

**Dođtař Kelebek Mobilya  
Sanayi ve Ticaret A.ř. and Its Subsidiaries**

Convenience Translation into English of the  
Condensed Consolidated Financial Statements  
for the Interim Period

1 January-30 June 2018 together with  
Auditor's Review Report

(Originally Issued in Turkish)

17 August 2018

## ***Review Report on Interim Condensed Financial Information***

To the Board of Directors of Dođtař Kelebek Mobilya Sanayi ve Ticaret Anonim Őirketi,

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of Dođtař Kelebek Mobilya Sanayi ve Ticaret A.Ő (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2018, the condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standards 34 *Interim Financial Reporting* (“TAS 34”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### *Scope of Review*

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

### *Basis for qualified conclusion*

As explained in Note 12 to the accompanying interim condensed consolidated financial information, the consolidated statement of financial position as at 30 June 2018 consists of trade receivables from third parties amounting to TL 20.657.702, trade receivables from related parties amounting to TL 5.477.146, TL 26.134.848 in total which were occurred as a result of the Group’s operations and their due dates considerably exceeded 180 days and over. Furthermore, the Group management has recognized foreign exchange gain amounting to TL 3.879.757 in other operating income for the period 1 January - 30 June 2018, due to the translation of foreign currency denominated trade receivables to TL, which their due dates considerably exceeded 180 days and over. We were unable to perform sufficient review procedures on which to determine whether there is any impairment of such balances. As a result, we were unable to determine whether adjustments were necessary in respect of the recoverability of this amount.

As at 30 June 2018 the Group has non-moving inventory in the interim condensed consolidated statement of financial position amounting to TL 27.293.705 representing returns from its 2017 sales. We were unable to obtain sufficient audit evidence to assess whether there is any impairment in the value of the dead stocks concerned. Accordingly, it is not possible to determine whether any adjustment with respect to the recoverability of this amount is necessary.

Group management has assessed that Dođtaş Holland BV, Dođtaş Bulgaria Eood and Dođtaş Germany GmbH should be classified as subsidiaries that are not material to the condensed consolidated interim financial statements and, as such, have been classified as available-for-sale financial assets in the condensed consolidated interim financial statements. As available-for-sale financial assets amounting to TL 9.469.958, accounted for at cost as per TFRS 9 "Financial Instruments " in the financial statements as at 30 June, 2018, these assets have displayed limited movement and due to their total net asset values being uncovered, we have formed an opinion that for the total carrying value of these financial assets, a provision against impairment in the opening consolidated statement of financial position as at 1 January 2015, is required to be set aside. Accordingly, had the Group recognized the provision for impairment in the condensed consolidated interim financial statements, its prior years' losses would have been higher by TL 9.469.958.

*Qualified conclusion*

Based on our review, except for the possible effects of the first and second matters and effect of third matter in "basis for qualified conclusion", nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34.

*Other Matter*

The consolidated financial statements of the Group as at and for the year ended 31 December 2017 and the condensed consolidated interim financial information of the Group as at and for the six-month period ended 30 June 2017 were audited and reviewed by another auditor who expressed an qualified opinion and an qualified conclusion regarding to impairment of trade receivables aged over 180 days, impariment of non-moving inventory items and impairment on financial investments measured in its cost value, on 9 March 2018 and 9 August 2017, respectively.

KPMG Bađımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

A member of KPMG International Cooperative

Ruşen Fikret Selamet, SMMM

Partner

17 August 2018

Istanbul, Turkey

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**REVIEWED CONDENSED CONSOLIDATED**  
**STATEMENT OF FINANCIAL INFORMATION AS AT 30 JUNE 2018**  
*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

| <b>INDEX</b>   | <b>PAGE</b> |
|--|-------------|
| <b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>                                | <b>1-2</b>  |
| <b>CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND<br/>OTHER COMPREHENSIVE INCOME</b> | <b>3-4</b>  |
| <b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>                                 | <b>5</b>    |
| <b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</b>  | <b>6</b>    |
| <b>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</b>                              |             |
| NOTE 1 ORGANISATION AND NATURE OF OPERATIONS   | 7-8         |
| NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS   | 9-21        |
| NOTE 3 CASH AND CASH EQUIVALENTS   | 22          |
| NOTE 4 BORROWINGS  | 22-23       |
| NOTE 5 DUE FROM AND DUE TO RELATED PARTIES   | 24-25       |
| NOTE 6 PROPERTY, PLANT AND EQUIPMENT   | 26-27       |
| NOTE 7 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES   | 28-29       |
| NOTE 8 TAX ASSETS AND LIABILITIES.   | 30-33       |
| NOTE 9 EXPENSES BY NATURE  | 33-34       |
| NOTE 10 OTHER OPERATING INCOME AND EXPENSES  | 34          |
| NOTE 11 FINANCIAL INCOME AND EXPENSES  | 35          |
| NOTE 12 FINANCIAL RISK MANAGEMENT  | 35-40       |
| NOTE 13 ADDITIONAL DISCLOSURES THAT ARE RQUIRED UNDER TAS                                    | 41          |
| NOTE 14 EARNINGS / (LOSS) PER SHARE  | 41          |
| NOTE 15 EVENTS AFTER THE REPORTING PERIOD  | 41          |

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| <b>Assets</b>                            | <i>Notes</i> | <b>Reviewed<br/>30 June 2018</b> | <b>Audited<br/>31 December 2017</b> |
|--|--------------|----------------------------------|-------------------------------------|
| <b>Current assets</b>                    |              | <b>354.458.475</b>               | <b>370.705.981</b>                  |
| Cash and cash equivalents                | 3            | 2.258.930                        | 3.363.130                           |
| Trade receivables                        |              | 100.058.260                      | 110.498.983                         |
| - Trade receivables from related parties | 5            | 5.576.311                        | 4.615.348                           |
| - Trade receivables from third parties   |              | 94.481.949                       | 105.883.635                         |
| Other receivables                        |              | 2.478.578                        | 3.604.693                           |
| - Other receivables from third parties   |              | 2.478.578                        | 3.604.693                           |
| Inventories                              |              | 203.742.236                      | 187.720.242                         |
| Prepayments                              |              | 35.244.137                       | 51.219.612                          |
| Current tax assets                       | 8            | 213.791                          | 205.596                             |
| Other current assets                     |              | 9.971.343                        | 13.602.525                          |
|  |              | <b>353.967.275</b>               | <b>370.214.781</b>                  |
| Assets held for sale                     |              | 491.200                          | 491.200                             |
| <b>Non-current assets</b>                |              | <b>285.110.900</b>               | <b>288.973.770</b>                  |
| Other receivables                        |              | 1.295.176                        | 1.240.085                           |
| - Other receivables from third parties   |              | 1.295.176                        | 1.240.085                           |
| Financial investments                    |              | 9.469.958                        | 9.469.958                           |
| Investment properties                    |              | 54.052                           | 54.052                              |
| Property, plant and equipment            | 6            | 253.545.546                      | 254.286.863                         |
| Intangible assets                        |              | 20.746.168                       | 23.286.776                          |
| Prepayments                              |              | --                               | 636.036                             |
| <b>Total assets</b>                      |              | <b>639.569.375</b>               | <b>659.679.751</b>                  |

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

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| <b>Liabilities</b>  | <i>Notes</i> | <b>Reviewed</b><br><b>30 June 2018</b> | <b>Audited</b><br><b>31 December 2017</b> |
|---|--------------|--|---|
| <b>Current liabilities</b>  |              | <b>464.077.777</b>                     | <b>432.493.281</b>                        |
| Short-term borrowings   | 4            | 113.672.408                            | 81.098.235                                |
| Short-term portion of long term borrowings                                      | 4            | 100.137.620                            | 58.224.451                                |
| Trade payables  |              | 152.510.195                            | 228.199.406                               |
| - <i>Trade payables to third parties</i>  |              | <i>152.510.195</i>                     | <i>228.199.406</i>                        |
| Payables related to employee benefits   |              | 7.318.511                              | 6.367.565                                 |
| Other payables  |              | 8.256.157                              | 13.177.377                                |
| - <i>Other payables to third parties</i>  |              | <i>912.658</i>                         | <i>1.410.167</i>                          |
| - <i>Other payables to related parties</i>                                      | 5            | <i>7.343.499</i>                       | <i>11.767.210</i>                         |
| Deferred revenue  |              | 72.312.629                             | 36.995.393                                |
| Short-term provisions   |              | 9.718.020                              | 8.307.952                                 |
| - <i>Short-term employee benefits</i>   |              | <i>3.711.822</i>                       | <i>3.711.822</i>                          |
| - <i>Other short-term provisions</i>  | 7            | <i>6.006.198</i>                       | <i>4.596.130</i>                          |
| Other current liabilities   |              | 152.237                                | 122.902                                   |
| <b>Non-current liabilities</b>  |              | <b>124.331.554</b>                     | <b>137.996.248</b>                        |
| Long-term borrowings  | 4            | 111.181.600                            | 115.772.275                               |
| Other payables  |              | 422.994                                | 621.894                                   |
| - <i>Other payables to third parties</i>  |              | <i>422.994</i>                         | <i>621.894</i>                            |
| Deferred revenue  |              | --                                     | 39.262                                    |
| Long-term provisions  |              | 3.835.541                              | 4.278.027                                 |
| - <i>Long-term employee benefits</i>  |              | <i>2.119.647</i>                       | <i>2.119.647</i>                          |
| - <i>Other long-term provisions</i>   | 7            | <i>1.715.894</i>                       | <i>2.158.380</i>                          |
| Deferred tax liabilities  | 8            | 8.891.419                              | 17.284.790                                |
| <b>Equity</b>   |              | <b>51.160.044</b>                      | <b>89.190.222</b>                         |
| <b>Equity attributable to owners of the company</b>                             |              |  |   |
| Share capital   |              | 209.069.767                            | 209.069.767                               |
| Reverse merger capital differences  |              | (159.069.767)                          | (159.069.767)                             |
| Share premiums  |              | 282.945                                | 282.945                                   |
| Treasury share (-)  |              | (510.991)                              | (10.991)                                  |
| Other comprehensive income / (expense) not to be reclassified to profit or loss |              | 116.257.435                            | 117.026.241                               |
| - <i>Increase on revaluation of property and equipment</i>                      |              | <i>114.724.059</i>                     | <i>115.492.865</i>                        |
| - <i>Actuarial gain arising from employee benefits</i>                          |              | <i>1.533.376</i>                       | <i>1.533.376</i>                          |
| Legal reserves  |              | 1.107.177                              | 607.177                                   |
| Accumulated losses  |              | (81.270.048)                           | (93.971.564)                              |
| Profit/ (loss) for the period   |              | (34.706.474)                           | 15.256.414                                |
| <b>Total liabilities and equity</b>   |              | <b>639.569.375</b>                     | <b>659.679.751</b>                        |

