

**DOĐTAŐ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ő.**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION  
FOR THE PERIOD 1 JANUARY – 31 MARCH 2017**

**(Originally Issued In Turkish)**

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
FOR THE PERIOD 1 JANUARY – 31 MARCH 2017**

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**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.****CONSOLIDATED BALANCE SHEET AT 31 MARCH 2017**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise stated.)

	Notes	Not audited 31 March 2017	Audited 31 December 2016
<b>ASSETS</b>			
Cash and cash equivalents	3	3,004,279	737,786
Trade receivables		96,673,457	81,114,376
- <i>Trade receivables from related parties</i>	19	3,649,136	3,197,367
- <i>Trade receivables from third parties</i>	4	93,024,321	77,917,009
Other receivables from third parties	5	3,699,593	3,524,277
Inventories	6	143,820,869	142,410,216
Current income tax assets	18	174,344	156,475
Prepaid expenses	8	19,169,208	19,823,938
Other current assets	7	2,105,201	427,901
<b>Current assets</b>		<b>268,646,951</b>	<b>248,194,969</b>
Assets classified as held for sale	10	491,200	491,200
<b>Total current assets</b>		<b>269,138,151</b>	<b>248,686,169</b>
Other receivables from related parties	5	424,631	446,975
Available-for-sale financial assets	9	9,469,958	9,469,958
Investment properties	11	54,961	55,264
Property, plant and equipment	12	211,674,905	172,078,671
Intangible assets	13	22,244,902	23,054,803
Prepaid expenses		2,007,213	-
Deferred tax assets	18	156,642	156,642
<b>Total non-current assets</b>		<b>246,033,212</b>	<b>205,262,313</b>
<b>Total assets</b>		<b>515,171,363</b>	<b>453,948,482</b>

The accompanying notes form an integral part of this condensed consolidated interim financial information.

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.****CONSOLIDATED BALANCE SHEET AT 31 MARCH 2017**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise stated.)

	Notes	Not audited 31 March 2017	Audited 31 December 2016
<b>LIABILITIES</b>			
Short-term borrowings	14	135,286,666	95,204,131
Short-term portion of long term borrowings	14	46,306,586	42,503,009
Trade payables		91,095,397	127,260,011
- <i>Due to related parties</i>	19	10,772,520	70,349
- <i>Due to other parties</i>	4	80,322,877	127,189,662
Payables related to employee benefits		6,236,250	4,803,886
Other payables		1,047,035	975,118
- <i>Other payables from other parties</i>	5	1,047,035	975,118
Deferred revenue	8	88,217,170	56,348,113
Short-term provisions		4,794,245	4,751,999
- <i>Provisions for employee benefits</i>	18	2,566,228	2,566,228
- <i>Other provisions</i>	15	2,228,017	2,185,771
Other current liabilities		87,642	50,977
<b>Total current liabilities</b>		<b>373,070,991</b>	<b>331,897,244</b>
Long-term borrowings	14	75,304,720	91,235,372
Other payables		195,065	906,312
- <i>Other payables from other parties</i>		195,065	906,312
Long-term provisions		3,122,868	2,915,003
- <i>Long-term provisions related to employee benefits</i>	18	2,082,327	2,082,327
- <i>Other long-term provisions</i>	15	1,040,541	832,676
Deferred revenue		-	38,960
Deferred tax liabilities	18	8,891,979	1,043,194
<b>Total non-current liabilities</b>		<b>87,514,632</b>	<b>96,138,841</b>
Share capital	17	209,069,767	209,069,767
Reverse merger capital differences	17	(159,069,767)	(159,069,767)
Share premium		282,945	282,945
Treasury share (-)	17	(10,991)	(10,991)
Other comprehensive income/expense not to be reclassified to profit or loss			
- <i>Increase on revaluation of property and equipment</i>		98,337,055	68,479,964
- <i>Actuarial gain arising from employee benefits</i>		1,867,562	1,867,562
Legal reserves	17	607,177	607,177
Accumulated deficit		(95,314,261)	(55,666,145)
Net profit/(loss) for the period		(1,183,747)	(39,648,115)
<b>Total equity</b>		<b>54,585,740</b>	<b>25,912,397</b>
<b>Total liabilities and equity</b>		<b>515,171,363</b>	<b>453,948,482</b>

The accompanying notes form an integral part of this condensed consolidated interim financial information.

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD BETWEEN 1 JANUARY - 31 MARCH 2017**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise stated.)

	Notes	Not audited 1 January- 31 March 2017	Not audited 1 January 31 March 2016
Revenue		104,524,154	83,809,196
Cost of sales (-)		(62,982,752)	(51,870,975)
<b>Gross profit</b>		<b>41,541,402</b>	<b>31,938,221</b>
General administrative expenses (-)		(4,778,543)	(7,546,816)
Marketing expenses (-)		(17,312,895)	(21,356,039)
Research and development expenses (-)		(804,670)	(1,005,630)
Other operating income		11,265,778	2,009,739
Other operating expenses (-)		(12,070,499)	(1,232,265)
<b>Operating profit</b>		<b>17,840,573</b>	<b>2,807,210</b>
Income from investing activities		4,479	156,403
<b>Operating profit before financial income/(expenses)</b>		<b>17,845,052</b>	<b>2,963,613</b>
Financial income		21,478,128	2,105,807
Financial expense (-)		(40,122,415)	(10,616,088)
<b>Profit/(Loss) before tax</b>		<b>(799,235)</b>	<b>(5,546,668)</b>
<b>Taxation on income:</b>			
Deferred tax income	18	-	895,787
Deferred tax expense	18	(384,512)	-
<b>Profit/(Loss) for the period</b>		<b>(1,183,747)</b>	<b>(4,650,881)</b>
Earnings/(Losses) per share	23	(0,006)	(0,022)

The accompanying notes form an integral part of this condensed consolidated interim financial information.

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD BETWEEN 1 JANUARY - 31 MARCH 2017  
(Amounts expressed in Turkish Lira (“TRY”) unless otherwise stated.)**

	Notes	Not audited 1 January- 31 March 2017	Not audited 1 January - 31 March 2016
<b>Profit/(Loss) for the period</b>		<b>(1,183,747)</b>	<b>(4,650,881)</b>
<i>Items not to be classified to profit or loss</i>		<i>29,857,091</i>	<i>(414,926)</i>
Increase in revaluation of property, plant and equipment	12	37,321,364	-
Remeasurement differences	16	-	(514,908)
Deferred tax effect	18	(7,464,273)	102,982
<b>Total comprehensive (expense)/income</b>		<b>28,673,344</b>	<b>(5,062,807)</b>

The accompanying notes form an integral part of this condensed consolidated interim financial information.

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD BETWEEN 1 JANUARY - 31 MARCH 2017  
(Amounts expressed in Turkish Lira (“TRY”) unless otherwise stated.)**

	Share capital	Share premium	Treasury shares	Legal reserves	Remeasuremen differences	Revaluation reserves	Accumulated losses	Net profit for the period	Total equity
<b>Balance at 1 January 2016</b>	<b>50,000,000</b>	<b>282,945</b>	<b>(5,367,595)</b>	<b>607,177</b>	<b>1,518,839</b>	<b>45,166,056</b>	<b>(28,677,323)</b>	<b>(27,732,446)</b>	<b>35,797,653</b>
Transferred to previous year's losses	-	-	-	-	-	-	(27,732,446)	27,732,446	-
Transfers	-	-	-	-	-	(298,286)	298,286	-	-
Total comprehensive loss	-	-	-	-	(411,926)	-	-	(4,650,881)	<b>(5,062,807)</b>
<b>Balance at 31 March 2016</b>	<b>50,000,000</b>	<b>282,945</b>	<b>(5,367,595)</b>	<b>607,177</b>	<b>1,106,913</b>	<b>44,867,770</b>	<b>(56,111,483)</b>	<b>(4,650,881)</b>	<b>30,734,846</b>
<b>Balance at 1 January 2017</b>	<b>50,000,000</b>	<b>282,945</b>	<b>(10,991)</b>	<b>607,177</b>	<b>1,867,562</b>	<b>68,479,964</b>	<b>(55,666,146)</b>	<b>(39,648,115)</b>	<b>25,912,396</b>
Transactions in treasury shares	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	(39,648,115)	39,648,115	-
Other comprehensive income	-	-	-	-	-	29,857,091	-	(1,183,747)	28,673,344
<b>Balance at 31 March 2017</b>	<b>50,000,000</b>	<b>282,945</b>	<b>(10,991)</b>	<b>607,177</b>	<b>1,867,562</b>	<b>98,337,055</b>	<b>(95,314,261)</b>	<b>(1,183,747)</b>	<b>54,585,740</b>

Takip eden dipnotlar konsolide finansal tabloların tamamlayıcı parçasını oluştururlar.

# DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017

(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

	Notes	Not audited 1 January - 31 March 2017	Not audited 1 January - 31 March 2016
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>11,853,334</b>	<b>(17,202,331)</b>
Net income/(loss) for the period		(799,235)	(5,546,668)
Loss from continuing operations		(799,235)	(5,546,668)
<b>Adjustments to reconcile net income for the period</b>		<b>36,490,009</b>	<b>12,680,088</b>
Depreciation and amortisation	12, 13	3,319,581	3,455,091
Adjustments related to impairment		162,567	(84,902)
Adjustments related to impairment on receivables	4	162,567	(84,902)
Adjustments related to provisions		310,804	2,574,550
Adjustments related to provisions for employment termination benefits		-	-
		139,875	-
Adjustments related to guarantee		309,242	1,242,317
Adjustments related to other provisions		1,562	1,192,358
Adjustments related to financial income/ expenses		7,610,102	5,455,484
Adjustments related to financial expenses		7,612,753	5,319,000
Adjustments related to financial income		(2,651)	(9,542)
Unincurred finance expense		-	247,199
Unincurred finance income		-	(101,173)
Adjustments to unrealised foreign translation differences		25,082,476	-
Adjustments to gain/(loss) on sale of property and equipment		4,479	64,547
Adjustments to gain/(loss) on sale of property and equipment		4,479	64,547
Credit exchange difference income		-	1,215,318
<b>Changes in net working capital</b>		<b>(23,837,440)</b>	<b>(24,335,751)</b>
Adjustments related to increases in inventories		(1,410,653)	(9,139,437)
Adjustments related to increases in trade receivables		(15,765,965)	(3,346,740)
Adjustments related to (increase)/decrease in prepaid expenses		(3,141,787)	615,132
Adjustments related to (increase)/decreases in deferred income		31,866,762	8,871,642
Adjustments related to increase in trade payables		(34,984,751)	(19,299,840)
Adjustments related to provisions for employment termination benefits		(401,046)	(770,191)
Payments for other provisions		-	(1,266,317)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(4,205,774)</b>	<b>(3,944,136)</b>
Cash outflows from purchases of tangible and intangible assets		(4,784,550)	(4,063,499)
Cash outflows from purchases of held for sale properties		-	-
Proceeds from disposal of tangible and intangible assets		578,776	119,363
Disposal from tangible assets		578,776	119,363
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(5,381,067)</b>	<b>15,942,019</b>
Interest paid		(4,785,532)	(5,319,000)
Interest received		2,651	9,542
Proceeds from borrowings		58,721,374	86,613,800
Proceeds from bank borrowings		58,721,374	86,613,800
Payments of financial liabilities		(59,319,559)	(65,362,323)
Cash outflows due to payments of bank borrowings		(59,319,559)	(65,362,323)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)</b>		<b>2,266,493</b>	<b>(5,204,448)</b>
<b>D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>3</b>	<b>737,786</b>	<b>7,177,720</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (A+B+C+D)</b>	<b>3</b>	<b>3,004,279</b>	<b>1,973,272</b>

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



## **DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017 (Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)**

#### **NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS**

##### **Registered head office:**

İdealtepe Mahallesi Rifkî Tongsir Caddesi No: 107 Küçükalyalı, Maltepe - İstanbul

##### **Registered market:**

The Company is registered in Capital Market Board (“CMB”) and its shares have been traded in Borsa İstanbul A.Ş. (“BİST”) since 1990 (formerly known as “Istanbul Stock Exchange”) under the name DGKLB. As of 31 March 2017, 7.89% of its shares are open for trading.

##### **Nature of operations:**

The main operating segment is production and sale of furnitures.

The Company’s production facilities are at Doğanlı Köyü 9. km Düzce and İdriskoru Köyü Hacıvenez Mevkii No: 29 Biga Çanakale and both locations are owned by the Company itself.

Kelebek Mobilya ve Kontrplak Sanayi A.Ş. was founded in Istanbul in 1935. Legal name of the Company which were Kelebek Mobilya ve Kontrplak Sanayi A.Ş. has been changed to Kelebek Mobilya Sanayi ve Ticaret A.Ş. by the decision taken in extraordinary general assembly meeting dated 12 December 2003 and registered to Trade Registry Gazette of Turkey on 29 December 2003.

3K Mobilya Dekorasyon San. Ve Tic. A.Ş. (“3K”), a subsidiary of the Company, constitutes stores chain for sales of furniture and fixtures and trade goods since 2006. In 2013, the Company has closed its stores (8 units) owned by its affiliate 3K to the stewards. Other subsidiary of the Company 2K Oturma Grupları İnşaat Taahhüt Sanayi ve Ticaret A.Ş. were terminated as of 28 March 2007 and the production facility was closed.

Doğtaş Mobilya Pazarlama Ticaret A.Ş. (“Doğtaş Pazarlama”), a subsidiary was established in 1996 and opened in Turkey as Doğtaş Kelebek Mobilya ve Sanayi Ticaret A.Ş. to sells and markets furniture and sofa groups and commercial products produced by the Company. Doğtaş Pazarlama has no branches in Turkey on 30 September 2017 (31 December 2016: None).

Doğ-taş Doğanlar Mobilya İmalat Enerji Üretim Sanayi ve Ticaret A.Ş. (“Doğtaş İmalat”) acquired 67% shares of Kelebek Mobilya Sanayi ve Ticaret A.Ş. on 6 September 2012.

In 2013, the merger transaction has been completed in accordance with Turkish Commercial Code Law No. 6102 clause 136 and other merger related clauses in which were Corporate Tax Law article 18,19,20, Capital Markets Law from the identifiable net assets of Doğ-Taş Doğanlar Mobilya İmalat Enerji Üretim Sanayi A.Ş. as at 31 December 2013. The merger transaction has been registered on 21 October 2013 and the legal name of the Company changed as Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş.

## DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017

(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

#### D NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Consolidated financial statements were approved by the Company's Board of Directors to be published on 13 March 2017. The General Assembly and related legal entities have the right to amend the financial statements prepared in accordance with the legal regulations and the financial tables in this consulate.

The shareholding structure of Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. as of 31 March 2017 and 31 December 2016 is as follows:

Shareholder	31 March 2017		31 December 2016	
	TRY	Proportion of ownership (%)	TRY	Proportion of ownership (%)
International Furniture B.V.	96,284,884	46.05	96,284,884	46.05
Davut Doğan	16,047,503	7.68	16,047,503	7.68
Adnan Doğan	16,047,484	7.68	16,047,484	7.68
Şadan Doğan	16,047,474	7.68	16,047,474	7.68
İsmail Doğan	16,047,474	7.68	16,047,474	7.68
İlhan Doğan	16,047,474	7.68	16,047,474	7.68
Murat Doğan	16,047,474	7.68	16,047,474	7.68
Other	16,500,000	7.89	16,500,000	7.89
	<b>209,069,767</b>	<b>100</b>	<b>209,069,767</b>	<b>100</b>

As of 31 March 2017 and 31 December 2016, the paid-in share capital of the Company is TRY 209,069,767.

However, the portion of the capital amounting to TRY 159,069,767 is attributable to Doğan Taş Doğanlar Mobilya İmalat Enerji Üretim Sanayi A.Ş. and Kelebek Mobilya Sanayi ve Ticaret A.Ş. during the merger. (Note 9).

The subsidiaries within the Group and their nature of operations are as follows:

Subsidiaries	Registered country	Nature of operation
Doğtaş Mobilya Pazarlama Ticaret A.Ş. (“Doğtaş Pazarlama”)	Turkey	Sales and marketing of furniture
Doğtaş Bulgaria Eood (“Doğtaş Bulgaria”)	Bulgaria	Sales and marketing of furniture
Doğtaş Holland B.V. (“Doğtaş Holland”)	Nederland	Sales and marketing of furniture
Doğtaş Germany GmbH (“Doğtaş Germany”)	Germany	Sales and marketing of furniture
2K Oturma Grupları İnşaat ve Taahhüt San. ve Tic. A.Ş. (“2K”)	Turkey	Sales of sitting group
3K Mobilya Dekor. San. ve Tic. A.Ş. (“3K”)	Turkey	Furniture decoration

The Company's subsidiaries, Doğtaş Holland B.V., Doğtaş Bulgaria Eood and Doğtaş Germany GmbH have been determined as immaterial subsidiaries with respect to the consolidated financial statements by the Group management and classified under available-for-sale financial assets in the consolidated financial statements

As at 31 March 2017, the number of employees of the Company and its subsidiaries (collectively referred to as the "Group") is 1,344 (31 December 2016: 1,300).

