



mavi

Mavi Giyim Sanayi ve Ticaret A.Ş.
Interim Report for the Three Months Period
February 1 – April 30, 2018

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1- Corporate Information

This Interim Report is the Report of the Board of Directors, prepared according to CMB Communique II, Numbered 14.1; related to the three months of 2018, ended April 30, 2018.

Throughout 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. was established in 1991 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 now has showrooms in Heusenstamm, Düsseldorf, Sindelfingen, Munich, Hamburg, Berlin, Zürich, Salzburg, Prag, Brüksel, Moskova, New York, New Jersey, Los Angeles, Atlanta, Dallas, Chicago, Vancouver, Toronto and Montreal.

The Company is a member of Büyük Mükellefler Tax Office with tax id number 613 002 7985, and 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 this interim report is based on the three months period of the fiscal year 2018, ending April 30.

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 April 30, 2018. Authorized share capital limit is TRY 245,000,000.

Mavi shares started trading on Borsa Istanbul on June 15, 2017 with the ticker MAVI.

Capital structure of the Group as of April 30, 2018 is as follows;

	%	30 April 2018
Blue International Holding B.V.	27.41	13,608,293
Publicly Listed	72.59	36,047,707
	100.00	49,657,000

iii. Direct and Indirect Subsidiaries

Direct and indirect subsidiaries of the Company as at April 30, 2018 are as follows;

Subsidiary	Country	Share
Mavi Europe AG	Germany	100.00%
Mavi Jeans Nederland BV	Netherlands	100.00%
Mavi Jeans LLC Limited	Russia	100.00%
Mavi Kazakhstan LLP	Kazakhstan	100.00%
Eflatun Giyim Yatırım Tic. A.Ş.	Turkey	51.00%
<i>Mavi Jeans Canada</i>	<i>Canada</i>	<i>38.25%</i>
<i>Mavi Jeans Inc.</i>	<i>USA</i>	<i>51.00%</i>

iv. Structure and Composition of the Board of Directors

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

As of April 30, 2018 the Board of Directors is as follows:

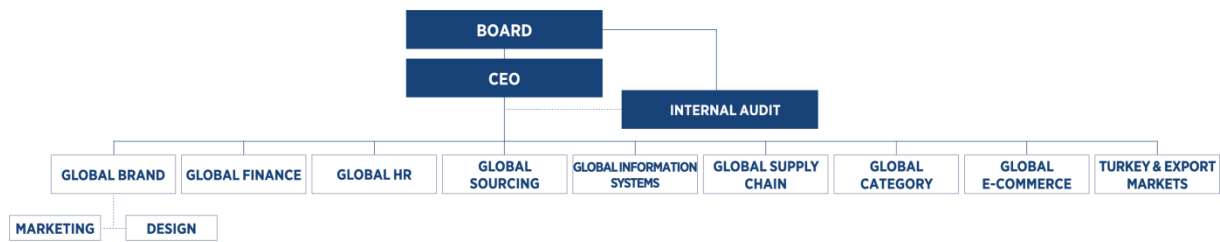
Director	Role	Executive/Independent
Ragıp Ersin Akarlılar	Chairman	Non-Executive
Seymur Tari	Vice Chairman	Non-Executive
Elif Akarlılar	Member	Executive
Cüneyt Yavuz	Member	Executive
Ahmet F. Ashaboğlu	Member	Independent
Nevzat Aydın	Member	Independent

Short biographical information about the board members can be found on the company website www.mavicompany.com.

Independent board members Ahmet F. Ashaboğlu and Nevzat Aydın has been appointed as members of the Audit 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; Chairman of the board Ragıp Ersin Akarlılar, independent board member Ahmet F. Ashaboğlu and CFO Tuba Toprakçı Yılmaz has been appointed as members of the Early Identification of Risks Committee.

v. Organization Structure and Management

As of April 30, 2018 Group's total number of employees is 3.817 (3.450 in Turkey, 367 in International offices) Following charts show the Company's organisation structure and management team.



	Position	Starting Date
Cüneyt Yavuz	CEO	2008
Tuba Toprakçı Yılmaz	CFO	2006
Elif Akarlılar	Chief Brand Officer	1991
Savan Tüysüz	CCO	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 are operated by Mavi. (%59.5 of total sales in Q1 2018),

- 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 (38.1%)
- E-commerce; represents direct sales that the Company makes to consumers on its own websites (2.4%)

During the first quarter of 2018, Mavi opened 4 new mono-brand stores (3 in Turkey and 1 in Russia) and the total number of mono-brand stores 426. Turkey retail operation reached 142k sqms with 290 mono-brand stores by the end of April 2018 compared to 139k sqm at the end of fiscal year 2017 with the addition of 3,091 sqms rising from 3 new store openings and the expansion of 5 existing stores.