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

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| Profit or loss   | Notes | Reviewed                   | Not-reviewed             | Reviewed                   | Not-reviewed             |
|--|-------|----------------------------|--------------------------|----------------------------|--------------------------|
|  |       | 1 January-<br>30 June 2018 | 1 April-<br>30 June 2018 | 1 January-<br>30 June 2017 | 1 April-<br>30 June 2017 |
| Revenue  |       | 274.015.147                | 151.405.830              | 250.973.577                | 146.449.423              |
| Cost of sales (-)  |       | (192.377.783)              | (109.706.211)            | (153.587.809)              | (90.605.057)             |
| <b>Gross profit</b>  |       | <b>81.637.364</b>          | <b>41.699.619</b>        | <b>97.385.768</b>          | <b>55.844.366</b>        |
| General administrative expenses (-)                                  | 9     | (15.193.880)               | (7.295.732)              | (11.004.341)               | (6.225.798)              |
| Selling, marketing and distribution expenses (-)                     | 9     | (62.973.559)               | (35.767.352)             | (46.941.196)               | (29.628.301)             |
| Research and development expenses (-)                                | 9     | (1.546.080)                | (693.664)                | (1.771.617)                | (966.947)                |
| Other income from operating income                                   | 10    | 20.592.898                 | 12.625.441               | 13.251.152                 | 1.985.374                |
| Other expense from operating expenses (-)                            | 10    | (15.403.439)               | (9.341.018)              | (12.358.019)               | (1.181.297)              |
| <b>Operating profit</b>  |       | <b>7.113.304</b>           | <b>1.227.294</b>         | <b>38.561.747</b>          | <b>19.827.397</b>        |
| Income from investing activities                                     |       | 476.380                    | 473.940                  | 4.479                      | --                       |
| Impairment in accordance with TFRS 9                                 |       | (236.032)                  | (236.032)                | (893.777)                  | --                       |
| <b>Operating profit / (loss) before financial income / (expense)</b> |       | <b>7.353.652</b>           | <b>1.465.202</b>         | <b>37.672.449</b>          | <b>19.827.397</b>        |
| Finance income   | 11    | 12.453.282                 | 5.819.596                | 24.117.958                 | 2.639.830                |
| Finance expenses (-)   | 11    | (62.110.350)               | (32.011.738)             | (54.561.080)               | (14.438.665)             |
| <b>Profit/ (loss) before tax from continuing operations</b>          |       | <b>(42.303.416)</b>        | <b>(24.726.940)</b>      | <b>7.229.327</b>           | <b>8.028.562</b>         |
| <b>Taxation on income</b>  |       |                            |                          |                            |                          |
| - Deferred tax benefit /(expense)                                    | 8     | 7.596.942                  | 3.972.497                | (2.027.444)                | (1.642.932)              |
| <b>Profit / (Loss) for the period</b>                                |       | <b>(34.706.474)</b>        | <b>(20.754.443)</b>      | <b>5.201.883</b>           | <b>6.385.630</b>         |
| Earnings/(Losses) per share  | 14    | (0,002)                    | (0,001)                  | 0,0002                     | 0,0002                   |
| Diluted earnings / (losses)per share                                 | 14    | (0,002)                    | (0,001)                  | 0,0002                     | 0,0002                   |

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

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF OTHER**  
**COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**  
*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)*

|   | <b>Reviewed</b>                    | <b>Not Reviewed</b>              | <b>Reviewed</b>                    | <b>Not Reviewed</b>              |
|---|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
|   | <b>1 January-<br/>30 June 2018</b> | <b>1 April-<br/>30 June 2018</b> | <b>1 January-<br/>30 June 2017</b> | <b>1 April-<br/>30 June 2017</b> |
| <b>Profit / (Loss) for the period</b>   | <b>(34.706.474)</b>                | <b>(20.754.443)</b>              | <b>5.201.883</b>                   | <b>6.385.630</b>                 |
| <b>Other comprehensive income</b>   |                                    |                                  |                                    |                                  |
| <b>Items that will not be reclassified to profit or loss</b>                    |                                    |                                  |                                    |                                  |
| Revaluation reserves  | --                                 | --                               | 37.321.364                         | --                               |
| Defined benefit plans remeasurement fund  | --                                 | 417.732                          | --                                 | --                               |
| Deferred tax income or expenses that will not be reclassified to profit or loss | --                                 | (83.546)                         | (7.464.273)                        | --                               |
| <b>Other comprehensive income</b>   | <b>--</b>                          | <b>334.186</b>                   | <b>29.857.091</b>                  | <b>--</b>                        |
| <b>Total comprehensive income / (expense)</b>                                   | <b>(34.706.474)</b>                | <b>(20.420.257)</b>              | <b>35.058.974</b>                  | <b>6.385.630</b>                 |

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



**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)*

|   | Share capital     | Share premiums | Treasury shares  | Other comprehensive income that will not be reclassified to profit or loss |                      | Legal reserves   | Accumulated losses  |                                    | Total equity      |
|---|-------------------|----------------|------------------|--|----------------------|------------------|---------------------|------------------------------------|-------------------|
|   |                   |                |                  | Remeasurement differences  | Revaluation reserves |                  | Accumulated Losses  | Net profit / (loss) for the period |                   |
| <b>Balance at 1 January 2017</b>                    | <b>50.000.000</b> | <b>282.945</b> | <b>(10.991)</b>  | <b>1.867.562</b>   | <b>68.479.964</b>    | <b>607.177</b>   | <b>(55.666.145)</b> | <b>(39.648.115)</b>                | <b>25.912.397</b> |
| Transfers   | --                | --             | --               | --   | --                   | --               | (39.648.115)        | 39.648.115                         | --                |
| Total comprehensive income                          | --                | --             | --               | --   | 29.857.091           | --               | --                  | 5.201.883                          | <b>35.058.974</b> |
| <b>Balance at 30 June 2017</b>                      | <b>50.000.000</b> | <b>282.945</b> | <b>(10.991)</b>  | <b>1.867.562</b>   | <b>98.337.055</b>    | <b>607.177</b>   | <b>(95.314.260)</b> | <b>5.201.883</b>                   | <b>60.971.371</b> |
| <b>Balance at 1 January 2018</b>                    | <b>50.000.000</b> | <b>282.945</b> | <b>(10.991)</b>  | <b>1.533.376</b>   | <b>115.492.865</b>   | <b>607.177</b>   | <b>(93.971.564)</b> | <b>15.256.414</b>                  | <b>89.190.222</b> |
| Change in accounting policies (Note 2)              | --                | --             | --               | --   | --                   | --               | (2.823.704)         | --                                 | (2.823.704)       |
| <b>Readjusted as of the beginning of the period</b> | <b>50.000.000</b> | <b>282.945</b> | <b>(10.991)</b>  | <b>1.533.376</b>   | <b>115.492.865</b>   | <b>607.177</b>   | <b>(96.795.268)</b> | <b>15.256.414</b>                  | <b>86.366.518</b> |
| Transfers   | --                | --             | --               | --   | --                   | --               | 15.256.414          | (15.256.414)                       | --                |
| Depreciation transfer                               | --                | --             | --               | --   | (768.806)            | --               | 768.806             | --                                 | --                |
| Increase / (decrease) due to redemption of shares   | --                | --             | (500.000)        | --   | --                   | 500.000          | (500.000)           | --                                 | (500.000)         |
| Total comprehensive income / (loss)                 | --                | --             | --               | --   | --                   | --               | --                  | (34.706.474)                       | (34.706.474)      |
| <b>Balance at 30 June 2018</b>                      | <b>50.000.000</b> | <b>282.945</b> | <b>(510.991)</b> | <b>1.533.376</b>   | <b>114.724.059</b>   | <b>1.107.177</b> | <b>(81.270.048)</b> | <b>(34.706.474)</b>                | <b>51.160.044</b> |

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

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

|  |              | <b>Reviewed</b>                     | <b>Reviewed</b>                     |
|--|--------------|-------------------------------------|-------------------------------------|
|  | <i>Notes</i> | <b>1 January -<br/>30 June 2018</b> | <b>1 January -<br/>30 June 2017</b> |
| <b>Profit/ (loss) for the period</b>                                 |              | <b>(34,706,474)</b>                 | <b>5.201.883</b>                    |
| <b>Adjustments to reconcile net profit/ (loss) for the period</b>    |              | <b>42,784,005</b>                   | <b>42.291.670</b>                   |
| Adjustments related to amortisation and depreciation                 |              | 10,594,376                          | 5.748.341                           |
| Adjustments related to provision for employment termination benefits |              | --                                  | 1.258.806                           |
| Adjustments related to reversal of other provisions                  |              | --                                  | (590.150)                           |
| Adjustments related to provision for warranty                        |              | 967,582                             | 589.773                             |
| Adjustments related to impairment of inventory                       |              | --                                  | 7.900.625                           |
| Adjustments related to tax benefit/(expense)                         | 8            | (7,596,942)                         | 2.027.444                           |
| Adjustments related to interest expenses                             | 11           | 22,306,054                          | 11.653.395                          |
| Adjustments related to interest income                               | 11           | (35,270)                            | (9.420)                             |
| Adjustments to unrealised foreign exchanges differences              |              | 16,548,205                          | 13.712.856                          |
| <b>Changes in net working capital:</b>                               |              | <b>(28,972,361)</b>                 | <b>(15.304.890)</b>                 |
| Decrease/(increase) in trade receivables                             |              | 10,385,632                          | (8.244.943)                         |
| Decrease/(increase) in other receivables related with operations     |              | 1,126,115                           | (62.767)                            |
| Increase in inventories  |              | (16,021,994)                        | (24.038.559)                        |
| Decrease/(increase) in prepaid expenses                              |              | 16,611,511                          | (13.242.373)                        |
| Decrease/(increase) in other current assets related with operations  |              | 3,631,182                           | (7.632.262)                         |
| Decrease in trade payables   |              | (75,689,211)                        | (13.593.786)                        |
| Increase in payables for employment termination                      |              | 950,946                             | 1.013.540                           |
| Decrease/(increase) in other liabilities related with operations     |              | (5,090,785)                         | 34.168.730                          |
| Increase in deferred revenue   |              | 35,124,243                          | 16.327.530                          |
| <b>Cash outflows for operations</b>                                  |              | <b>(8,195)</b>                      | <b>(233.213)</b>                    |
| Payments for other provisions  |              | --                                  | (214.438)                           |
| Taxes paid   |              | (8,195)                             | (18.775)                            |
| <b>A. Cash outflows for operating activities</b>                     |              | <b>(20,903,025)</b>                 | <b>31.955.450</b>                   |
| Interest received  | 11           | 35,270                              | 9.420                               |
| Cash outflows from purchases of tangible and intangible assets       | 6            | (11,719,156)                        | (11.787.124)                        |
| Proceeds from disposal of property, equipment and intangible assets  |              | 440,303                             | --                                  |
| <b>B. Cash outflows from investing activities</b>                    |              | <b>(11,243,583)</b>                 | <b>(11.777.704)</b>                 |
| Interest paid  |              | (14,931,607)                        | (8.219.184)                         |
| Proceeds from bank borrowings  | 4            | 99,700,118                          | 97.191.173                          |
| Cash outflows due to the payments of bank borrowings                 | 4            | (53,726,103)                        | (106.744.412)                       |
| <b>C. Cash outflows from financing activities</b>                    |              | <b>31,042,408</b>                   | <b>(17.772.423)</b>                 |
| <b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>  |              | <b>(1,104,200)</b>                  | <b>2.405.323</b>                    |
| <b>D. Cash and cash equivalents at the beginning of the period</b>   | 3            | <b>3,363,130</b>                    | <b>737.786</b>                      |
| <b>Cash and cash equivalents at the end of the period (A+B+C+D)</b>  | 3            | <b>2,258,930</b>                    | <b>3.143.109</b>                    |

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

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

---

**1. ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP**

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.

