsibilities, Audit Committee, Early Identification of Risks Committee and Corporate Governance Committee has been established within the Board on

May 24, 2017 and their working principles has been disclosed within the offering circular. Regarding the committees, our Board of Directors has made the following appointments on August 22, 2017.

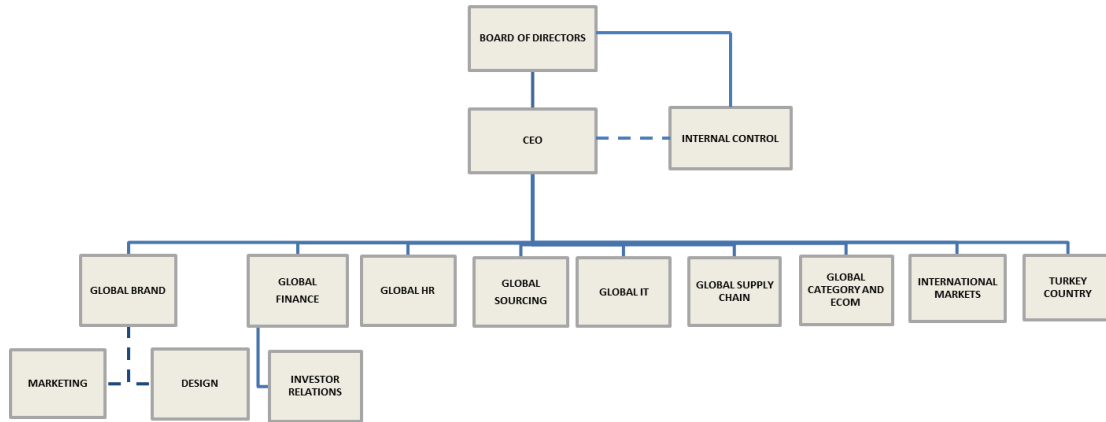
Independent board members Ahmet Fadil Ashaboğlu and Nevzat Aydın has been appointed as members of the Audit Committee with Ahmet Fadil Ashaboğlu as the chairman of the committee;

Chairman of the board Ragıp Ersin Akarlılar, independent board member Nevzat Aydın and investor relations director Duygu Inceoz has been appointed as members of Corporate Governance Committee with Nevzat Aydın as chairman of the committee;

Chairman of the board Ragıp Ersin Akarlılar, independent board member Ahmet Fadil Ashaboğlu and CFO Tuba Toprakçı Yılmaz has been appointed as members of the Early Identification of Risks Committee with Ahmet Fadil Ashaboğlu as the chairman of the committee.

v. Organization Structure and Management

As of July 31, 2017 Group's total number of employees is 3.503 (3.130 in Turkey, 373 in International offices) Following charts show our Company's organisation structure and management team.



	Görevi	Başlama Tarihi
Cüneyt Yavuz	CEO	2008
Tuba Toprakçı Yılmaz	CFO	2006
Elif Akarlılar	Global Brand Director	1991
Savan Tüysüz	Turkey Country Director	2016

2 – Operational and Financial Information

i. Operational Developments

Mavi sells its products in 35 countries including Turkey, USA, Canada, Germany and Russia through three sales channels;

- Retail; represents our sales to consumers at mono-brand stores that we operate ourselves (%66 of total sales in H1 2017),
- 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 (32%)
- E-commerce; represents direct sales that the Company makes to consumers on our own websites (2%)

During the first six months period of 2017, we opened 14 new mono-brand stores (11 in Turkey and 3 in Russia) and reached 297 mono-brand stores directly operated by the Company. (272 in Turkey and 25 International)

Turkey retail operation reached 128k sqm with 272 mono-brand stores by the end of July, 2017 compared to 117k sqm at the end of fiscal year 2016 with 11 new store roll-out with an average of 601 sqm and the expansion of 13 existing stores corresponding to 3,455sqm.

Within the wholesale operations Mavi has 108 monobrand franchise stores and more than 5.000 sales points globally.

We continued to gain new retail customers as the number of our loyalty card members (Kartuş Card Holders) increased to 6.1 mn as of 31 July, 2017 from 5.7 mn in year end 2016.

ii. Financial Developments

TRYm	1H 2016	1H 2017	Change (%)
Revenue	585,144	828,792	41.6%
Cost of Sales	(290,621)	(409,400)	40.9%
Gross Profit	294,523	419,392	42.4%
Operating Profit	49,559	87,101	75.6%
Operating Margin	8.5%	10.5%	2,0 p.
Profit	18,297	35,697	95.1%
Profit Margin	3.1%	4.3%	1,2 p.
EBITDA	65,222	111,781	71.4%
EBITDA Margin	11.1%	13.5%	2,3 p.