Within the wholesale operations Mavi has 111 monobrand franchise stores and more than 5.000 sales points globally.

Mavi continued to gain new retail customers as the number of its loyalty card members (Kartuş Card Holders) increased to 6.7 mn as of April 30 , 2018.

ii. Financial Developments

TRYm	1Q 2017	1Q 2018	Change (%)
Revenue	428.2	535.8	25.1%
Cost of Sales	(219.9)	(268.5)	22.1%
Gross Profit	208.2	267.3	28.4%
Gross Margin	48.6%	49.9%	1.3p.
Profit	17.5	25.1	43.2%
Profit Margin	4.1%	4.7%	0.6p.
EBITDA	55.6	72.3	30.1%
EBITDA Margin	13.0%	13.5%	0.5p.

In the first quarter of the financial year 2018, total company revenue stood at 536 TRYm with an increase of 25% compared to the same period of 2017. Sales were realised with 49.9% gross margin, and 13.5% EBITDA margin.

Turkey sales increased by 26% as a result of;

- strong LFL growth performance of 20.8% with
 - 13.2% transaction growth

- 6.6% basket size growth
- 3 net new store openings and 5 retail store expansions
- 18% increase in wholesale channel sales
- as well as 42% increase in mavi.com sales

International sales increased by 20% to 94 TRYm in the first quarter of 2018, from 79 TRYm in the same period of 2017. International e-commerce sales increase was 76%.

Global e-commerce sales was 13 TRYm and constituted 2.4% of total sales in the reporting period.

iii. Financial Overview of the Management

Financial and operational results of the three months ending April 30, 2018 (Q1 2018) have realised in line with management targets and expectations.

- Group's Consolidated Revenue increased by 25% in Q1 2018 to 536 TRYm compared to the same period of the previous year.
- Gross profit increased by 28%, resulting with an improvement of 130 bps in gross margin corresponding to 49.9%.
- EBITDA grew 30% reaching 72 TRYm with a margin of 13.5%, 50bps margin improvement compared to the same period previous year.
- Net Debt decreased to 109 TRYm as at April 30, 2018 from 112 TRYm at the end of fiscal year 2017. As a result net debt/LTM EBITDA multiple stood at 0.4x.
- 16.8 TRYm capital expenditure was spent on mainly new store openings and store sqm expansions and renovations. CAPEX as percentage of sales in Q1 2018 was 3.1%.

3 – Economy and Industry Information

The Turkish economy sustained average real GDP growth of 5.7% between 2001 and 2016, and grew by 7.4% in 2017. GDP per capita is \$10,597 for 2017, up from \$3,084 for the year ended 2001 (Source: Turkstat).

Furthermore, according to Turkstat, Turkey has a population of 80.8 mn With males constituting 50.2% and females 49.8%. With a median age of 31.7 years as of year end 2017, 31.6% of the population is in the 15–34 year age group. Considering Mavi's loyal customer base whose core segment consists of young, fashion-conscious men and women under the age of 34, Turkey's young population is positive catalyst in optimizing the sell-through rates.

According to Euromonitor, the total market for apparel and accessories in Turkey was approximately TL 58 billion in 2017. The total market, which grew at an annual CAGR of 12.3% between 2012 and 2017, is expected to reach TL 60 billion in 2020.

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 25% of women and 26% of man and the number one “top of mind” Jean brand in Turkey with 58% according to a brand perception study of GFK¹ which took place in November 2017. It is the leader in the jeans category in “Turkeys Coolest Brands” survey by Marketing Turkey in 2017. According to the Consumers Voice Survey by IPSOS and Kalder, Mavi, with its product and service quality, is the leader of the apparel industry among the brands that create highest customer loyalty. Mavi stood on top of the industry with second ranking in “Turkey’s Most Admired Brands” survey by Capital Magazine. It is also named the best looking, most trusted, highest quality jeans brands with the most options by Marketing Turkey.

Kartuş has been chosen number one in apparel industry for the Most Successful Loyalty Cards Survey by Digitalage. Mavi ads delivered the highest TOM results in April. It has won the gold prize in apparel category in Social Media Awards Turkey and has been named the top brand to use social media most effectively by Marketing Turkey.

¹ İlgili rapora http://sky-static.mavi.com/sys-master/maviTrImages/234234/01/GFK_Marka_Bilinirlik.html adresinden ulaşılabilir.