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.

The main operating segment is production and sale of furnitures.

The address of the registered office is İdealtepe Mahallesi Rıfki Tongsir Caddesi No:107/ Küçükyalı, Maltepe/İSTANBUL.

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

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 30 June 2018, 49.98% of its shares are open for trading.

**Subsidiaries**

A chain of retail stores established in 2006 in order to operate in furniture and trade goods sale by 3K Mobilya Dekorasyon San. Ve Tic. A.Ş. (“3K”), which is a subsidiary of the Company. In 2013, the Company has transferred the stores (8 units) to franchisees owned by 3K. 2K Oturma Grupları İnşaat Taahhüt Sanayi ve Ticaret A.Ş. which also is a subsidiary of the Company ceased its operations as of 28 March 2007 and the production facilities were terminated.

Doğtaş Mobilya Pazarlama Ticaret A.Ş. (“Doğtaş Pazarlama”) which is a subsidiary of the Company was established in 1996 and operates in selling and marketing of furniture and sofa groups and commercial products. Doğtaş Pazarlama has no branches in Turkey as at 30 June 2018 (31 DEcember 2017: None).

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

**1. ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP (continued)**

The shareholding structure of Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. as at 30 June 2018 and 31 December 2017 is as follows:

|                               | 30 June 2018  |                    | 31 December 2017 |                    |
|-------------------------------|---------------|--------------------|------------------|--------------------|
|                               | %             | TL                 | %                | TL                 |
| Trading on Borsa Istanbul     | 49,99         | 104.534.884        | 49,99            | 104.534.884        |
| Davut Doğan                   | 7,68          | 16.047.503         | 7,68             | 16.047.503         |
| Adnan Doğan                   | 7,68          | 16.047.484         | 7,68             | 16.047.484         |
| Şadan Doğan                   | 7,68          | 16.047.474         | 7,68             | 16.047.474         |
| İsmail Doğan                  | 7,68          | 16.047.474         | 7,68             | 16.047.474         |
| İlhan Doğan                   | 7,68          | 16.047.474         | 7,68             | 16.047.474         |
| Murat Doğan                   | 7,68          | 16.047.474         | 7,68             | 16.047.474         |
| Doğanlar Yatırım Holding A.Ş. | 3,95          | 8.250.000          | 3,95             | 8.250.000          |
|                               | <b>100,00</b> | <b>209.069.767</b> | <b>100,00</b>    | <b>209.069.767</b> |

As at 30 June 2018 and 31 December 2017, the paid-in share capital of the Company is TL 209.069.767. However, the portion of the capital amounting to TL 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.

The shareholding structure of Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. as at 30 June 2018 and 31 December 2017 is as follows:

| Subsidiaries  | Registered country | Nature of operation              | Functional currency | Proportion of effective interest of the Company(%) |                  |
|---|--------------------|----------------------------------|---------------------|--|------------------|
|   |                    |                                  |                     | 30 June 2018                                       | 31 December 2017 |
| Doğtaş Mobilya Pazarlama Ticaret A.Ş. (“Doğtaş Pazarlama”)    | Turkey             | Sales and marketing of furniture | TL                  | 100  | 100              |
| Doğtaş Bulgaria Eood (“Doğtaş Bulgaria”)                      | Bulgaria           | Sales and marketing of furniture | Leva                | 100  | 100              |
| Doğtaş Holland B.V. (“Doğtaş Holland”)                        | Nederland          | Sales and marketing of furniture | EUR                 | 100  | 100              |
| Doğtaş Germany GmbH (“Doğtaş Germany”)                        | Germany            | Sales and marketing of furniture | EUR                 | 100  | 100              |
| 2K Oturma Grupları İnşaat ve Taahhüt San. ve Tic. A.Ş. (“2K”) | Turkey             | Sales of sitting group           | TL                  | 100  | 100              |
| 3K Mobilya Dekor. San. ve Tic. A.Ş. (“3K”)                    | Turkey             | Furniture decoration             | TL                  | 100  | 100              |

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 condensed consolidated interim financial statements.

As at 30 June 2018, the number of employees of the Company and its subsidiaries (collectively referred to as the "Group") is 1,404 (31 December 2017: 1,495).

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

As a result of the merger between Doğ-Taş Doğanlar Mobilya İmalat Enerji Üretim Sanayi A.Ş. and Kelebek Mobilya Sanayi ve Ticaret A.Ş. in 2013, share capital reached to TL 209,069,767 and while the share capital of the Company were increased to TL 159,069,767 “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.

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

---

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

The principle accounting policies which applied in preparing the condensed consolidated interim financial statements of the Group are as follows:

**2.1 Basis of presentation of condensed consolidated interim financial statements**

**a) Statement of compliance with TAS**

The accompanying condensed consolidated interim financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying condensed consolidated interim financial statements are prepared based on the Turkish Accounting Standards and interpretations (“TAS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué. The condensed consolidated interim financial statements are presented in accordance with the reporting templates promulgated by Capital Market Board of Turkey on 7 June 2013.

The Group issued the condensed consolidated interim financial statements as at 30 June 2018 in accordance with Turkish Accounting Standard No: 34 “Interim Financial Reporting”.

These condensed consolidated interim financial statements do not constitute solely an indicator for the yearend figures and do not include all the information and explanations required for full annual financial statements and should be read in conjunction with the Group’s last audited annual consolidated financial statements as at and for the year ended 31 December 2017.

The Group has begun to apply the TFRS 15 and TFRS 9 standards with an initial application date of 1 January 2018. Comparative information has not been rearranged in accordance with the transition method used.

These condensed consolidated interim financial statements has been approved for issue by the Board of Directors on 17 August 2018. The General Assembly and the relevant regulatory authorities have right to amend the condensed consolidated interim financial statements which are prepared in accordance with the legal regulations.

**b) Preparation of financial statements in hyperinflationary period**

In accordance with a decision taken by CMB numbered 11/367 on 17 March 2005, it has announced that inflation accounting is not effective for the entities operating in Turkey and preparing their financial statements in accordance with the TAS starting from 1 January 2005. Therefore, TAS 29 “Financial Reporting in Hyperinflationary Economies” has not been applied since 1 January 2005.

**c) Measurement bases**

The condensed consolidated interim financial statement is prepared by historical cost method except for land, land improvements, buildings, machinery, plant and equipment. The historical cost is usually based on the fair value of the cost of goods and services.

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

---

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.1 Basis of presentation of condensed consolidated interim financial statements (continued)**

**d) Functional and reporting currency**

The functional currency of the companies which included in the consolidation is TL and companies record the accounting records according to commercial and financial legislation and GAAP which is published by Minister of Finance. Each entity’s financial position and results of operations are expressed in TL which is the functional currency of the Group’s consolidated financial statements.

The Group’s subsidiaries’ functional currencies are summarized in Note 1.

**e) Basis of consolidation**

As at 30 June 2018 consolidated financial statements include the financial statements of the Company and its subsidiaries in Note 1, which have control over the Group's financial and operating policies

The Group has control over an entity when:

- the Group has power over the investee/assets;
- exposure, or rights, to variable returns from its involvement with the entity and
- the ability to use its power over the entity to affect the amount of the Group’s returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in an investee are sufficient to the control power, including:

- The comparasion of voting rights held by the Group to those held by the other shareholders;
- Potential voting rights held by the Group and other shareholders;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

---

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.1 Basis of presentation of condensed consolidated interim financial statements (continued)**

**e) Basis of consolidation (continued)**

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the condensed consolidated financial statements.

*Changes in the Group’s ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TASs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TFRS 9 Financial Instruments, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

**f) Summary of significant accounting policies**

Except as described below, the accounting policies applied in these interim condensed financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2017.

***a. TFRS 15 Revenue from Contracts with Customers***

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced TAS 18 Revenue, TAS 11 Construction Contracts and related interpretations.

The new standard will change the guidance in existing TFRSs; the principles to be applied by the entity in reporting useful information about the nature, amount, timing and uncertainty of the revenue and cash flows arising from the contract made with the customer to the financial statement users. The basic principle of the standard is that the entity reflects the amount of the goods or services committed to the customers at an amount that reflects the expected amount of the entitlement to acquire

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.1 Basis of presentation of condensed consolidated interim financial statements (continued)**

**f) Summary of significant accounting policies (continued)**

**a. TFRS 15 Revenue from Contracts with Customers (continued)**

This amendment is effective for periods beginning on or after 1 January 2018. TFRS 15 did not have a significant effect on the recognition of the Group's sales furniture revenues.

**b. TFRS 9 Financial Instruments**

The Group has started to apply the TFRS 9 Financial Instruments standard, which was published in July 2014, with the initial implementation date of 1 January 2018. TFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces TAS 39 Financial Instruments: Recognition and Measurement.

As at 1 January 2018 the transition to TFRS 9 of net of tax effect over retained earnings / (losses) are summarized as follows:

|   | <b>1 January 2018-Effect of TFRS 9</b> |
|---|--|
| <b>Accumulated losses</b>                                   |  |
| Expected credit losses in accordance with TFRS 9            | (3.620.133)                            |
| Related tax   | 796.429                                |
| <b>Opening balance according to TFRS 9 (1 January 2018)</b> | <b>(2.823.704)</b>                     |

**i. Classification and measurement of financial assets and financial liabilities**

TFRS 9 largely retains the existing requirements in TAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous TAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of TFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

Detailed information on how the Group classifies, measures and recognizes the related income and expenses in accordance with TFRS 9 is presented below.

Under TFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (“FVOCI”) – debt investment; FVOCI – equity investment; or fair value through profit or loss (“FVTPL”). The classification of financial assets under TFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL or FVOCI:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Finansal varlığa ilişkin sözleşme şartlarının, belirli tarihlerde sadece anapara ve anapara bakiyesinden kaynaklanan faiz ödemelerini içeren nakit akışlarına yol açması.