## **DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017 (Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)**

#### **NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)**

##### **Adequacy of the Company's share capital under the Turkish Commercial Code:**

As a result of the merger between Dođ-Taş Dođanlar Mobilya İmalat Enerji Üretim Sanayi A.Ş. and Kelebek Mobilya Sanayi ve Ticaret A.Ş. in 2013, share capital reached to TRY209,069,767 and while the share capital of the Company were increased to TRY159,069,767 “Reverse Merger Differences” account was charged at the same amount, with respect to Series I, No. 31 of the Communiqué on Principles Regarding Merger Transactions. Such entries were recorded under the books prepared in accordance with Turkish Commercial Code and Capital Market.

#### **NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

##### **2.1 Basis of presentation**

###### **2.1.1 Financial reporting standards**

The consolidated financial statements are prepared in accordance with Communiqué Serial II, No: 14.1, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”) published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards (“TAS”) issued by Public Oversight Accounting and Auditing Standards Authority (“POAASA”). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards (“TFRS”) and its addendum and interpretations.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005 and the consolidated financial statements of the Group have been prepared accordingly.

The Group and its Turkish subsidiaries maintains their books of accounts and prepares their statutory financial statements in accordance with the principles issued by CMB, the Turkish Commercial Code (“TCC”), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance. The foreign subsidiary maintains its books of account in accordance with the laws and regulations in force in the countries in which they operate. These consolidated financial statements have been prepared under historical cost conventions except for the financial assets and investment properties carried at fair value. The consolidated financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS. The consolidated financial statements are presented in accordance with “Announcement regarding with TAS Taxonomy” which was published on 2 June 2016 by POAASA and the format and mandatory information recommended.

###### **2.1.2 Comparatives and restatement of prior period’s financial statements**

The consolidated financial statements of the Group are prepared comparatively to enable the determination of the trends of the financial position and performance. The Group presented the consolidated balance sheet at 31 March 2017 comparatively with the consolidated balance sheet at 31 December 2016. The Group presented the consolidated statements of income, other comprehensive income, cash flows and changes in equity for the period ended 31 March 2017 comparatively with the consolidated statements of income, comprehensive income, cash flows and changes in equity for the year ended 31 December 2016.

## **DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017**

**(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)**

#### **NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.1 New and amended Turkish Financial Reporting Standards**

###### **a) Amendments to published standards and interpretations effective starting from 31 March 2017**

- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
  - TFRS 5 “Non-current assets held for sale and discontinued operations” regarding methods of disposal.
  - TFRS 7 “Financial instruments: Disclosures”, (with consequential amendments to TFRS 1) regarding servicing contracts.
  - TAS 19 “Employee benefits” regarding discount rates.
  - TAS 34 “Interim financial reporting” regarding disclosure of information.
  
- Amendment to TAS 16 “Property, plant and equipment” and TAS 38 “Intangible assets”, on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The standart has no impact on the financial position or performance of the Group.
  
- Amendments to TAS 16 “Property,plant and equipment”, and TAS 41 “Agriculture”,regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41. The standart has no impact on the financial position or performance of the Group.
  
- Amendments to TAS 27 ‘Separate financial statements’ on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The standart has no impact on the financial position or performance of the Group.
  
- Amendment to TFRS 10 “Consolidated financial statements” and TAS 28 “Investments in associates and joint ventures”, effective from annual periods beginning on or after 1 January 2016.These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The standart has no impact on the financial position or performance of the Group.
  
- Amendment to TAS 1 “Presentation of financial statements” on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improvepresentation and disclosure in financial reports. The standart has no impact on the financial position or performance of the Group.

## **DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017 (Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)**

#### **NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.1 New and amended international financial reporting standards (Continued)**

###### **b) Standards, amendments and interpretations issued as of 31 March 2017 but not effective:**

-Amendments to TAS 7 “Statement of cash flows” on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. This standard is not expected to have a significant effect on the financial position and performance of the Group.

- Amendments TAS 12 “Income Taxes”, effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. It also clarifies certain other aspects of accounting for deferred tax assets. This standard is not expected to have a significant effect on the financial position and performance of the Group.

- TFRS 9 “Financial instruments”, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. This standard is not expected to have a significant effect on the financial position and performance of the Group.

- TFRS 15 “Revenue from contracts with customers”, effective from annual periods beginning on or after 1 January 2018. TFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. This standard is not expected to have a significant effect on the financial position and performance of the Group.

- Amendment to TFRS 15 “Revenue from contracts with customers”, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. This standard is not expected to have a significant effect on the financial position and performance of the Group.

-TFRS 16 “Leases”, effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The effects of the standard on the Group’s financial position and performance are being evaluated.

## **DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017 (Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)**

#### **NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.1 New and amended international financial reporting standards (Continued)**

- Amendment to TAS 40 “Investment property” relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. This standard is not expected to have a significant effect on the financial position and performance of the Group.

- IFRIC 22 “Foreign currency transactions and advance consideration”, effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

- Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:

- TFRS 1 “First-time adoption of TFRS”, regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.

- TFRS 12 “Disclosure of interests in other entities” regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

- TAS 28 “Investments in associates and joint ventures” regarding measuring an associate or joint venture at fair value effective 1 January 2018.

Group will evaluate the effect of the aforementioned changes within its operations and apply changes starting from effective dates.

##### **2.2 Changes in accounting policies, estimates and errors**

Significant changes in accounting policies or significant errors are corrected, retrospectively; by restating the prior period consolidated financial statements.

The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

As of 31 March 2017, there are no significant accounting errors that the Group has identified in the accounting policies.

## DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017 (Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

#### NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

##### 2.3 Summary of significant accounting policies

Significant accounting policies applied in the preparation of the consolidated financial statements are summarized below:

##### 2.3.1 Basis of consolidation

Consolidated financial statements include the financial statements of the companies controlled by the Group in Note 1. The necessary adjustments have been made to eliminate between group companies sales and purchases, between group receivables and payables and intra-group capital and subsidiaries.

Subsidiaries are companies over which the Company has the power to control the financial and operating policies for the benefit of the Company, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies as a result of ownership interest owned directly and indirectly by itself, or (b) although not having the power to exercise more than 50% of the ownership interest, and/or as a result of agreements by certain the Company members and companies owned by them whereby the Company exercises control over the ownership interest of the shares held by them; otherwise the power to exercise control over the financial and operating policies.

The table below sets out the subsidiaries and shows the proportion of ownership interests:

Subsidiaries	31 March 2017		31 December 2016	
	Direct and indirect ownership interest by the Group(%)	Proportion of effective interest(%)	Direct and indirect ownership interest by the Group(%)	Proportion of effective interest(%)
Doğtaş Pazarlama	100.00	100.00	100.00	100.00
2K	100.00	100.00	100.00	100.00
3K	100.00	100.00	100.00	100.00

The Group fully consolidated the individual income and expenses and assets and liabilities. Investment in subsidiaries are eliminated with the capital of the subsidiaries invested.

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are deconsolidated from the date that the control ceases. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

## DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017

(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

#### NOTE 3 - CASH AND CASH EQUIVALENTS

The details of the cash and cash equivalents as of 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
Cash	78,289	58,266
Banks		
- Demand deposit	2,671,009	536,953
- Time deposit	-	-
Credit card receivables	254,981	142,567
	<b>3,004,279</b>	<b>737,786</b>

#### NOTE 4 - TRADE RECEIVABLES AND PAYABLES

The details of the trade receivables and payables as of 31 March 2017 and 31 December 2016 are as follows:

Short term trade receivables	31 March 2017	31 December 2016
Customers	74,797,540	74,318,415
- Due from related parties (Note 19)	3,649,136	3,197,367
- Other	71,148,404	71,121,048
Cheques and notes receivable	22,991,335	7,911,378
Doubtful of receivables	18,757,391	18,594,824
Provision for doubtful of receivables (-)	(18,757,391)	(18,594,824)
Unearned finance income (-)	(1,115,417)	(1,115,417)
	<b>96,673,457</b>	<b>81,114,376</b>

Movements of provision for doubtful trade receivables for the years ended 31 March 2017 and 31 December 2017 are as follows:

	2017	2016
Balance at the beginning of the period	18,594,824	18,412,558
Provisions	162,567	182,266
Written-off	-	-
Balance at the end of the period	<b>18,757,391</b>	<b>18,594,824</b>



**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017**

(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

**NOTE 4 - TRADE RECEIVABLES AND PAYABLES (Continued)**

<b>Short term trade payables</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
Supplier current accounts	62,821,515	70,363,909
- <i>Due to related parties (Note 19)</i>	10,772,520	70,349
- <i>Other</i>	52,048,995	70,293,560
Cheques and notes payable	32,971,216	61,593,436
Unincurred finance cost (-)	(4,697,334)	(4,697,334)
	<b>91,095,397</b>	<b>127,260,011</b>

As of 31 March 2017 the average term of trade payables is less than 3 month, (31 December 2016: less than 3 months). The interest rate applied for trade receivables is 11%.