In the first half of 2017, total company revenue stood at TRY 828 million with an increase of 41.6% compared to the same period of 2016. Sales were realised with 50.6% gross margin, 10.5% of operational profit margin and 13.5% of EBITDA margin.

Turkey sales increased by 29% as a result of;

- strong LFL performance (21.5%), with
 - 13.7% transaction
 - 6.9% basket size
- 11 new store openings and 13 retail store expansions
- as well as 38% increase in E-commerce.

International sales increased by 149% to TRY 152 million, from TRY 61 million in H1 2016, with inorganic growth supported by acquisition of US and Canada businesses in August 2016. On a pro-forma basis, sales increased by 46%.

E-commerce sales grew by 95% to TRY 16 million and constituted 2% of sales.

iii. Financial Overview of the Management

Financial and operational results of the first six months of fiscal year 2017 which correspond to Spring Summer 2017 season, actualized in line with management targets and expectations.

- Group's Consolidated Revenue increased by 42% to TRY 829 million in H1 2017, compared to the same period of the previous year.

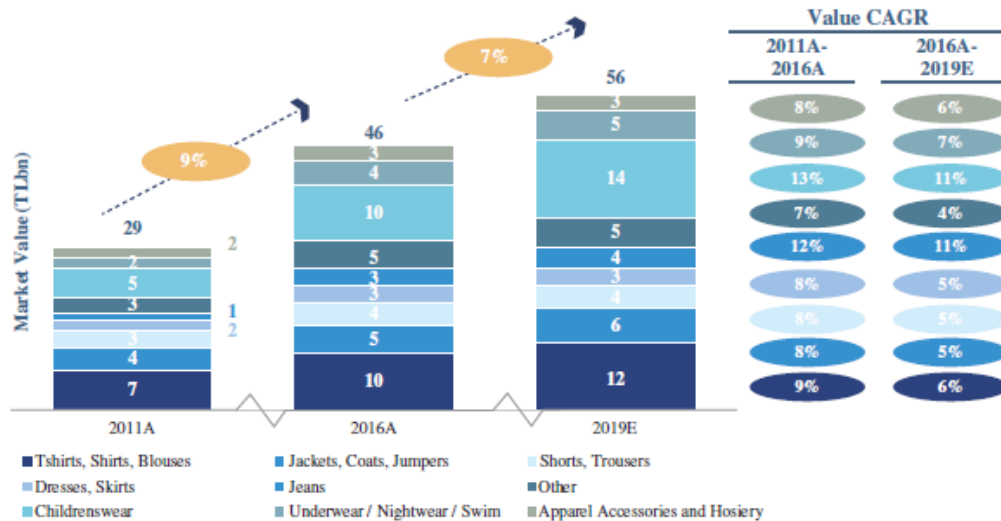
- Gross profit increased by 42% to TRY 419 million, corresponding to an increased gross margin of 50.6%
- EBITDA reached TRY 112 million with a margin of 13.5% resulting to 71% growth and 2.3pts margin expansion compared to the previous year.
- Net Debt decreased to TRY 144 million at July 31, 2017 from TRY 178 million at the end of fiscal year 2016. As a result net debt/LTM EBITDA multiple came to 0,7 times.
- TRY 36 million CAPEX was realised for new store openings and store sqm expansions and renovations. CAPEX as percentage of sales in H1 2017 was 4,3%.

3 – Economy and Industry Information

The Turkish economy sustained average real GDP growth of 5.7% between 2001 and 2016, with GDP per capita reached \$10,807 for 2016, up from \$3,084 for the year ended 2001 (Source: Turkstat).

Furthermore, according to Turkstat, Turkey has a young population with a median age of approximately 30 years in 2016. Turkey has a population of 79.8 million with males constituting 50.2% and females 49.8% and 32.5% of the population is in the 15–34 year age group. Considering our loyal customer base whose core segment consists of young, fashion-conscious men and women under the age of 34, Turkey's young population is helping us to optimize our sell-through rate.

Evolution of Apparel and Accessories Market in Turkey (2011 (actual) - 2019 (expected), TRYbn)



Source: Euromonitor¹

According to Euromonitor, the total market for apparel and accessories in Turkey was approximately TL 46 billion in 2016. The total market, which grew at an annual CAGR of 9% between 2011 and

¹ İlgili raporlara <http://www.euromonitor.com/jeans-in-turkey/report> ve <http://www.euromonitor.com/apparel-and-footwear-in-turkey/report> adreslerinden ulaşılabilir.

2016, is expected to reach TL 56 billion in 2019, growing at an expected annual CAGR of 7% between 2016 and 2019.