**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.1 Basis of presentation of condensed consolidated interim financial statements (continued)**

**f) Summary of significant accounting policies (continued)**

***b. TFRS 9 Financial Instruments (continued)***

***i. Classification and measurement of financial assets and financial liabilities (continued)***

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

|   |   |
|---|---|
| <b>Financial assets at FVTPL</b>          | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.  |
| <b>Financial assets at amortised cost</b> | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses<br>Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.<br>Any gain or loss on derecognition is recognized in profit or loss. |

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.1 Basis of presentation of condensed consolidated interim financial statements (continued)**

**f) Summary of significant accounting policies (continued)**

***b. TFRS 9 Financial Instruments (continued)***

*i. Classification and measurement of financial assets and financial liabilities (continued)*

The following table and the accompanying notes below explain the original measurement categories under TAS 39 and the new measurement categories under TFRS 9 for each class of the Group’s financial assets as at 1 January 2018.

| <b>Financial assets</b>   | <b>Original classification under TAS 39</b> | <b>New classification under TFRS 9</b>        | <b>Original carrying amount under TAS 39</b> | <b>New carrying amount under TFRS 9</b> |
|---------------------------|---|---|--|---|
| Cash and cash equivalents | Loans and receivables                       | Amortised cost                                | 3.363.130                                    | 3.363.130                               |
| Trade receivables         | Loans and receivables                       | Amortised cost                                | 110.498.983                                  | 106.878.850                             |
| Other receivables         | Loans and receivables                       | Amortised cost                                | 3.604.693                                    | 3.604.693                               |
| Financial investments     | Available for sale                          | Fair value through other comprehensive income | 9.469.958                                    | 9.469.958                               |

*ii. Impairment of financial assets*

TFRS 9 replaces the “incurred loss” model in TAS 39 with an “expected credit loss” model. The new impairment model applies to financial assets measured at amortised cost and contract assets but not to investments in equity instruments.

The financial assets at amortised cost consist of trade receivables, other receivables and cash and cash equivalents.

As at 1 January 2018, the effect of TFRS 9 on impairment is as follows:

|   |                     |
|---|---------------------|
| <b>Impairment under TAS 39 as at 31 December 2017</b> | <b>(19.992.777)</b> |
| Additional impairment as of 1 January 2018            |                     |
| - Trade receivables                                   | (3.620.133)         |
| <b>Impairment under TFRS 9 as at 1 January 2018</b>   | <b>(23.612.910)</b> |

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

---

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.1 Basis of presentation of condensed consolidated interim financial statements (continued)**

**g) Significant Accounting Estimates and Assumptions**

Preparation of financial statements in accordance with TAS requires certain assumptions and significant accounting estimates that will affect the explanatory notes on assets and liabilities, contingent assets and liabilities and income and expense items. Although these estimates are based on the best estimates of management's current events and actions, actual results may differ from those predicted. Assumptions and estimates that require complex and further comment may have significant impact on financial statements. The assumptions and significant accounting estimates used in the preparation of the financial statements in the six-month interim condensed consolidated financial statements as at 30 June 2018 have not changed compared to those used in the previous year.

• **Determination of fair value**

The Group's various accounting policies and disclosures require to be determined that the fair value of both financial and non-financial assets and liabilities. Fair value is determined for measurement and/ or disclosure by the following methods. Where applicable, additional information about the assumptions used in determining fair value is presented in the notes to the asset or liability.

**i) Trade and other receivables**

Fair values of trade and other receivables are estimated at the present value of future cash flows by discounting them at market interest rates at the measurement date. Short-term receivables with no specific interest rate are valued at the original invoice amount if the reduction effect is not significant. These fair values are determined at the time of initial recognition and at the end of each reporting period for illustrative purposes.

**ii) Other non-derivative financial liabilities**

The fair value of other non-derivative financial liabilities is determined at initial recognition and at the end of each reporting period for disclosure purposes. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

• **Provisions, contingent assets ve contingent liabilities**

Provision are recognised in the consolidated financial statements, when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate, used to calculate the present value of the provision should be pre-tax rate reflecting the current market assessments of the time value of money and the risks specific to the liability. The discount rate shall not reflect risks for which future cash flow estimates have been adjusted.

A possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group have not been recognised in these consolidated financial statements and treated as contingent liabilities and contingent assets.

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

---

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.1 Basis of presentation of condensed consolidated interim financial statements (continued)**

**h) Significant Accounting Estimates and Assumptions (continued)**

• **Deferred tax**

The Group recognizes deferred tax asset and liability on the differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with TAS and the corresponding tax bases which is used in the computation of taxable profit. Under current circumstances, the partial or complete recoverable amounts of deferred tax assets are predicted. During the evaluation, future profit projections, current year’s losses, unused losses and the expiration dates of other tax assets, and if necessary tax planning strategies are considered. Based on the data obtained, if the Group’s taxable profit, which will be obtained in the future, is not enough to fulfill the deferred tax assets, a provision is provided either for the whole or for a certain part of the deferred tax asset. As at 30 June 2018 and 31 December 2017, after the necessary evaluations, the deferred tax assets are fully accounted because of expectation of taxable profit in the future.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods. The Group estimates that it will be able to utilize the deductible carry forward tax losses using the estimated profits in the following years.

• **Related parties**

Shareholders, members of Board of Directors and key management personnel, in each case together with their families and companies controlled by or affiliated with them, joint ventures and associates are considered and referred to as related parties.

• **Inventories**

Inventories are valued at the lower of cost or estimated selling price less estimated costs necessary to make a sale. Cost elements included in inventory are purchase costs and other costs necessary to prepare the asset for its intended use. Cost elements included in inventories are materials, labor and production overheads.

The cost is determined using the monthly weighted average method for inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.1.1 Basis of presentation of condensed consolidated interim financial statements (continued)**

**h) Significant Accounting Estimates and Assumptions (continued)**

• **Property, plant and equipment**

The depreciation periods for property and equipment, which approximate the estimated economic useful lives of such assets, are as follows:

|                                 | <b><u>Useful live</u></b> |
|---------------------------------|---------------------------|
| Land improvements and buildings | 15 - 50 years             |
| Machinery, plant and equipment  | 5 - 28 years              |
| Furniture and fixtures          | 2 - 15 years              |
| Vehicles                        | 4 - 5 years               |
| Leasehold improvements          | 4 - 5 years               |

Land, land improvements and buildings and machinery and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated impairment losses. The Group can make the fair value assessments between 3 and 5 years. The Group has revised its assessment of the fair value of related tangible fixed assets as at 31 December 2017. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset, and the net amount is restated to the revalued amount of the assets.

Land, land improvements, machinery and equipment and buildings that were revalued at 29 December 2017 by independent external valuers, were recorded on determined fair values on the consolidated financial statements. The frequency of revaluation operations is determined to ensure that the carrying amounts of the revalued tangible assets are not significantly different from their fair values at the end of the reporting period. The frequency of revaluation depends on the change in the fair value of property, plant and equipment. In cases where it is believed that the revalued amount is significantly different from the carrying amount of the revalued amount, it is necessary to repeat the revaluation and the assessment is performed for the entire asset level with revalued assets at the same date. Besides, it is not considered necessary to repeat the revaluation for tangible assets whose fair value changes are insignificant.

There are various calculation methods to estimate best fair value calculation as follows:

- The fair value comparison method are found to be comparable to the new market with similar features in the existing market, to apply appropriate comparison procedures and to make various adjustments in comparable selling price.
- The fair value of buildings, land and land improvements are calculated in deference to amortisation and reconstruction cost on cost approach method.

The values are determined by cost approach method are assessed as to whether or not there is any indication of impairment according to TAS 36 "Impairment of Assets" standard at the date of first presentation of the financial statements in the consolidated financial statements and related period ends.

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

---

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.1 Basis of presentation of condensed consolidated interim financial statements (continued)**

**h) Significant Accounting Estimates and Assumptions (continued)**

• **Intangible assets**

Intangible assets are presented with net book value after deduction of amortisation. Intangible assets are capitalized if future economic benefits arising from intangible assets are going to be beneficial to the firm and cost can be measured.

Purchased intangible assets are amortised on a straight-line basis over their useful lives for 2 to 5 years.

Intangible assets include acquired rights and copyrights.

*Kelebek brand value*

Doğ-taş Doğanlar Mobilya İmalat Enerji Üretim Sanayi ve Ticaret A.Ş., acquired 67% shares of Kelebek Mobilya Sanayi ve Ticaret A.Ş. on 6 September 2012. The value of the Kelebek brand acquired through this acquisition has been recorded at fair value on 6 September 2012 in accordance with TFRS 3 and the financial statements have unlimited life for this brand with no legally restricted use. The brand value is subject to an impairment test once a year.

**i) Standards and interpretations but not yet effective and not early adopted as at 30 June 2018**

***Standards issued but not yet effective and not early adopted***

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

**TFRS 16 Leases**

On 16 April 2018, POA issued the new leasing standard which will replace TAS 17 Leases, TFRS Interpretation 4 Determining Whether an Arrangement Contains a Lease, TAS Interpretation 15 Operating Leases – Incentives, and TAS Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to TAS 40 Investment Properties. TFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts TFRS 15 Revenue from Contracts with Customers.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS 16.

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

---

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**1) Standards and interpretations but not yet effective and not early adopted as at 30 June 2018 (continued)**

*Standards issued but not yet effective and not early adopted (continued)*

**IFRS Interpretation 23 –Uncertainty Over Income Tax Treatments**

On 24 May 2018, POA issued IFRS Interpretation 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company’s tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRS Interpretation 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS Interpretation 23.

**Amendments to IFRS 9 - Prepayment features with negative compensation**

On December 2017, POA has issued amendments to IFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. Under IFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include ‘reasonable additional compensation’ for early termination of the contract.

The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 9.

**Amendments to IAS 28- Long-term Interests in Associates and Joint Ventures**

On December 2017, POA has issued amendments to IAS 28 to clarify that entities also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 28

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

---

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**1) Standards and interpretations but not yet effective and not early adopted as of 30 June 2018 (continued)**

*The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA*

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

*Annual Improvements to IFRSs 2015-2017 Cycle*

**Improvements to IFRSs**

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

*IFRS 3 Business Combinations and IFRS 11 Joint Arrangements*

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

*IAS 12 Income Taxes*

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

*IAS 23 Borrowing Costs*

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.



**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

---

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**1) Standards and interpretations but not yet effective and not early adopted as of 30 June 2018 (continued)**

*The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA (continued)*

**Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement**

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 19.

**The revised Conceptual Framework**

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**  
*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

**3. CASH AND CASH EQUIVALENTS**

|                                     | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-------------------------------------|---------------------|-------------------------|
| Cash on hand                        | 68.970              | 24.317                  |
| Cash at banks – Demand deposit      | 1.744.706           | 3.099.651               |
| Cash at banks – Time deposit        | 9.870               | --                      |
| Other cash and cash equivalents (*) | 435.384             | 239.162                 |
|                                     | <b>2.258.930</b>    | <b>3.363.130</b>        |

(\*) As at 30 June 2018 and 31 December 2017 other cash and cash equivalents comprised of credit card POS receivables.