Since the average maturity of trade receivables in short-term, the fair values of trade payables were considered to approximate their respective carrying values.

**NOTE 5 - OTHER RECEIVABLES AND PAYABLES**

<b>Short-term other receivables</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
Deposits and guarantees given	2,923,335	2,843,035
Receivables from tax authority	645,084	631,190
Receivables from personnel	131,174	50,052
	<b>3,699,593</b>	<b>3,524,277</b>
<b>Long-term other receivables</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
Deposits and guarantees given	424,631	446,975
<b>Short-term other payables</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
Taxes and funds payable	803,582	971,080
Deposits and guarantees received	239,436	-
Other payables	4,017	4,038
- <i>Due to related parties (Note 19)</i>	-	-
- <i>Other</i>	4,017	4,038
	<b>1,047,035</b>	<b>975,118</b>

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017**

(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

**NOTE 6 - INVENTORIES**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Raw materials and supplies	94,716,963	90,973,717
Semi-finished goods	16,304,748	15,160,138
Finished goods	14,642,913	17,849,742
Trade goods	18,156,245	18,426,619
	<b>143,820,869</b>	<b>142,410,216</b>

**NOTE 7 – OTHER CURRENT ASSETS****Other current asset**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Deferred VAT	2,026,695	326,341
Advances given to personnel	73,506	96,560
Other	5,000	5,000
	<b>2,105,201</b>	<b>427,901</b>

**NOTE 8 - PREPAID EXPENSES AND DEFERRED REVENUE****Short-term prepaid expenses**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Advances given for inventories	17,458,937	18,350,934
Prepaid expenses	1,710,271	1,473,004
	<b>19,169,208</b>	<b>19,823,938</b>

**Short-term deferred revenue**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Advances received	87,263,365	55,413,828
Deferred revenue	953,805	934,285
	<b>88,217,170</b>	<b>56,348,113</b>

Advances received comprise of notes receivables obtained from the franchisee.

## DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017

(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

#### NOTE 9 - AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group's financial investments consist of investments classified as available-for-sale financial assets. The details of the financial investments as of 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017		31 December 2016	
	Ownership interest (%)	Carrying amount (TL)	Ownership interest (%)	Carrying amount (TL)
Doğtaş Holland	100.00	4,657,668	100.00	4,657,668
Doğtaş Germany	100,00	3,393,430	100.00	3,393,430
Doğtaş Bulgaria	100,00	1,418,860	100.00	1,418,860
		<b>9,469,958</b>		<b>9,469,958</b>

Available-for-sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value.

#### NOTE 10 – AVAILABLE-FOR-SALE PROPERTIES

	2017	2016
Balances at 1 January	491,200	566,200
Additions	-	65,000
Disposal (-)	-	(140,000)
<b>Balances at 31 March</b>	<b>491,200</b>	<b>491,200</b>

As of 31 March 2017, available for sale real estates consist of buildings acquired from customers in the past periods that were intentionally turned into doubtful receivables.

The aim of the Group's management is to remove the real estates in a short period of time.

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017**

(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

**NOTE 11- INVESTMENT PROPERTIES**

	<b>1 January 2017</b>	<b>Additions</b>	<b>31 March 2017</b>
<b>Cost:</b>			
Buildings	60,600	-	60,600
	<b>60,600</b>	-	<b>60,600</b>
<b>Accumulated amortisation:</b>			
Buildings	(5,336)	(303)	(5,639)
	<b>(5,336)</b>		<b>(5,639)</b>
<b>Net book value</b>	<b>55,264</b>		<b>54,961</b>
	<b>1 January 2016</b>	<b>Additions</b>	<b>31 December 2016</b>
<b>Cost</b>			
Buildings	60,600	-	60,600
	<b>60,600</b>	-	<b>60,600</b>
<b>Accumulated amortisation:</b>			
Buildings	(4,124)	(1,212)	(5,336)
	<b>(4,124)</b>	<b>(1,212)</b>	<b>(5,336)</b>
<b>Net book value</b>	<b>56,476</b>		<b>55,264</b>

As at 31 March 2017, the fair value of investment property is determined by cost method and the amount is TL 405,000.

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017**

(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

**NOTE 12 - PROPERTY, PLANT AND EQUIPMENT**

	<b>1 January 2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Revaluation</b>	<b>31 March 2017</b>
<b>Cost:</b>						
Land	43,773,000	-	-	-	-	43,773,000
Land improvements and buildings	77,882,324	-	-	-	-	77,882,324
Machinery, plant and equipment	75,917,058	-	(578,776)	-	37,321,364	112,659,646
Vehicles	1,486,795	-	-	-	-	1,486,795
Furniture and fixtures	45,717,698	1,637,098	-	-	-	47,354,796
Leasehold improvements	27,696,904	1,364,317	-	-	-	29,061,221
Construction in progress	3,135,143	1,760,775	-	-	-	4,895,918
	<b>275,608,922</b>	<b>4,762,190</b>	<b>(578,776)</b>	<b>-</b>	<b>37,321,364</b>	<b>317,113,700</b>
<b>Accumulated depreciation:</b>						
Land improvements and buildings	(17,805,324)	(138,888)	-	-	-	(17,944,212)
Machinery, plant and equipment	(44,659,338)	(216,942)	578,776	-	-	(44,297,504)
Vehicles	(1,486,795)	-	-	-	-	(1,486,795)
Furniture and fixtures	(27,789,491)	(1,118,763)	-	-	-	(28,908,254)
Leasehold improvements	(11,789,303)	(1,012,727)	-	-	-	(12,802,030)
	<b>(103,530,251)</b>	<b>(2,487,320)</b>	<b>578,776</b>	<b>-</b>	<b>-</b>	<b>(105,438,795)</b>
<b>Net book value</b>	<b>172,078,671</b>					<b>211,674,905</b>

As at 31 March 2017 and 31 December 2016, total mortgages on property, plant and equipment of the Group amounting to EUR 70,000,000 and TL 22,500,000

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017**

(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

**NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

	<b>1 January 2016</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transferler</b>	<b>31 March 2016</b>
<b>Cost:</b>					
Land	31,773,097	-	-	-	31,773,097
Land improvements and buildings	61,241,460	-	-	-	61,241,460
Machinery, plant and equipment	74,767,138	16,928	(14,848)	-	74,769,218
Vehicles	1,949,995	-	(463,200)	-	1,486,795
Furniture and fixtures	39,723,063	863,429	-	-	40,586,492
Leasehold improvements	23,200,172	1,245,000	-	-	24,445,172
Construction in progress	5,518,949	1,757,965	-	-	7,276,914
	<b>238,173,874</b>	<b>3,883,322</b>	<b>(478,048)</b>	<b>-</b>	<b>241,579,148</b>
<b>Accumulated depreciation:</b>					
Land improvements and buildings	(15,858,191)	(390,889)	-	-	(17,805,324)
Machinery, plant and equipment	(42,601,507)	(463,610)	14,848	-	(44,659,338)
Vehicles	(1,949,995)	(36,301)	419,291	-	(1,486,795)
Furniture and fixtures	(23,120,052)	(1,154,027)	-	-	(27,789,491)
Leasehold improvements	(7,307,348)	(1,109,260)	-	-	(11,789,303)
	<b>(90,837,093)</b>	<b>(3,154,087)</b>	<b>434,139</b>	<b>-</b>	<b>(93,557,041)</b>
<b>Net book value</b>	<b>147,336,781</b>				<b>148,022,107</b>

## DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017 (Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

#### NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

##### *Revalued assets*

The land and buildings carried on the revaluation method consist of the factory buildings of the Group and their buildings. The comparative method in the value analysis of the arcs, the cost approach method in the case of determining the values of the entire buildings.