Jean spending per capita in Turkey is €10, which is materially lower than other countries (e.g., United States with spend per capita of €49, United Kingdom with €45 and Australia with €39) which suggests ample room for further growth.

From a competition standpoint, the Turkish apparel market includes a mix of local and international players. According to Euromonitor, the five largest players accounted for approximately 30% of the market in 2016, with Mavi as the only local brand in the upper market segment.

Mavi is a brand focused on core to premium in Turkish apparel market. Internationally, we are positioned as lifestyle aspirational brand with a product strategy built around the pillars of our Perfect Fit approach, high quality for the price and customer-centric products. We compete at the upper end of the core jeans market, and are able to offer premium products to reinforce and grow our market position and pricing power.

Mavi is the Jean brand of choice for 29% of women and 28% of man and the number one “top of mind” Jean brand in Turkey with 53% according to a brand perception study of GFK² which took place in June 2016. It has also been named the “Coolest Brand” in Turkey and “Best Youth Brand” in Turkey in several surveys in the recent years.

According to 2015 Fortune 500 results, we rank as the 152nd largest company in Turkey. Also, according to Ekonomist Franchising 100 Study, we are the fourth largest franchiser in Turkey in 2016.

4 - Future Expectations

In the last three years ended January 31, 2017 Mavi has opened 26 new retail stores in Turkey, and realised 16.3% like-for-like growth and 24.7% Turkey retail revenue growth on average. According to our company business plans covering the 3 years period 2017-2019, we are targeting to sustain 26 store openings yearly with similar growth rates. Our management is devoted to achieving these targets through the following actions:

- Increasing sales by enriching customer experience
- Accelerating category based growth to increase conversion rates
- Efficient product planning to drive higher stock turnover
- Increasing items per ticket
- Increase floorspace in Turkey, both via new mono-brand stores opening and mono-brand store expansion
- E-commerce growth
- International expansion

² İlgili rapora http://sky-static.mavi.com/sys-master/maviTrImages/234234/01/GFK_Marka_Bilinirlik.html adresinden ulaşılabilir.

5 - Other Developments

- In regard to the Corporate Governance Guidelines, International Operations Advisory Board has been established on May 16, 2017 and Audit Committee, Early Identification of Risks Committee and Corporate Governance Committee has been established within the Board on May 24, 2017.
- Our %100 joint venture Mavi Kazakhstan has ceased its operations completely as of August 11, 2017 and its liquidation period has been announced and officially started.

6 – Summary Financial Tables

TRYm	31 January 2017	31 July 2017	Change (%)
Current Assets	625,380	659,949	
Non-Current Assets	301,430	300,494	
Total Assets	926,810	960,443	3.6%
Current Liabilities	664,463	644,321	
Non-Current Liabilities	121,877	135,507	
Total Liabilities	786,340	779,828	(0.8%)
Total Equity	140,470	180,615	28.6%
Total Equity & Liabilities	926,810	960,443	3.6%
Total Debt /Total Assets	0.85	0.81	-4%
Equity / Total Assets	0.15	0.19	24%

TRYm	1H 2016	1H 2017	Change (%)
Revenue	585,144	828,792	41.6%
Cost of Sales	(290,621)	(409,400)	40.9%
Gross Profit	294,523	419,392	42.4%
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EBITDA	65,222	111,781	71.4%
EBITDA Margin	11.1%	13.5%	2,3 p.
Earnings per Share	0.37	0.69	86%

Disclaimer on Market Data and Forward Looking Statements

To the extent available, the industry, market and competitive position data contained in this report come from official or third party sources. We have not, however, independently verified the information in industry publications, market research or other publicly available information provided by third parties, although we believe the information contained therein to be from reliable sources. In addition, certain of the industry, market and competitive position data contained in this presentation come from our own internal research and estimates based on the knowledge and experience of the Company's management in the markets in which we operate. Although we believe our internal estimates to be reasonable, these estimates have not been verified by any independent sources. We cannot, therefore, assure you of their accuracy, or that a third party using different methods would obtain the same results.

This report includes forward-looking statements. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward looking statements involve risks, uncertainties and other important factors over which we may have limited or no control. These factors could cause our actual results, performance or achievements to differ materially from any future circumstances, results, performance or achievements expressed or implied by such statements. As a result, you should not place undue reliance on such statements. You can find further details of the principal risks and uncertainties affecting the Company in our filings with Borsa Istanbul. The forward-looking statements included in this report represent the Company's views as of the date of this report. These views could change. In consequence, you should not rely on these forward-looking statements as representing the Company's views as of any date after the date of this report.