**4. BORROWINGS**

|  | <b>30 June 2018</b>                                       |                              |                          |
|--|---|------------------------------|--------------------------|
|  | <b>Weighted<br/>average effective<br/>interest rate %</b> | <b>Original<br/>currency</b> | <b>TL<br/>Equivalent</b> |
| <b>Short-term borrowings:</b>                      |   |                              |                          |
| EUR denominated bank borrowings                    | 1,50% - 6,08%   | 1.872.524                    | 9.941.606                |
| TL denominated bank borrowings                     | 15,90% - 18,83%   | 103.730.802                  | 103.730.802              |
| <b>Short term borrowings</b>                       |   |                              | <b>113.672.408</b>       |
| <b>Short-term portion of long-term borrowings:</b> |   |                              |                          |
| EUR denominated bank borrowings                    | 1,50% - 6,08%   | 10.425.394                   | 55.350.501               |
| TL denominated bank borrowings                     | 15,90% - 18,83%   | 44.787.119                   | 44.787.119               |
| <b>Short-term portion of long-term borrowings</b>  |   |                              | <b>100.137.620</b>       |
| <b>Total short-term borrowings</b>                 |   |                              | <b>213.810.028</b>       |
| EUR denominated bank borrowings                    | 1,50% - 6,08%   | 16.363.292                   | 86.875.990               |
| TL denominated bank borrowings                     | 15,90% - 18,83%   | 24.305.610                   | 24.305.610               |
| <b>Long-term bank borrowings</b>                   |   |                              | <b>111.181.600</b>       |
| <b>Total bank borrowings</b>                       |   |                              | <b>324.991.628</b>       |

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL**  
**STATEMENTS**

**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

**4. BORROWINGS (continued)**

|  | 31 December 2017                              |                      |                    |
|--|---|----------------------|--------------------|
|  | Weighted average<br>effective interest rate % | Original<br>currency | TL                 |
| <b>Short-term borrowings:</b>                      |   |                      |                    |
| EUR denominated bank borrowings                    | 0,75% - 5,52%                                 | 9.158.678            | 41.356.009         |
| TL denominated bank borrowings                     | 13,75% - 15,80%                               | 39.742.226           | 39.742.226         |
| <b>Short-term borrowings</b>                       |   |                      | <b>81.098.235</b>  |
| <b>Short-term portion of long-term borrowings:</b> |   |                      |                    |
| EUR denominated bank borrowings                    | 0,75% - 5,52%                                 | 8.986.030            | 40.576.420         |
| TL denominated bank borrowings                     | 13,75% - 15,80%                               | 17.648.031           | 17.648.031         |
| <b>Short-term portion of long-term borrowings</b>  |   |                      | <b>58.224.451</b>  |
| <b>Total short-term borrowings</b>                 |   |                      | <b>139.322.686</b> |
| EUR denominated bank borrowings                    | 0,75% - 5,52%                                 | 19.656.279           | 88.757.929         |
| TL denominated bank borrowings                     | 13,75% - 15,80%                               | 27.014.346           | 27.014.346         |
| <b>Long-term bank borrowings</b>                   |   |                      | <b>115.772.275</b> |
| <b>Total bank borrowings</b>                       |   |                      | <b>255.094.961</b> |

As at 30 June 2018 and 31 December 2017, all borrowings are guaranteed and there is a mortgage on the property, plant and equipment of the Group.

The reconciliation of the Group’s obligations arising from its financial activities as at 30 June 2018 is as follows:

|                                       | 30 June 2018       |
|---------------------------------------|--------------------|
| <b>1 January 2018 borrowings</b>      | 255.094.961        |
| Additions                             | 99.700.118         |
| Capital repayments                    | (53.726.103)       |
| Interest accruals                     | 7.374.447          |
| Effects of change in foreign exchange | 16.548.205         |
| <b>30 June 2018 borrowings</b>        | <b>324.991.628</b> |

The Group’s exposure to currency risk related to borrowings are disclosed in Note 12.

The redemption schedule of borrowings as at 30 June 2018 and 31 December 2017 is as follows:

|                | 30 June 2018       | 31 December 2017   |
|----------------|--------------------|--------------------|
| Up to 3 months | 112.388.987        | 53.349.638         |
| 3-12 months    | 101.421.041        | 85.973.048         |
| 1-5 years      | 111.181.600        | 115.772.275        |
|                | <b>324.991.628</b> | <b>255.094.961</b> |

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**5. DUE FROM AND DUE TO RELATED PARTIES**

All transactions and balances with related parties within the Group intercompany profits, unrealized gains and losses are not included in this note has been eliminated from the records for the purpose of consolidation

- a) Trade receivables and payables due from related parties as at 30 June 2018 and 31 December 2017 are as follows:

|                                 | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---------------------------------|---------------------|-------------------------|
| <b>Due from related parties</b> |                     |                         |
| Doğtaş Germany GmbH             | 3.898.207           | 3.148.370               |
| Doğtaş Bulgaria Eood            | 744.508             | 633.208                 |
| Doğtaş Holland B.V.             | 730.710             | 621.472                 |
| Real person shareholders        | 103.721             | 114.132                 |
| Other                           | 99.165              | 98.166                  |
|                                 | <b>5.576.311</b>    | <b>4.615.348</b>        |
| <b>Due to related parties</b>   |                     |                         |
| Doğanlar Yatırım Holding A.Ş.   | 7.334.169           | 11.767.210              |
| Other                           | 9.330               | --                      |
|                                 | <b>7.343.499</b>    | <b>11.767.210</b>       |

- b) Rendered of goods and services to related parties and financial income from related parties for the six month period ended 30 June 2018 and 30 June 2017 are as follows:

|                                  | <b>1 January –<br/>30 June 2018</b> | <b>1 April –<br/>30 June 2018</b> | <b>1 January -<br/>30 June 2017</b> | <b>1 April - 30<br/>June 2017</b> |
|----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| <b>Services rendered</b>         |                                     |                                   |                                     |                                   |
| Doğanlar Yatırım Holding A.Ş.    | 7.178                               | --                                | 22.984                              | 10.962                            |
| Doğtaş Germany GmbH              | --                                  | --                                | 471.249                             | 130.717                           |
| Doğanlar Lojistik İnş. Gıda A.Ş. | --                                  | --                                | -                                   | -                                 |
| Other                            | 12.877                              | 653                               | 17.534                              | 10.034                            |
|                                  | <b>20.055</b>                       | <b>653</b>                        | <b>511.767</b>                      | <b>151.713</b>                    |

- c) Purchase and of goods and services to related parties fort he six month period ended 30 June 2018 and 30 June 2017 are as follows:

|  | <b>1 January –<br/>30 June 2018</b> | <b>1 April –<br/>30 June 2018</b> | <b>1 January -<br/>30 June 2017</b> | <b>1 April - 30<br/>June 2017</b> |
|--|-------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| <b>Sales and services purchased</b>            |                                     |                                   |                                     |                                   |
| Doğanlar Yatırım Holding A.Ş.                  | 528.034                             | 521.034                           | 885.618                             | 760.210                           |
| Doğan Kent Elektrik Enerjisi Toptan Satış A.Ş. | --                                  | --                                | 1.479.459                           | 873.618                           |
| Other  | 253.758                             | 253.758                           | --                                  | --                                |
|  | <b>781.792</b>                      | <b>774.792</b>                    | <b>2.365.077</b>                    | <b>1.633.828</b>                  |

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

**5. DUE FROM AND DUE TO RELATED PARTIES (continued)**

- d) Key management compensation for the six month period ended 30 June 2018 ve 30 June 2017 are as follows:

|  | <b>30 June 2018</b> | <b>30 June 2017</b> |
|--|---------------------|---------------------|
| Short term compensation and other rights | 2.861.557           | 2.003.302           |
|  | <b>2.861.557</b>    | <b>2.003.302</b>    |

The remunerations which are provided to Board of Directors and key management personnel (The Group has determined key management personnel as the chairman, members of the Board of Directors and general manager of the Company) during the periods ending 30 June 2018 and 30 June 2017 are short-term compensation and include salary, bonus, post-employment benefits and other payments. There are no post-employment benefits, other long-term benefits and share-based payments during the periods ended 30 June 2018 and 2017.

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

**6. PROPERTY, PLANT AND EQUIPMENT**

|   | Lands             | Land improvements and buildings | Machinery, plant and equipment | Vehicles           | Furniture and fixtures | Leasehold improvements | Construction in progress | Total                |
|---|-------------------|---------------------------------|--------------------------------|--------------------|------------------------|------------------------|--------------------------|----------------------|
| <b>Cost</b>                             |                   |                                 |                                |                    |                        |                        |                          |                      |
| Opening balance, 1 January 2018         | 53.908.240        | 91.315.210                      | 119.303.465                    | 1.113.794          | 58.459.934             | 34.170.516             | 14.689.984               | 372.961.143          |
| Additions                               | 183.100           | --                              | 1.851.400                      | --                 | 3.627.246              | 4.332.140              | 1.725.270                | 11.719.156           |
| Disposals                               | --                | --                              | (120.021)                      | --                 | (86.215)               | (1.470.440)            | (1.620.442)              | (3.297.118)          |
| <b>Closing balance, 30 June 2018</b>    | <b>54.091.340</b> | <b>91.315.210</b>               | <b>121.034.844</b>             | <b>1.113.794</b>   | <b>62.000.965</b>      | <b>37.032.216</b>      | <b>14.794.812</b>        | <b>381.383.180</b>   |
| <b>Accumulated depreciation</b>         |                   |                                 |                                |                    |                        |                        |                          |                      |
| Opening balance, 1 January 2018         | --                | (19.951.450)                    | (46.467.175)                   | (1.113.794)        | (33.899.250)           | (17.242.611)           | --                       | (118.674.280)        |
| Charge of the period                    | --                | (1.484.557)                     | (502.472)                      | --                 | (4.583.625)            | (3.828.839)            | --                       | (10.399.493)         |
| Disposals                               | --                | --                              | 120.021                        | --                 | 30.085                 | 1.086.033              | --                       | 1.236.139            |
| <b>Closing balance, 30 June 2018</b>    | <b>--</b>         | <b>(21.436.007)</b>             | <b>(46.849.626)</b>            | <b>(1.113.794)</b> | <b>(38.452.790)</b>    | <b>(19.985.418)</b>    | <b>--</b>                | <b>(127.837.634)</b> |
| <b>Net book value, 31 December 2017</b> | <b>53.908.240</b> | <b>71.363.760</b>               | <b>72.836.290</b>              | <b>--</b>          | <b>24.560.684</b>      | <b>16.927.905</b>      | <b>14.689.984</b>        | <b>254.286.863</b>   |
| <b>Net book value, 30 June 2018</b>     | <b>54.091.340</b> | <b>69.879.203</b>               | <b>74.185.218</b>              | <b>--</b>          | <b>23.548.175</b>      | <b>17.046.799</b>      | <b>14.794.813</b>        | <b>253.545.546</b>   |

Regarding to borrowings for financing activities, there is a mortgage on property, plant and equipment of the Group amounting to EUR 70.000.000 and TL 60.000.000.

As at 30 June 2018, total insurance amount over property, plant and equipment is TL 128.341.300 (31 December 2017: TL 131.999.300).