The fair value determinations were made by the valuation companies with the license of the Capital Markets Board.

#### NOTE 13 - INTANGIBLE ASSETS

	1 January 2017	Additions	Transfers	31 March 2017
<b>Cost:</b>				
Brand	17,530,000	-	-	17,530,000
Rights	14,511,437	22,360	-	14,533,797
	<b>32,041,437</b>	<b>22,360</b>	-	<b>32,063,797</b>
<b>Accumulated amortisation:</b>				
Rights	(8,986,634)	(832,261)	-	(9,818,895)
	<b>(8,986,634)</b>	<b>(832,261)</b>	-	<b>(9,818,895)</b>
<b>Net book value</b>	<b>23,054,803</b>			<b>22,244,902</b>
	1 January 2016	Additions	Transfers	31 December 2016
<b>Cost:</b>				
Brand	17,530,000	-	-	17,530,000
Rights	9,908,652	2,491,331	2,422,727	14,511,437
	<b>27,438,652</b>	<b>2,491,331</b>	<b>2,422,727</b>	<b>32,041,437</b>
<b>Accumulated amortisation:</b>				
Rights	(6,495,436)	(2,491,198)	-	(8,986,634)
	<b>(6,495,436)</b>	<b>(2,491,198)</b>	-	<b>(8,986,634)</b>
<b>Net book value</b>	<b>20,943,216</b>			<b>23,054,803</b>

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017**

(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

**NOTE 14 – BORROWINGS**

The details of the borrowings as of 31 March 2017 and 31 December 2016 are as follows:

	<b>31 March 2017</b>		
	<b>Effective interest rate per annum (%)</b>	<b>Original currency</b>	<b>TL</b>
<b>Short-term borrowings:</b>			
EUR denominated bank borrowings	%0.75 - %5.22	20,104,159	78,573,085
TL denominated bank borrowings	%13.75 - %15.80	56,713,581	56,713,581
			<b>135,286,666</b>
<b>Short-term portion of long-term borrowings:</b>			
EUR denominated bank borrowings	%0.75 - %5.22	9,143,853	35,736,922
TL denominated bank borrowings	%13.75 - %15.80	10,569,664	10,569,664
			<b>181,593,252</b>
<b>Long-term bank borrowings:</b>			
EUR denominated bank borrowings	%0.75 - %5.22	16,951,201	66,250,380
TL denominated bank borrowings	%13.75 - %15.80	9,054,340	9,054,340
			<b>256,897,972</b>
	<b>31 December 2016</b>		
	<b>Effective interest rate per annum (%)</b>	<b>Original currency</b>	<b>TL</b>
<b>Short-term bank borrowings:</b>			
EUR denominated bank borrowings	%0.75 - %5.52	16,558,668	61,431,002
TL denominated bank borrowings	%13.75 - %15.80	33,773,129	33,773,129
			<b>95,204,131</b>
<b>Short-term portion of long-term borrowings:</b>			
EUR denominated bank borrowings	%0.75 - %5.52	11,456,645	42,503,009
			<b>137,707,140</b>
<b>Long-term bank borrowings:</b>			
EUR denominated bank borrowings	%0.75 - %5.52	24,592,407	91,235,372
			<b>228,942,512</b>



## DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017

(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

#### NOTE 14 – BORROWINGS (Continued)

The redemption schedule short- term and long-term borrowings is as follows:

	31 March 2017	31 December 2016
Up to 3 months	10,729,036	79,829,059
3-12 months	93,079,657	57,878,081
1-5 years	153,089,279	91,235,372
	<b>256,897,972</b>	<b>228,942,512</b>

#### NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

##### Short-term provisions

	31 March 2017	31 December 2016
Provision for warranty expenses	837,349	669,879
Provision for litigations	887,798	887,798
Provision for project expenses	502,870	628,094
	<b>2,228,017</b>	<b>2,185,771</b>

##### Long-term provisions:

	31 March 2017	31 December 2016
Provision for warranty expenses	1,040,541	832,676
	<b>1,040,541</b>	<b>832,676</b>

##### *Contingent assets and liabilities:*

As at 31 March 2017 and 31 December 2016, total mortgages on property, plant and equipment of the Group amounting to EUR 70,000,000 and TL 22,500,000

## DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017

(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

#### NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Summary of guarantees received and given is stated below:

<b>Guarantees given</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
Letters of guarantees given (*)	296,081,000	282,193,000
Letters of guarantees given to government institutions (**)	122,968,138	103,087,036
Letters of guarantees given to customers	1,990,112	1,769,566
Letters of guarantees given to suppliers	662,901	589,438
Letters of guarantees given for litigation	105,667	-
	<b>421,702,151</b>	<b>387,639,040</b>

(\*) Mortgages on property, plant and equipment are related to loans used for purchasing and financing purposes.

(\*\*) Consists of letters of guarantees given to Türkiye İhracat Kredi Bankası A.Ş. with respect to loans used mainly.

<b>Guarantees received</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
Letter of guarantees received from franchisees	82,340,557	100,932,235
Mortgages received from domestic franchisees	14,615,990	17,916,135
Mortgages received from foreign franchisees	6,367,009	7,804,616
	<b>103,323,556</b>	<b>126,652,986</b>

As of 31 March 2017 and 31 December 2016, breakdown of the guarantees, mortgage and pledges given by the Group is as follows:

	<b>31 March 2017</b>	<b>31 December 2016</b>
Total amount of guarantees, pledges and mortgages given on behalf of its own legal name	421,702,151	395,531,585

The GPMs given by the Group comprise of letter of guarantees on behalf of its own legal name.

Below GPMs were given by the Group:

- On behalf of associates that are included to full consolidation
- On behalf of third parties to conduct business activities
- On behalf of majority shareholder
- On behalf of other group companies which are not included in item B or C
- On behalf of third parties which are not covered by item C

## DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017 (Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

#### NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The total number of Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. ordinary shares 19,256,976,700 shares with a par value of 1 TL per share hold in pledge because of Group’s borrowing on 31 March 2016 and 31 December 2016.

The insurance amount on property plant and equipments and inventories is TL 69,362,700 and TL 42,684,000 respectively. (31 December 2016 : property, plant and equipment: TL 69,362,700 TL, inventories: TL 42,684,000).

#### *Operating leases*

The future payments for operational leases that can not be canceled are as follows:

	31 March 2017	31 December 2016
Up to 1 year	275,500	348,000
1 - 2 years	348,000	348,000
	<b>623,500</b>	<b>696,000</b>

As of 31 March 2017, the Group has recorded an operating lease amounting to TL 72,500 (2016: TL 700,000) in the income statement in the consolidated balance sheet.

#### NOTE 17 - GOVERNMENT GRANTS

The Group were started its investment in order to expand production capacity of its plant located in Çanakkale and their incentive certificate is utilized with regard to corporate tax discount of 60% which is calculated with 20% in Turkey, together with custom and value added tax exemption.

With respect to certificate, the Group entitled to tax deduction of corporate tax amounting to TL 1,954,500 which were equal to 30% of total investment amounting to TL 6,515,000. This deduction would be utilized from income of related investment and this amount should be kept in spare book in accordance with Corporate Tax Law. If it is not eligible to keep it separately, income related to investment could be calculated by compared ratio between total investment amounts to total fixed assets.

The approvals related to abovementioned incentives were completed as at 2013 and the Group utilized from a corporate tax discount amounting to TL 283,635. The Group recognized deferred tax assets amounting to TL 1,670,865 (2016: TL 1,670,865) within the scope of this incentive. Furthermore, deferred tax assets amounting to TL 1,005,663 (2016: TL 1,005,663) were recognized within the two investments started in 2013 and not completed yet.

The Group benefits from 50% of its expenditures on foreign franchises within the scope of Turquality. These incentives were not offset in the consolidated financial statements because it is paid to aforementioned franchisees in order to cover their expenditures.

## DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017 (Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

#### NOTE 18 – EQUITY

The shareholders and the shareholding structure of the Company as at 31 March 2017 and 31 December 2016 are as follows:

	<u>31 March 2017</u>		<u>31 December 2016</u>	
	TL	Share (%)	TL	Share (%)
International Furniture B.V.	96,284,884	46.05	96,284,884	46.05
Davut Doğan	16,047,503	7.68	16,047,503	7.68
Adnan Doğan	16,047,484	7.68	16,047,484	7.68
Şadan Doğan	16,047,474	7.68	16,047,474	7.68
İsmail Doğan	16,047,474	7.68	16,047,474	7.68
İlhan Doğan	16,047,474	7.68	16,047,474	7.68
Murat Doğan	16,047,474	7.68	16,047,474	7.68
Other	16,500,000	7.89	16,500,000	7.89
	<b>209,069,767</b>	<b>100.00</b>	<b>209,069,767</b>	<b>100.00</b>
Reverse merger capital differences (159,069,767)			(159,069,767)	
<b>Paid-in share capital</b>	<b>50,000,000</b>		<b>50,000,000</b>	

As registered in the Turkish Trade Registry Gazette dated 26 June 2007 and numbered 6838, the registered capital, which is TL 80,000,000, has been increased to 209,069,768 TL in 2013.

There are 20,906,976,700 units of shares with a face value of TL 0.01. As at 31 March 2017 and 31 December 2016 paid-in share capital of the Company amounting to TL 50,000,000 with each share has a face value of TL 0.01.

As of 31 March 2017 and 31 December 2016, there are no preferred shares representing the capital.

Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. the amounts of reserves held in legal financial statements prepared in accordance with the Tax Procedure Law are as follows:

	<b>31 March 2017</b>	<b>31 December 2016</b>
Reserves on retained earnings	607,177	607,177
Extraordinary reserves	955,943	955,943
Share premium	282,945	282,945

As of 31 March 2017 and 31 December 2016, the Company’s 19,256,976,700 shares were pledged due to the borrowings of the Group.

## DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017

(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

#### NOTE 18 - TAX ASSETS AND LIABILITIES

##### Current income tax assets:

Turkish tax legislation does not allow for the submission of tax returns over consolidated financial statements, which include its subsidiaries, joint ventures and associates. Therefore, tax considerations reflected in consolidated financial statements have been calculated on a separate-entity basis.

The Turkish corporation tax rate for 2016 is 20% (31 December 2015: 20%). This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation through addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation.

Taxes on profit for the period consist of the following:

	<b>2017</b>	<b>2016</b>
Corporate tax calculated	-	-
Prepaid taxes (-)	(174,344)	(156,475)
<b>Current income tax assets (-)</b>	<b>(174,344)</b>	<b>(156,475)</b>

Taxation on income in the consolidated income statements are as follows:

		<b>2017</b>	<b>2016</b>
Deferred tax income	18	-	895,787
Deferred tax expense	18	(384,512)	-
		<b>(384,512)</b>	<b>895,787</b>

##### Current income taxes

Turkish tax legislation does not allow for the submission of tax returns over consolidated financial statements, which include its subsidiaries. Therefore, tax considerations reflected in consolidated financial statements have been calculated on a separate-entity basis.

Corporation tax is payable at a rate of 20% on the total income of each local company after adjusting for certain disallowable expenses, exempt income and allowances.

Corporation tax rate is applied to the tax base that will result in deducting expenses that are not accepted as deductible according to the tax legislation of the corporation's commercial income, deduction in the tax laws (exemption of participation profits etc.) and deductions (such as deduction). No further tax is payable if the profit is not distributed.

## **DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017**

**(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)**

#### **NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)**

Dividends paid to non-resident corporations which have a place of business in Turkey and for resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital resulting from issuing bonus shares is not considered a profit distribution and thus does not incur withholding tax.

Corporations are required to declare a provisional tax of 20% on their quarterly financial profits and pay till the 10th day of the second month following that period and pay till the evening of the 17th day. The temporary tax paid during the year belongs to that year and is deducted from the Corporation tax that will be calculated on the tax declaration of the institutions to be given in the following year. If the temporary tax amount paid remains in spite of the indictment, this amount can be refunded or any other financial debt to the state can be deducted.

There is no practice to reconcile with the tax authority on the taxes payable in Turkey. The corporation tax returns are given to the tax attached until the evening of the 25th day of the fourth month following the close of the accounting period.

Authorities may review the accounting records for a period of five years retroactively and may change the tax amounts due to the tax assessment that arises if an incorrect transaction is detected.

According to Turkish tax legislation, financial losses shown on the tax return can be deducted from the period corporate income for not more than 5 years. However, financial losses cannot be deducted from retained earnings.

Investment allowance regime was applied in Turkey for many years and calculated with 40% of property plant and purchases acquisitions exceeding a certain amount was abolished by Law No 5479 dated 30 March 2006. However, in accordance with the temporary article 69 of the Income Tax Law, income and corporate taxpayers can deduct following investment allowance amounts which they could not offset against 2005 gains which were present at 31 December 2005:

- a) Investment amounts, within the scope of addendum 1, 2, 3, 4, 5 and 6 of Income Tax Law no:193, which were started before abolishment of aforementioned Income Tax Law by Law no:4842 dated 9 April 2003
- b) Incentives based on investments which were calculated in accordance with the legislation asat 31 December 2005 and formed an economic and technical integrity with the investment started before 1 January 2006 within the scope of abrogated 19th article of Income Tax Law no: 193, can be deducted from income related to the years 2006, 2007 and 2008.

## DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017

(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

#### NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

##### Deferred tax:

The Group recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with IFRS and their statutory tax financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income under the liability method using an enacted tax rate.

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/liabilities provided using enacted tax rates are as follows:

	<u>Cumulative temporary differences</u>		<u>Deferred income tax assets/(liabilities)</u>	
	<u>31 March 2017</u>	<u>31 December 2016</u>	<u>31 March 2017</u>	<u>31 December 2016</u>
<b>Deferred income tax assets:</b>				
Carry forward tax losses	65,428,578	65,428,578	13,085,716	13,085,716
Investment incentives	13,382,640	13,382,640	2,676,528	2,676,528
Provision for doubtful receivables	8,966,080	9,037,307	1,793,216	1,807,461
Provision for unused vacation	2,566,228	2,566,228	513,246	513,246
Provision for employee benefits	2,082,327	2,082,327	416,465	416,465
Provision for warranty	2,654,780	1,502,555	530,956	300,511
Provision for litigation	303,098	887,798	60,620	177,560
Other	310,845	247,852	62,169	49,570
			<b>19,138,915</b>	<b>19,027,057</b>
<b>Deferred income tax liabilities:</b>				
Property, plant and equipment	(135,731,024)	(96,882,565)	(27,146,205)	(19,376,513)
Cut-off	(3,640,237)	(2,685,479)	(728,047)	(537,096)
Other	-	-	-	-
			<b>(27,874,252)</b>	<b>(19,913,609)</b>
<b>Deferred income tax (liabilities)/assets, net</b>			<b>(8,735,337)</b>	<b>(886,552)</b>

##### Carry forward tax losses:

Deferred income tax assets are recognized for tax losses carried forward to extent that the realization of the related tax benefit through the future taxable profits is probable.

Grup, 31 Mart 2017 tarihi itibarıyla, 65,428,578 TL (31 Aralık 2016: 65,428,578 TL) tutarındaki indirilebilir mali zararları üzerinden 13,085,716 TL (31 Aralık 2016: 13,085,716 TL) tutarında ertelenmiş vergi varlığı muhasebeleştirmiştir.

As at 31 March 2017, the Group has recognised deferred income tax assets amounting to TL 13,085,716, (31 December 2017: TL 10,922,136) over the carry forward tax losses amounting to TL 65,428,578 (31 December 2016: TL 54,610,680) in consolidated financial statements.

## DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017

(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

#### NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

The expiration dates of such carry forward tax losses are as follows:

	31 March 2017	31 December 2016
2017	-	-
2018	579,703	579,703
2019	7,187,347	7,187,347
2020	16,470,292	16,470,292
2021	41,191,236	41,191,236
	<b>65,428,578</b>	<b>65,428,578</b>

Movements in deferred income taxes are as follows :

	2017	2016
Balance at the beginning of the period	(886,552)	654,674
Credited to income statement	(384,512)	2,460,130
Charged to other comprehensive income	(7,464,273)	(4,001,356)
<b>Balance at the end of the period</b>	<b>(8,735,337)</b>	<b>(886,552)</b>

#### NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

- a) Trade receivables and payables due from related parties as of 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
<b>Due from related parties</b>		
Doğtaş Germany GmbH	2,074,743	1,653,592
Doğtaş Bulgaria Eood	542,853	515,296
Doğtaş Holland B.V.	537,903	510,597
Real person shareholders	262,672	223,945
International Furniture B.V.	113,000	103,940
Doğanlar Yatırım Holding A.Ş.	101,932	-
Other	15,433	189,997
	<b>3,649,136</b>	<b>3,197,367</b>

#### Due to related parties:

Real person shareholders	10,772,520	-
Doğanlar Yatırım Holding A.Ş.	-	69,486
Other	-	863
	<b>10,772,520</b>	<b>70,349</b>



## DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017

(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

#### NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Rendered of goods and services to related parties as of 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
<b>Sales and services rendered:</b>		
Doğtaş Germany GmbH	340,532	356,422
Doğanlar Yatırım Holding A.Ş.	12,022	48,645
Other	7,500	14,449
	<b>360,54</b>	<b>419,516</b>

c) Purchase and of goods and services to related parties as of 31 March 2017 and 31 December are as follows:

	31 March 2017	31 December 2016
<b>Sales and services purchased:</b>		
Doğanlar Yatırım Holding A.Ş,	12,000	278,108
Doğan Kent Elektrik Enerjisi Toptan Satış A.Ş,	719,249	838,015
Other	-	1,503
	<b>731,249</b>	<b>1,117,626</b>

d) Key management compensation

	31 March 2017	31 December 2016
Short term compensation	973,269	793.002
	<b>973.269</b>	<b>793.002</b>

The Group has determined key management personnel as the chairman, members of the Board of Directors and general manager of the Company.

## **DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017 (Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)**

#### **NOTE 20 - FINANCIAL RISK MANAGEMENT**

##### **Credit Risk**

In connection with trade receivables arising from credit sales and deposits held in the banks, the Group is exposed to credit risk.

Credit risk is managed on Group and entity basis, except for credit risk relating to accounts receivable balances. Each entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

The management assesses the credit quality of its customers, taking into account financial position, past experience and other factors. The Group monitors the performance of these financial assets on a regular basis to identify incurred collection losses.

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017**

(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

**NOTE 20 - FINANCIAL RISK MANAGEMENT (Continued)**

	Receivables				Cash and Cash equivalents	Derivative financial instruments
	Trade		Other			
	Due from related parties	Other	Due from related parties	Other		
<b>Maximum exposure to credit risk for financial assets</b>						
<b>Maximum exposure to credit risk as of 31 March 2017 (*) (A+B+C+D+E)</b>	<b>3,983,334</b>	<b>92,581,468</b>	-	<b>3,699,593</b>	<b>3,004,279</b>	-
<b>A.</b> Neither past due nor impaired	3,983,334	69,494,846	-	3,699,593	3,004,279	-
<b>B.</b> Restructured	-	-	-	-	-	-
<b>C.</b> Past due but not impaired	-	23,086,622	-	-	-	-
<b>D.</b> Impaired	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
- Gross carrying amount	-	18,757,392	-	-	-	-
- Impairment (-)	-	(18,757,392)	-	-	-	-
- <i>The part of net value under guarantee with collateral</i>	-	-	-	-	-	-
- Not past due	-	-	-	-	-	-
- Gross carrying amount	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- <i>The part of net value under guarantee with collateral</i>	-	-	-	-	-	-
<b>Maximum exposure to credit risk as of 31 December 2016 (*) (A+B+C+D+E)</b>	<b>3,197,367</b>	<b>77,917,009</b>	-	<b>3,971,252</b>	<b>737,786-</b>	
<b>A.</b> Neither past due nor impaired	3,197,367	58,262,360	-	3,971,252	737,786-	
<b>B.</b> Restructured	-	-	-	-	-	
<b>C.</b> Past due but not impaired	-	19,654,649	-	-	-	
<b>D.</b> Impaired	-	-	-	-	-	
- Past due	-	-	-	-	-	
- Gross carrying amount	-	18,594,824	-	-	-	
- Impairment (-)	-	(18,594,824)	-	-	-	
- <i>The part of net value under guarantee with collateral</i>	-	-	-	-	-	
- Not past due	-	-	-	-	-	
- Gross carrying amount	-	-	-	-	-	
- Impairment (-)	-	-	-	-	-	
- <i>The part of net value under guarantee with collateral</i>	-	-	-	-	-	

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017**

(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

**NOTE 20 - FINANCIAL RISK MANAGEMENT (Continued)**

Aging analysis of past due but not impaired trade receivables are as follows:

	<b>31 March 2017</b>	<b>31 December 2016</b>
Up to 1 month	2,159,210	1,838,230
1-3 months	4,541,594	3,866,457
3-6 months	5,038,158	4,289,204
Over 180 days	11,347,660	9,660,758
	<b>23,086,622</b>	<b>19,654,649</b>

**Liquidity Risk**

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed in illiquid markets. In the framework of liquidity risk management, funding sources are being diversified and sufficient cash and cash equivalents are held. In order to meet instant cash necessities it is ensured that the cash and cash equivalent assets level does not fall below a predetermined portion of the short-term liabilities.

As of 31 March 2017 and 31 December 2016 the undiscounted contractual cash flows of the financial liabilities of the Group are as follows:

<b>31 March 2017</b>	<b>Demand or up to 3 months</b>	<b>3-12 month</b>	<b>1-5 years</b>	<b>Total</b>
<b>Non-derivate instruments</b>				
Borrowings	10,729,036	93,079,657	153,089,279	256,897,972
Trade payables	75,016,605	16,064,575	-	
<i>Related parties</i>	10,758,303	-	-	10,758,303
<i>Third parties</i>	64,258,302	16,064,575	-	80,322,877
Other payables	-	575,869	471,166	1,047,035
<i>Third parties</i>	-	575,869	471,166	1,047,035
	<b>85,745,641</b>	<b>109,720,101</b>	<b>153,560,445</b>	<b>349,026,187</b>

<b>31 December 2016</b>	<b>Demand or up to 3 months</b>	<b>3-12 month</b>	<b>1-5 years</b>	<b>Total</b>
<b>Non-derivate instruments</b>				
Borrowings	83,496,697	66,771,803	106,147,113	256,415,613
Trade payables	105,628,402	26,328,943	-	131,957,345
<i>Related parties</i>	70,349	-	-	70,349
<i>Third parties</i>	105,558,053	26,328,943	-	131,886,996
Other payables	-	975,118	906,312	1,881,430
<i>Third parties</i>	-	975,118	906,312	1,881,430
	<b>189,125,099</b>	<b>94,075,864</b>	<b>107,053,425</b>	<b>390,254,388</b>

## DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017 (Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

#### NOTE 20 - FINANCIAL RISK MANAGEMENT (Continued)

##### Interest Rate Risk

The Group manages its interest rate risk by applying risk management strategies whereby its strives to balance off the dates of changes in interest rates related to assets and liabilities.

Interest rate positions are as follows:

	31 March 2017	31 December 2016
<u>Financial instruments with fixed interest rates</u>		
Financial assets	-	-
Financial liabilities	36,493,584	51,872,854
<u>Financial instruments with floating interest rates</u>		
Financial liabilities	220,404,388	174,970,388

##### Foreign Exchange Risk

As the functional currency of the Group is TL, the Group monitors its foreign exchange risk by analysing the foreign currency denominated (mainly USD and EUR) assets and liabilities. The Group defines the foreign currency risk as the mismatch between foreign currency denominated assets and liabilities.

Foreign currency denominated assets and liabilities as of 31 March 2017 and 31 December 2016 is set out in the table below:

	31 March 2017	31 December 2016
ABD Doları	3.6386	3.5192
Avro	3.9083	3.7099

The Group is exposed to currency risk in USD and EUR.