4 - Future Expectations

Mavi disclosed the management guidance for the financial year 2018 which covers the special accounting period of February 1, 2018 – January 31, 2019 on the Public Disclosure Platform on March 15, 2018. According to the disclosure, management expects the following:

- 25% consolidated sales growth
- 25 new retail store openings in Turkey
- 16% Turkey retail like-for-like stores revenue growth
- Consolidated EBITDA margin above 14%
- Net Debt / EBITDA below 1x
- Capex : Up to 5% of consolidated sales

5 - Other Developments

- Ordinary General Assembly Meeting for the financial period of 1 February 2017 – 31 January 2018 was held on May 2, 2018. The general assembly resolutions have been registered under the Istanbul Trade Registry on May 8, 2018 and published on the Turkish trade Registry Gazette dated May 14, 2018, numbered 9577.
- The General assembly elected the current Board members to serve another term of 3 (three) years.
- Independent board members Ahmet Fadil Ashaboğlu and Nevzat Aydın has been appointed as members of the Audit 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, 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.
- On May 21, 2018 the purchase of shares representing 25% of the capital of Mavi Jeans Inc. ("Mavi Canada"), a subsidiary of the Company, from the Company's related party, Kitsch Apparel Inc., was completed and the share transfer took place. Following the share transfer, Mavi directly controls 25% of the shares of Mavi Canada and together with the 38.25% indirect shareholding the Company's effective shareholding ratio in Mavi Canada increased to 63.25%.

6 – Summary Financial Tables

Summary Balance Sheet

TRYm	31 January 2018	30 April 2018	Change (%)
Current Assets	761.4	799.8	%5.1
Non- Current Assets	313.9	328.0	%4.5
Total Assets	1,075.2	1,127.9	%4.9
Short Term Liabilities	742.2	750.5	%1.1
Long Term Liabilities	85.9	84.2	(%2.0)
Total Liabilities	828.1	834.7	%0.8
Shareholders Equity	247.2	293.1	%18.6
Total Liabilities and Shareholders Equity	1,075.2	1,127.9	%4.9
Liabilities / Total Assets	0.77	0.74	
Shareholders Equity / Total Assets	0.23	0.26	

Summary P&L

TRYm	Q1 2017	Q1 2018	Change (%)
Revenue	428.2	535.8	25.1%
Cost of Sales	(219.9)	(268.6)	22.1%
Gross Profit	208.2	267.3	28.4%
Gross Margin	48.6%	49.9%	1.3p.
Operational Profit	41.5	56.3	35.5%
Operational Profit Margin	9.7%	10.5%	0.8p.
Profit	17.5	25.1	43.4%
Profit Margin	4.1%	4.7%	0.6p.
EBITDA	55.6	72.4	30.3%
EBITDA Margin	13.0%	13.5%	0.5p.
Earnings per Share	0.3426	0.4698	

Summary Cash Flow Statement

TRYm	Q1 2017	Q1 2018
Profit ¹	17.5	25.1
D&A Expense	14.1	16.1
Net Finance Expense / (Income)	17.5	18.3
Tax Expense	5.3	7.6
Other Non-Cash Items	14.3	(6.1)
Cash Flow from Operating Activities	68.6	61.0
Δ in Net Working Capital ²	(55.9)	(17.8)
Income Tax Paid	-	(6.0)
Net Cash from Operating Activities	12.7	37.2
Cash Flows from Investing Activities		
Capex	(21.5)	(16.8)
Other Investing Cash Flow ³	0.2	(0.5)
Net Cash Flow Used in Investing Activities	(21.3)	(17.3)
Cash Flows from Financing Activities		
Debt Issued / (Repaid)	94.9	(67.1)
Other Financial Payments ⁴	(75.3)	(11.7)
Dividends Paid	(8.0)	(7.1)
Interest Paid	11.6	(85.8)
Net Cash Flows Used in Financing Activities	3.1	(65.9)
Net Cash Flow	154.8	262.5
Cash and Cash Equivalents at the Beginning of the Period ⁵	156.3	196.6

Disclaimer on Market Data and Forward Looking Statements

This Report is prepared in accordance with the legal requirements only to provide information and it is not intended to form the basis of any investment decision. The industry, market and competitive position data contained in this report come from official or third party sources. Although the company believes the information provided by third party industry publications and market research studies to be from reliable sources, it has not, however, independently verified the information contained therein. This report includes forward-looking statements. Forward looking statements involve risks, uncertainties and other important factors over which the company may have limited or no control. These factors could cause the actual results, performance or achievements to differ materially from any future circumstances, results, performance or achievements expressed or implied by such statements. The forward-looking statements included in this report represent the Company's views as of the date of this report. All information contained in this Report was believed to be accurate at the time of publication. The company accepts no responsibility for any spelling or printing errors that may occur during the Report's preparation