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

**6. PROPERTY, PLANT AND EQUIPMENT (continued)**

|                                      | <b>Lands</b>      | <b>Land improvements and buildings</b> | <b>Machinery, plant and equipment</b> | <b>Vehicles</b>    | <b>Furniture and fixtures</b> | <b>Leasehold improvements</b> | <b>Construction in progress</b> | <b>Total</b>         |
|--------------------------------------|-------------------|--|---------------------------------------|--------------------|-------------------------------|-------------------------------|---------------------------------|----------------------|
| <b>Cost</b>                          |                   |  |                                       |                    |                               |                               |                                 |                      |
| Opening balance, 1 January 2017      | 43.773.000        | 77.882.324                             | 75.917.058                            | 1.486.795          | 45.717.698                    | 27.696.904                    | 3.135.143                       | <b>275.608.922</b>   |
| Additions                            | --                | --                                     | 41.539                                | --                 | 1.906.922                     | 1.276.107                     | 8.562.556                       | <b>11.787.124</b>    |
| Disposal                             | --                | --                                     | (578.776)                             | --                 | (1.833)                       | --                            | --                              | <b>(580.609)</b>     |
| Revaluation reserves                 | --                | --                                     | 37.321.364                            | --                 | --                            | --                            | --                              | <b>37.321.364</b>    |
| <b>Closing balance, 30 June 2017</b> | <b>43.773.000</b> | <b>77.882.324</b>                      | <b>112.701.185</b>                    | <b>1.486.795</b>   | <b>47.622.787</b>             | <b>28.973.011</b>             | <b>11.697.699</b>               | <b>324.136.801</b>   |
| <b>Accumulated depreciation</b>      |                   |  |                                       |                    |                               |                               |                                 |                      |
| Opening balance, 1 January 2017      | --                | (17.805.324)                           | (44.659.338)                          | (1.486.795)        | (27.789.491)                  | (11.789.303)                  | --                              | <b>(103.530.251)</b> |
| Charge of the period                 | --                | (284.494)                              | (368.968)                             | --                 | (1.735.296)                   | (1.733.312)                   | --                              | <b>(4.122.070)</b>   |
| Disposals                            | --                | --                                     | 578.776                               | --                 | 1.833                         | --                            | --                              | <b>580.609</b>       |
| <b>Closing balance, 30 June 2017</b> | <b>--</b>         | <b>(18.089.818)</b>                    | <b>(44.449.530)</b>                   | <b>(1.486.795)</b> | <b>(29.522.594)</b>           | <b>(13.522.615)</b>           | <b>--</b>                       | <b>(107.071.712)</b> |
| <b>Net book value, 30 June 2017</b>  | <b>53.908.240</b> | <b>59.792.506</b>                      | <b>68.251.655</b>                     | <b>--</b>          | <b>18.100.193</b>             | <b>15.540.396</b>             | <b>11.697.699</b>               | <b>217.065.089</b>   |

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**7. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

*Short-term provisions*

As at 30 June 2018 and 31 December 2017 the details of short term provisions are as follows:

|                                 | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---------------------------------|---------------------|-------------------------|
| Provision for warranty expenses | 4.304.975           | 2.976.881               |
| Provision for litigations       | 1.698.610           | 1.462.584               |
| Provision for project expenses  | --                  | 156.665                 |
| Other                           | 2.613               | --                      |
|                                 | <b>6.006.198</b>    | <b>4.596.130</b>        |

*Long-term provisions*

|                                 | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---------------------------------|---------------------|-------------------------|
| Provision for warranty expenses | 1.715.894           | 2.158.380               |
|                                 | <b>1.715.894</b>    | <b>2.158.380</b>        |

*Contingent assets and liabilities:*

As at 30 June 2018 and 31 December 2017 the details of guarantees received and given is presented at below:

*Guarantees given*

|  | <b>30 June 2018</b> | <b>31 December 2017</b> |
|--|---------------------|-------------------------|
| Letters of guarantees given (*)                            | 431.644.000         | 376.085.000             |
| Letters of guarantees given to government institution (**) | 86.654.730          | 102.822.345             |
| Letters of guarantees given to customers                   | 3.943.872           | 3.434.372               |
| Letters of guarantees given to suppliers                   | 597.211             | 522.806                 |
|  | <b>522.839.813</b>  | <b>482.864.523</b>      |

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

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

*Guarantees received*

|  | <b>30 June 2018</b> | <b>31 December 2017</b> |
|--|---------------------|-------------------------|
| Letter of guarantees received from franchisees | 71.346.233          | 73.555.039              |
| Mortgages received from domestic franchisees   | 18.055.000          | 17.500.718              |
| Mortgages received from foreign franchisees    | 11.507.842          | 7.557.531               |
|  | <b>100.909.075</b>  | <b>98.613.288</b>       |



**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

**7. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)**

Details of guarantees, mortgages and pledges given by the Group as at 30 June 2018 and 31 December 2017 is presented as follows:

| <b>GPMs were given by the Group</b>  | <b>30 June 2018</b> | <b>31 December 2017</b> |
|--|---------------------|-------------------------|
| A.Total of GPMs given on behalf of own legal personality   | 522.839.813         | 482.864.523             |
| B.Total of GPMs given on behalf of subsidiaries consolidated in full                               | --                  | --                      |
| C.GPM given for continuation of its economic activities on behalf of third parties                 | --                  | --                      |
| D.Total amount of other GPM  | --                  | --                      |
| i. Total amount of GPM given on behalf of the major shareholder                                    | --                  | --                      |
| ii. Total amount of GPM given on behalf of other Group companies which are not in scope of B and C | --                  | --                      |
| iii. Total amount of GPM given on behalf of third parties which are not in scope of clause C       | --                  | --                      |
| <b>Total</b>   | <b>522.839.813</b>  | <b>482.864.523</b>      |

The total number of ordinary shares of Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. is 9.628.488.350 with a par value of TL 0.01 and all was pledged due to the Group’s borrowings as at 30 June 2018 and 31 December 2017.

As at 30 June 2018 total insurance on property, plant and equipment and inventories is TL 128.341.300 and TL 169.728.000 respectively (31 December 2017: TL 131.999.300 and TL 170.225.000 respectively).

As at June 30 2018, the Group has net off cheques amounting to TL 105.881.386 by deducting from its debts (31 December 2017: TL 60.012.853).

*Operating leases*

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

|              | <b>30 June 2018</b> | <b>31 December 2017</b> |
|--------------|---------------------|-------------------------|
| Up to 1 year | 149.000             | 372.000                 |
| 1 - 2 years  | --                  | 372.000                 |
|              | <b>149.000</b>      | <b>744.000</b>          |

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

**8. TAX ASSETS AND LIABILITIES**

Provision is made in the accompanying condensed consolidated financial statements for the estimated charge based on the Group’s results for the years and periods.

|                                  | <b>30 June 2018</b> | <b>31 December 2017</b> |
|----------------------------------|---------------------|-------------------------|
| Corporate tax provision          | --                  | --                      |
| Prepaid taxes (-)                | 213.791             | 205.596                 |
| <b>Current income tax assets</b> | <b>213.791</b>      | <b>205.596</b>          |

Taxation on income in the consolidated interim statement of profit or loss are as follows:

|                                 | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---------------------------------|---------------------|-------------------------|
| Deferred tax benefit/ (expense) | 7.596.942           | (2.027.444)             |
| <b>Tax benefit/ (expense)</b>   | <b>7.596.942</b>    | <b>(2.027.444)</b>      |

**Corporate tax**

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.

In Turkey, corporate tax rate is 22% as at 30 June 2018 (2017: 20%). Corporate income tax is calculated on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes (carryforward losses, if any, and if utilized exemptions for investment incentives).

According to the Article 91 of the Law numbered 7061 “Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation” which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

Temporary tax is calculated and accrued for each quarter for the three month period in Turkey. 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.

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.

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

---

**8. TAX ASSETS AND LIABILITIES (continued)**

**Corporate tax (continued)**

Corporate 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.

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.

There are several exceptions for corporations at Corporate Tax Law. Those related to the Group of these are explained below:

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 as at 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. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**8. 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 TAS 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.

As at 30 June 2018 and 31 December 2017 the breakdown of cumulative temporary differences and the resulting deferred income tax assets/liabilities provided using enacted tax rates are as follows:

|   | Cumulative temporary differences |                  | Deferred income tax assets / (liabilities) |                     |
|---|----------------------------------|------------------|--|---------------------|
|   | 30 June 2018                     | 31 December 2017 | 30 June 2018                               | 31 December 2017    |
| <b>Deferred tax asset:</b>                    |                                  |                  |  |                     |
| Carryforward tax losses                       | 78.230.941                       | 41.377.804       | 15.646.188                                 | 9.103.117           |
| Investment incentives                         | 13.382.640                       | 13.382.640       | 2.676.528                                  | 2.676.528           |
| Provision for doubtful receivables            | 8.523.745                        | 8.877.125        | 1.875.224                                  | 1.952.968           |
| Provision for unused vacation                 | 3.711.822                        | 3.711.822        | 816.601                                    | 816.601             |
| Provision for warranty                        | 6.020.869                        | 5.135.261        | 1.204.174                                  | 1.027.052           |
| Provision for employment termination          | 2.119.647                        | 2.119.647        | 423.929                                    | 423.929             |
| Provision for litigations                     | 1.698.610                        | 1.462.584        | 339.722                                    | 292.517             |
| Other   | 82.159                           | 193.270          | 18.075                                     | 38.654              |
|   |                                  |                  | <b>23.000.441</b>                          | <b>16.331.366</b>   |
| <b>Deferred tax liabilities:</b>              |                                  |                  |  |                     |
| Tangible and intangible assets                | (155.471.375)                    | (166.273.833)    | (31.094.275)                               | (33.051.080)        |
| Cut-off effect                                | (3.652.386)                      | (2.568.529)      | (797.585)                                  | (565.076)           |
|   |                                  |                  | <b>(31.891.860)</b>                        | <b>(33.616.156)</b> |
| <b>Deferred tax asset/ (liabilities), net</b> |                                  |                  | <b>(8.891.419)</b>                         | <b>(17.284.790)</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.

As at 30 June 2018, the Group has recognized deferred income tax assets amounting to TL 78.230.941 (31 December 2017: TL 41.377.804) over the carry forward tax losses amounting to TL 15.646.188 (31 December 2017: TL 9.103.117) in the consolidated interim financial statements.

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

|      | 30 June 2018      | 31 December 2017  |
|------|-------------------|-------------------|
| 2020 | 186.568           | 186.568           |
| 2021 | 41.191.236        | 41.191.236        |
| 2023 | 36.853.137        | --                |
|      | <b>78.230.941</b> | <b>41.377.804</b> |

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**8. TAX ASSETS AND LIABILITIES (continued)**

**Deferred tax (continued)**

Movements in deferred income taxes are as follows:

|  | <b>30 June 2018</b> | <b>31 December 2017</b> |
|--|---------------------|-------------------------|
| <b>1 January 2018</b>                              | <b>(17.284.790)</b> | <b>(886.552)</b>        |
| Adjustments related to TFRS 9 <sup>(*)</sup>       | 796.429             | --                      |
| Charged to statement of profit or loss             | 7.596.942           | (5.659.784)             |
| Charged to statement of other comprehensive income | --                  | (10.738.454)            |
|  | <b>(8.891.419)</b>  | <b>(17.284.790)</b>     |

<sup>(\*)</sup>The Group has begun to apply TFRS 9 standard with an initial application date of 1 January 2018. Comparative information has not been restated in accordance with the transition method used.