##### *Foreign currency position*

Assets and liabilities denominated in foreign currency held by the Group are as follows:

	31 March 2017	31 December 2016
Assets	36,622,844	28,717,457
Liabilities	(201,769,123)	(146,140,794)
<b>Net foreign currency position</b>	<b>(165,146,279)</b>	<b>(117,423,337)</b>

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**NOTE 20 - FINANCIAL RISK MANAGEMENT (Continued)**

Assets and liabilities denominated in foreign currency held by the Group are as follows:

31 March 2017		Foreign currency position			Other
		TL equivalent (functional currency)	ABD Doları	Avro	
1.	Trade receivables	29,739,511	5,753,674	23,985,837	-
2a.	Monetary financial assets, (cash and banks account included)	4,444,380	3,620,903	823,477	-
2b.	Non-Monetary financial assets	2,438,953	1,115,299	1,323,654	-
3.	Other	-	-	-	-
<b>4.</b>	<b>Current assets (1+2+3)</b>	<b>36,622,844</b>	<b>10,489,876</b>	<b>26,132,968</b>	-
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-Monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
<b>8.</b>	<b>Non-Current Assets (5+6+7)</b>	-	-	-	-
<b>9.</b>	<b>Total asset (4+8)</b>	<b>36,622,844</b>	<b>10,489,876</b>	<b>26,132,968</b>	-
10.	Trade payables	(21,220,345)	-	(21,220,345)	-
11.	Financial liabilities	(42,250,518)	-	(42,250,518)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
<b>13.</b>	<b>Current Liabilities (10+11+12)</b>	<b>(63,470,863)</b>	-	<b>(63,470,863)</b>	-
14.	Trade payables	-	-	-	-
15.	Financial Liabilities	(138,298,260)	-	(138,298,260)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
<b>17.</b>	<b>Non-current liabilities (14+15+16)</b>	<b>(138,298,260)</b>	-	<b>(138,298,260)</b>	-
<b>18.</b>	<b>Total liabilities (13+17)</b>	<b>(201,769,123)</b>	-	<b>(201,769,123)</b>	-
19.	Net assets of off balance sheet				
	derivative items (liability) position (19a-19b)	-	-	-	-
19a.	Total amount of assets hedged	-	-	-	-
19b.	Total amount of liabilities hedged	-	-	-	-
<b>20.</b>	<b>Net foreign assets / (liability) position (9+18+19)</b>	<b>(165,146,279)</b>	<b>10,489,876</b>	<b>(175,636,155)</b>	-
<b>21.</b>	<b>Net foreign currency asset / (liability) / (position of monetary items (=1+2a+3+5+6a+10+11+12a+14+15+16a))</b>	<b>(165,146,279)</b>	<b>10,489,876</b>	<b>(175,636,155)</b>	-
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export	10,887,920	1,137,899	1,693,529	-
24.	Import	3,717,749	200,865	761,228	-

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(Amounts expressed in thousands Turkish Lira (“TRY”), unless otherwise indicated.)

**NOTE 20 - FINANCIAL RISK MANAGEMENT (Continued)**

31 December 2016		Foreign currency position TL equivalent (functional currency)			Other
		ABD Doları	Avro		
1.	Trade receivables	28,699,767	1,516,181	6,297,750	-
2a.	Monetary financial assets, (cash and banks account included)	17,690	1,061	3,761	-
2b.	Non-Monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
<b>4.</b>	<b>Current assets (1+2+3)</b>	<b>28,717,457</b>	<b>1,517,242</b>	<b>6,301,511</b>	-
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-Monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
<b>8.</b>	<b>Non-Current Assets (5+6+7)</b>	-	-	-	-
<b>9.</b>	<b>Total asset (4+8)</b>	<b>28,717,457</b>	<b>1,517,242</b>	<b>6,301,511</b>	-
10.	Trade payables	(718,608)	-	(193,700)	-
11.	Financial liabilities	(56,925,965)	-	(15,344,339)	-
12a.	Other monetary liabilities	-	-	(1,141,248)	-
12b.	Other non-monetary liabilities	-	-	-	-
<b>13.</b>	<b>Current Liabilities (10+11+12)</b>	<b>(57,644,573)</b>	-	<b>(16,679,287)</b>	-
14.	Trade payables	-	-	-	-
15.	Financial Liabilities	(88,496,221)	-	(23,854,072)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
<b>17.</b>	<b>Non-current liabilities (14+15+16)</b>	<b>(88,496,221)</b>	-	<b>(23,854,072)</b>	-
<b>18.</b>	<b>Total liabilities (13+17)</b>	<b>(146,140,794)</b>	-	<b>(40,533,359)</b>	-
19.	Net assets of off balance sheet	-	-	-	-
	derivative items (liability) position (19a-19b)	-	-	-	-
19a.	Total amount of assets hedged	-	-	-	-
19b.	Total amount of liabilities hedged	-	-	-	-
<b>20.</b>	<b>Net foreign assets / (liability) position (9+18+19)</b>	<b>(117,423,337)</b>	<b>1,517,242</b>	<b>(34,231,848)</b>	-
<b>21.</b>	<b>Net foreign currency asset / (liability) / (position of monetary items (=1+2a+3+5+6a+10+11+12a+14+15+16a))</b>	<b>(117,423,337)</b>	<b>1,517,242</b>	<b>(34,231,848)</b>	-
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export	37,353,252	2,833,513	7,380,671	-
24.	İmport	9,636,139	501,823	2,121,384	-

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#### NOTE 20 - FINANCIAL RISK MANAGEMENT (Continued)

As of 31 March 2017, if USD had appreciated/depreciated by 10% against TL, with all other variables held constant, loss before taxation on income would have been TL 1,048,988 lower/ higher, mainly as a result of foreign exchange losses/gains on the translation of the foreign currency position. (2016: TL 533,948)

As of 31 March 2017, if EUR had appreciated/depreciated by 10% against TL, with all other variables held constant, loss before taxation on income would have been TL 17,563,616 lower/ higher, mainly as a result of foreign exchange losses/gains on the translation of the foreign currency position. (2016: TL 12,699,673)

#### *Capital risk management*

In capital management, the Group aims to enable continuity of the Group’s operations and to maintain the most suitable capital structure so as to provide earnings to its partners and benefits to other shareholders and to decrease capital cost.

In order to maintain or re-arrange the capital structure, the Group may change the amount of dividends paid to shareholders, return the capital to shareholders, issue new shares, and sell its assets in order to decrease the level of its borrowings.

As of 31 March 2017 and 31 December 2016, the net debt, calculated by deducting the cash and cash equivalents from the total financial debts, dividing to total equity founded by financial debt equity ratio is as follows:

	31 March 2017	31 December 2016
Financial debt	256,897,972	228,942,512
Cash and cash equivalents	(3,004,279)	(737,786)
Net financial debt	253,893,693	228,204,726
Total equity	54,585,740	25,912,397
<b>Total capital</b>	<b>308,479,433</b>	<b>254,117,123</b>
<b>Total equity/net financial debt ratio (%)</b>	<b>82</b>	<b>90</b>

#### DİPNOT 21 - FINANCIAL INSTRUMENTS ADDITIONAL DISCLOSURES

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.



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### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY - 31 MARCH 2017

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#### DİPNOT 21 - FINANCIAL INSTRUMENTS ADDITIONAL DISCLOSURES (Continued)

##### Fair value of financial instruments

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

Financial assets - Due to their short-term nature and being subject to insignificant credit risk, it is considered that they are close to the fair values of cash and cash equivalents and the carrying values of accrued interest and other financial assets. The carrying amount of trade receivables is considered to approximate their fair value when the provision for doubtful receivables is deducted.

Financial liabilities - Trade payables and other monetary liabilities are considered to approximate their carrying values due to their short-term nature. Bank loans are stated at amortised cost and transaction costs are added to the initial cost of the loans. Long-term Euro bank loans are considered to be worthy of their fair value because their interest rates have been updated to reflect changing market conditions. Short term fixed rate TL loans are assumed to reflect fair value because their maturity is short.

#### NOTE 22 - ADDITIONAL DISCLOSURES THAT ARE NOT REQUIRED UNDER TAS

EBITDA, are not defined by TAS. These items determined by the principles defined by the Group management comprises incomes/expenses which are assumed by the Group management that are not part of the normal course of business and are non-recurring items. These items which are not defined by TAS are disclosed by the Group management separately for a better understanding and measurement of the sustainable performance of the Group.

	31 March 2017	31 December 2016
Net loss for the period	(1,183,747)	(4,650,881)
Tax	384,512	(895,787)
Financial income	(21,478,128)	(2,105,807)
Financial expense	40,122,415	10,616,088
Amortisation	3,319,581	3,455,090
Provision for employee benefit	524,659	139,875
Provision for unused vacation	(361,280)	(178,762)
<b>EBITDA</b>	<b>21,328,012</b>	<b>7,253,069</b>

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**NOTE 23 - EARNINGS PER SHARE**

Earnings per share is calculated by dividing the net profit or loss attributable to equity holders of the Company by the weighted average of the number of shares of common stock outstanding during the fiscal year excluding the ownership interest in the equity shares issued and repurchased by the shareholders of equity shares issued during the year:

	<b>2017</b>	<b>2016</b>
Net income or loss attributable to the owners of the parent	(1,183,747)	(4,650,881)
Weighted average number of shares in issue	20,552,245,211	20,903,445,487
<b>Earning/(loss) per share</b>	<b>(0,006)</b>	<b>(0,022)</b>

**NOTE 24 - EVENTS AFTER THE BALANCE SHEET DATE**

Not happened (2016:Not happened).

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