**9. EXPENSES BY NATURE**

For the periods ended 30 June 2018 and 2017, expenses by nature are as follows:

|  | <b>1 January-<br/>30 June 2018</b> | <b>1 April-<br/>30 June 2018</b> | <b>1 January-<br/>30 June 2017</b> | <b>1 April-<br/>30 June 2017</b> |
|--|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| <b>Marketing expenses</b>              |                                    |                                  |                                    |                                  |
| Transportation expenses                | 13.469.399                         | 9.929.394                        | 8.703.703                          | 6.745.107                        |
| Advertising expenses                   | 13.404.146                         | 6.346.638                        | 11.003.316                         | 6.055.579                        |
| Personnel expenses                     | 12.809.965                         | 7.023.965                        | 10.386.951                         | 6.443.707                        |
| Rent expenses                          | 10.398.285                         | 5.247.013                        | 7.514.125                          | 4.935.788                        |
| Depreciation and amortization expenses | 8.134.761                          | 4.652.840                        | 4.290.963                          | 2.534.314                        |
| Consultancy expenses                   | 1.063.661                          | 500.907                          | 740.640                            | 428.679                          |
| Energy, fuel and water expenses        | 734.202                            | 402.189                          | 688.653                            | 359.295                          |
| Travel expenses                        | 573.784                            | 418.004                          | 753.320                            | 480.312                          |
| Repair and maintenance expenses        | 271.192                            | 126.487                          | 421.526                            | 237.918                          |
| Representation expenses                | 118.243                            | 53.424                           | 117.126                            | 76.672                           |
| Other                                  | 1.995.921                          | 1.066.491                        | 2.320.873                          | 1.330.930                        |
|  | <b>62.973.559</b>                  | <b>35.767.352</b>                | <b>46.941.196</b>                  | <b>29.628.301</b>                |

|  | <b>1 January-<br/>30 June 2018</b> | <b>1 April-<br/>30 June 2018</b> | <b>1 January-<br/>30 June 2017</b> | <b>1 April-<br/>30 June 2017</b> |
|--|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| <b>General administrative expenses</b> |                                    |                                  |                                    |                                  |
| Personnel expenses                     | 6.388.409                          | 3.440.987                        | 5.139.127                          | 2.863.085                        |
| Consulting and legal fees              | 2.353.075                          | 862.568                          | 2.080.015                          | 1.164.348                        |
| Rent expenses                          | 985.041                            | 511.523                          | 719.381                            | 636.727                          |
| Office expenses                        | 825.892                            | 384.159                          | 708.417                            | 545.323                          |
| Depreciation and amortization expenses | 783.840                            | 384.675                          | 314.552                            | 93.090                           |
| Travel expenses                        | 690.781                            | 292.652                          | 441.125                            | 224.142                          |
| Meal expenses                          | 642.501                            | 378.672                          | 422.090                            | 286.287                          |
| Energy, fuel and water expenses        | 501.830                            | 343.832                          | 320.330                            | 276.208                          |
| Dues expenses                          | 178.629                            | 116.500                          | 107.024                            | 74.562                           |
| Representation expenses                | 125.988                            | 75.124                           | 84.374                             | 10.487                           |
| Other                                  | 1.717.894                          | 505.040                          | 667.906                            | 51.539                           |
|  | <b>15.193.880</b>                  | <b>7.295.732</b>                 | <b>11.004.341</b>                  | <b>6.225.798</b>                 |

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**9. EXPENSES BY NATURE (continued)**

|  | <b>1 January-<br/>30 June 2018</b> | <b>1 April-<br/>30 June 2018</b> | <b>1 January-<br/>30 June 2017</b> | <b>1 April-<br/>30 June 2017</b> |
|--|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| <b>Research and development expenses</b> |                                    |                                  |                                    |                                  |
| Personnel expenses                       | 1.266.054                          | 530.906                          | 1.452.147                          | 761.718                          |
| Depreciation and amortization expenses   | 124.485                            | 47.777                           | 81.456                             | 31.847                           |
| Rent expenses                            | 40.658                             | 28.632                           | 32.939                             | 15.923                           |
| Meal expenses                            | 39.431                             | 32.727                           | 42.953                             | 24.947                           |
| Other                                    | 75.452                             | 53.622                           | 162.122                            | 132.512                          |
|  | <b>1.546.080</b>                   | <b>693.664</b>                   | <b>1.771.617</b>                   | <b>966.947</b>                   |

The detail of personnel expenses is presented below:

|                                   | <b>1 January-<br/>30 June 2018</b> | <b>1 April-<br/>30 June 2018</b> | <b>1 January-<br/>30 June 2017</b> | <b>1 April-<br/>30 June 2017</b> |
|-----------------------------------|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| <b>Personnel expenses</b>         |                                    |                                  |                                    |                                  |
| Cost of sales                     | 20.561.602                         | 11.009.110                       | 16.149.798                         | 7.681.543                        |
| Marketing expenses                | 12.809.965                         | 7.023.965                        | 10.386.951                         | 6.443.707                        |
| General administrative expenses   | 6.388.409                          | 3.440.987                        | 5.139.127                          | 2.863.085                        |
| Research and development expenses | 1.266.054                          | 530.906                          | 1.452.147                          | 761.718                          |
|                                   | <b>41.026.030</b>                  | <b>22.004.968</b>                | <b>33.128.023</b>                  | <b>17.750.053</b>                |

**10. OTHER OPERATING INCOME/ (EXPENSES)**

For the periods ended 30 June 2018 and 2017, other operating income and expenses are as follow:

|                                 | <b>1 January-<br/>30 June 2018</b> | <b>1 April-<br/>30 June 2018</b> | <b>1 January-<br/>30 June 2017</b> | <b>1 April-<br/>30 June 2017</b> |
|---------------------------------|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| Foreign exchange gains          | 16.173.078                         | 9.788.113                        | 11.685.982                         | 1.983.812                        |
| Finance income                  | 1.136.063                          | 217.082                          | 1.534.998                          | --                               |
| Provision no longer required    | 361.229                            | --                               | 1.562                              | 1.562                            |
| Other                           | 2.922.528                          | 2.620.246                        | 28.610                             | --                               |
| <b>Other operating income</b>   | <b>20.592.898</b>                  | <b>12.625.441</b>                | <b>13.251.152</b>                  | <b>1.985.374</b>                 |
| Foreign exchange losses         | (12.256.740)                       | (7.204.217)                      | (10.495.940)                       | (1.181.297)                      |
| Late charge expenses            | (1.390.909)                        | (1.390.909)                      | (1.072.930)                        | --                               |
| Other                           | (1.755.790)                        | (745.892)                        | (789.149)                          | --                               |
| <b>Other operating expenses</b> | <b>(15.403.439)</b>                | <b>(9.341.018)</b>               | <b>(12.358.019)</b>                | <b>(1.181.297)</b>               |

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

**11. FINANCE INCOME/ EXPENSES**

For the periods ended 30 June 2018 and 2017, finance income and expenses are as follow:

|                                | <b>1 January-<br/>30 June 2018</b> | <b>1 April-<br/>30 June 2018</b> | <b>1 January-<br/>30 June 2017</b> | <b>1 April-<br/>30 June 2017</b> |
|--------------------------------|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| Foreign exchange gains         | 12.418.012                         | 5.819.596                        | 24.108.538                         | 2.633.061                        |
| Interest income                | 35.270                             | --                               | 9.420                              | 6.769                            |
| <b>Finance income</b>          | <b>12.453.282</b>                  | <b>5.819.596</b>                 | <b>24.117.958</b>                  | <b>2.639.830</b>                 |
| Foreign exchange losses        | (39.804.296)                       | (19.627.262)                     | (39.559.042)                       | (7.049.380)                      |
| Interest expense on borrowings | (22.306.054)                       | (12.384.476)                     | (15.002.038)                       | (7.389.285)                      |
| <b>Finance expenses</b>        | <b>(62.110.350)</b>                | <b>(32.011.738)</b>              | <b>(54.561.080)</b>                | <b>(14.438.665)</b>              |
| <b>Finance expenses, net</b>   | <b>(49.657.068)</b>                | <b>(26.192.142)</b>              | <b>(30.443.122)</b>                | <b>(11.798.835)</b>              |

**12. 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. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**12. FINANCIAL RISK MANAGEMENT (continued)**

**Credit risk (continued)**

|   | Receivables       |               |                   |               |   |       |
|---|-------------------|---------------|-------------------|---------------|---|-------|
|   | Trade receivables |               | Other receivables |               | Cash and cash equivalents and credit card receivables | Other |
|   | Related parties   | Third parties | Related parties   | Third parties |   |       |
| <b>30 June 2018</b>   |                   |               |                   |               |   |       |
| Maximum credit risk exposure at reporting date (A+B+C+D+E)  | 5.576.311         | 94.481.949    | --                | 3.773.754     | 2.258.930   | --    |
| - Portion of maximum risk covered by Guarantees   | --                | --            | --                | --            | --  | --    |
| A. Carrying value of financial assets that are neither past due nor impaired                      | 99.165            | 33.665.616    | --                | 3.773.754     | 2.258.930   | --    |
| B. Carrying value of financial assets that the terms renegotiated, otherwise past due or impaired | --                | --            | --                | --            | --  | --    |
| C. Carrying value of financial assets that are past due but not impaired                          | 5.477.146         | 60.816.333    | --                | --            | --  | --    |
| -Portion under guarantee with Collateral  | --                | --            | --                | --            | --  | --    |
| D. Carrying value of impaired assets  | --                | --            | --                | --            | --  | --    |
| -Past due (gross carrying amount)   | --                | 23.251.681    | --                | --            | --  | --    |
| -Impairment (-)   | --                | (23.251.681)  | --                | --            | --  | --    |
| E. Off-balance sheet items with credit risk   | --                | --            | --                | --            | --  | --    |

|   | Receivables       |               |                   |               |   |       |
|---|-------------------|---------------|-------------------|---------------|---|-------|
|   | Trade receivables |               | Other receivables |               | Cash and cash equivalents and credit card receivables | Other |
|   | Related parties   | Third parties | Related parties   | Third parties |   |       |
| <b>31 December 2017</b>   |                   |               |                   |               |   |       |
| Maximum credit risk exposure at reporting date (A+B+C+D+E)  | 4.615.348         | 105.883.635   | --                | 4.844.778     | 3.363.130   | --    |
| - Portion of maximum risk covered by Guarantees   | --                | --            | --                | --            | --  | --    |
| A. Carrying value of financial assets that are neither past due nor impaired                      | 98.166            | 72.156.556    | --                | 4.844.778     | 3.363.130   | --    |
| B. Carrying value of financial assets that the terms renegotiated, otherwise past due or impaired | --                | --            | --                | --            | --  | --    |
| C. Carrying value of financial assets that are past due but not impaired                          | 4.517.182         | 33.727.079    | --                | --            | --  | --    |
| -Portion under guarantee with Collateral  | --                | --            | --                | --            | --  | --    |
| D. Carrying value of impaired assets  | --                | --            | --                | --            | --  | --    |
| -Past due (gross carrying amount)   | --                | 19.992.777    | --                | --            | --  | --    |
| -Impairment (-)   | --                | (19.992.777)  | --                | --            | --  | --    |
| E. Off-balance sheet items with credit risk   | --                | --            | --                | --            | --  | --    |



**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**12. FINANCIAL RISK MANAGEMENT (continued)**

**Credit risk (continued)**

As at 30 June 2018 and 31 December 2017 aging analysis of past due but not impaired related and third party trade receivables are as follows

|                   | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-------------------|---------------------|-------------------------|
| Less than 30 days | 16.444.845          | 7.718.749               |
| 30 - 119 days     | 20.738.716          | 7.877.988               |
| 120 - 179 days    | 2.975.070           | 2.137.250               |
| 180 days and over | 26.134.848          | 20.510.274              |
|                   | <b>66.293.479</b>   | <b>38.244.261</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.

Contractual cash flows of the financial liabilities of the Group as at 30 June 2018 and 31 December 2017 are as follows:

| <b>30 June 2018</b>                         | <b>Carrying amount</b> | <b>Contractual cash flows (I+II+III+IV)</b> | <b>Less than 3 months (I)</b> | <b>3-12 months (II)</b> | <b>1-5 years (III)</b> | <b>More than 5 years (IV)</b> |
|---|------------------------|---|-------------------------------|-------------------------|------------------------|-------------------------------|
| <b>Non-derivative financial liabilities</b> |                        |   |                               |                         |                        |                               |
| Borrowings                                  | 324.991.628            | 378.654.343                                 | 120.948.712                   | 125.951.174             | 131.754.457            | --                            |
| Trade payables                              | 152.510.195            | 152.510.195                                 | 152.510.195                   | --                      | --                     | --                            |
| Other payables (*)                          | 8.679.151              | 8.679.151                                   | 8.256.157                     | --                      | 422.994                | --                            |
| <b>Total</b>                                | <b>486.180.974</b>     | <b>539.843.689</b>                          | <b>281.715.064</b>            | <b>125.951.174</b>      | <b>132.177.451</b>     | <b>--</b>                     |
|   |                        |   |                               |                         |                        |                               |
| <b>31 December 2017</b>                     | <b>Carrying amount</b> | <b>Contractual cash flows (I+II+III+IV)</b> | <b>Less than 3 months (I)</b> | <b>3-12 months (II)</b> | <b>1-5 years (III)</b> | <b>More than 5 years (IV)</b> |
| <b>Non-derivative financial liabilities</b> |                        |   |                               |                         |                        |                               |
| Borrowings                                  | 255.094.961            | 292.253.377                                 | 60.797.044                    | 85.851.943              | 145.604.390            | --                            |
| Trade payables                              | 228.199.406            | 228.199.406                                 | 140.948.794                   | 87.250.612              | --                     | --                            |
| Other payables (*)                          | 13.799.282             | 13.799.282                                  | 282.033                       | 12.895.355              | 621.894                | --                            |
| <b>Total</b>                                | <b>497.093.649</b>     | <b>534.252.065</b>                          | <b>202.027.871</b>            | <b>185.997.910</b>      | <b>146.226.284</b>     | <b>--</b>                     |

(\*)Other payables regarding to due to related parties and third parties are included to other payables.

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

**12. FINANCIAL RISK MANAGEMENT (continued)**

**Currency Risk**

The Group is exposed to exchange rate risk arising from the exchange rate changes due to translation of foreign currency denominated assets or liabilities to TL. The foreign exchange rate risk is monitored by analyzing the foreign exchange position.

Foreign currency denominated assets and liabilities as at 30 June 2018 and 31 December 2017 is set out in the table below:

|     | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-----|---------------------|-------------------------|
| USD | 4,5607              | 3,7719                  |
| EUR | 5,3092              | 4,5155                  |

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

***Currency position***

As at 30 June 2018 and 31 December 2017 assets and liabilities denominated in foreign currency held by the Group are as follows

|                                      | <b>30 June 2018</b>  | <b>31 December 2017</b> |
|--------------------------------------|----------------------|-------------------------|
| Assets                               | 50.162.263           | 38.638.737              |
| Liabilities                          | (216.902.014)        | (181.719.143)           |
| <b>Net foreign currency position</b> | <b>(166.739.751)</b> | <b>(143.080.406)</b>    |

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

**12. FINANCIAL RISK MANAGEMENT (continued)**

*Market risk*

*Currency position*

|   | 30 June 2018         |                    |                     | 31 December 2017     |                  |                     |
|---|----------------------|--------------------|---------------------|----------------------|------------------|---------------------|
|   | TL equivalent        | USD                | EUR                 | TL equivalent        | USD              | EUR                 |
| 1. Trade receivables  | 49.501.107           | 2.624.301          | 7.069.324           | 38.621.879           | 1.973.989        | 6.904.261           |
| 2a. Monetary financial assets, (cash and banks account included)  | 661.156              | 1.235              | 123.469             | 16.858               | 1.030            | 2.873               |
| 2b. Non-monetary financial assets   | --                   | --                 | --                  | --                   | --               | --                  |
| 3. Other  | --                   | --                 | --                  | --                   | --               | --                  |
| <b>4. Current assets (1+2+3)</b>  | <b>50.162.263</b>    | <b>2.625.536</b>   | <b>7.192.793</b>    | <b>38.638.737</b>    | <b>1.975.019</b> | <b>6.907.134</b>    |
| 5. Trade receivables  | --                   | --                 | --                  | --                   | --               | --                  |
| 6a. Monetary financial assets   | --                   | --                 | --                  | --                   | --               | --                  |
| 6b. Non-monetary financial assets   | --                   | --                 | --                  | --                   | --               | --                  |
| 7. Other  | --                   | --                 | --                  | --                   | --               | --                  |
| <b>8. Non-current assets (5+6+7)</b>  | <b>--</b>            | <b>--</b>          | <b>--</b>           | <b>--</b>            | <b>--</b>        | <b>--</b>           |
| <b>9. Total assets (4+8)</b>  | <b>50.162.263</b>    | <b>2.625.536</b>   | <b>7.192.793</b>    | <b>38.638.737</b>    | <b>1.975.019</b> | <b>6.907.134</b>    |
| 10. Trade payables  | (41.795.923)         | (4.754.849)        | (3.787.855)         | (11.028.784)         | --               | (2.442.428)         |
| 11. Financial liabilities   | (86.082.500)         | --                 | (12.297.918)        | (81.932.430)         | --               | (18.144.708)        |
| 12a. Other monetary liabilities   | (2.746.253)          | (426.889)          | (150.558)           | --                   | --               | --                  |
| 12b. Other non-monetary liabilities   | --                   | --                 | --                  | --                   | --               | --                  |
| <b>13. Current liabilities (10+11+12)</b>   | <b>(130.624.676)</b> | <b>(5.181.738)</b> | <b>(16.236.332)</b> | <b>(92.961.214)</b>  | <b>--</b>        | <b>(20.587.136)</b> |
| 14. Trade payables  | --                   | --                 | --                  | --                   | --               | --                  |
| 15. Financial liabilities   | (86.277.338)         | --                 | (16.363.292)        | (88.757.929)         | --               | (19.656.279)        |
| 16 a. Other monetary liabilities  | --                   | --                 | --                  | --                   | --               | --                  |
| 16 b. Other non-monetary liabilities  | --                   | --                 | --                  | --                   | --               | --                  |
| <b>17. Long-term liabilities (14+15+16)</b>   | <b>(86.277.338)</b>  | <b>--</b>          | <b>(16.363.292)</b> | <b>(88.757.929)</b>  | <b>--</b>        | <b>(19.656.279)</b> |
| <b>18. Total liabilities (13+17)</b>  | <b>(216.902.014)</b> | <b>(5.181.738)</b> | <b>(32.599.624)</b> | <b>(181.719.143)</b> | <b>--</b>        | <b>(40.243.415)</b> |
| <b>19. Net assets of off balance sheet derivative items (liability) position (19a-19b)</b>                        | <b>--</b>            | <b>--</b>          | <b>--</b>           | <b>--</b>            | <b>--</b>        | <b>--</b>           |
| <b>19a. Total amount of assets hedged</b>   | <b>--</b>            | <b>--</b>          | <b>--</b>           | <b>--</b>            | <b>--</b>        | <b>--</b>           |
| <b>19b. Total amount of liabilities hedged</b>  | <b>--</b>            | <b>--</b>          | <b>--</b>           | <b>--</b>            | <b>--</b>        | <b>--</b>           |
| <b>20. Net foreign monetary assets/(liabilities) position (9+18+19)</b>   | <b>(166.739.751)</b> | <b>(2.556.202)</b> | <b>(25.406.831)</b> | <b>(143.080.406)</b> | <b>1.975.019</b> | <b>(33.336.281)</b> |
| <b>21. Net foreign currency asset / (liability) position of monetary items (=1+2a+3+5+6a+10+11+12a+14+15+16a)</b> | <b>(166.739.751)</b> | <b>(2.556.202)</b> | <b>(25.406.831)</b> | <b>(143.080.406)</b> | <b>1.975.019</b> | <b>(33.336.281)</b> |
| <b>22. Fair value of derivative instruments used in foreign currency hedge</b>                                    | <b>--</b>            | <b>--</b>          | <b>--</b>           | <b>--</b>            | <b>--</b>        | <b>--</b>           |
| <b>23. Export</b>   | <b>29.681.652</b>    | <b>3.273.475</b>   | <b>2.778.633</b>    | <b>57.137.288</b>    | <b>5.766.344</b> | <b>7.836.832</b>    |
| <b>24. Import</b>   | <b>23.769.757</b>    | <b>79.390</b>      | <b>4.408.891</b>    | <b>18.085.036</b>    | <b>869.207</b>   | <b>3.279.033</b>    |

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**12. FINANCIAL RISK MANAGEMENT (continued)**

*Market risk (continued)*

*Currency risk (continued)*

The Group's mainly currency position consists of bank borrowings and trade payables. Foreign currency denominated borrowings are stated in Note 5.

The Group's profit before tax, when all other variables remain constant, (due to changes in monetary assets and liabilities) USD and EUR exchange rates and changes in sensitivity table is as follows:

| <b>30 June 2018</b>   | <b>Profit/Loss</b>                      |   |
|---|---|---|
|   | <b>Appreciation of foreign currency</b> | <b>Depreciation of foreign currency</b> |
| <b>Assumption of devaluation/appreciation by 10% of USD against TL:</b> |   |   |
| 1- Net USD asset / liability  | (1.165.807)                             | 1.165.807                               |
| 2- USD risk averse portion (-)  | --                                      | --                                      |
| <b>3- USD net effect (1+2)</b>  | <b>(1.165.807)</b>                      | <b>1.165.807</b>                        |
| <b>Assumption of devaluation/appreciation by 10% of EUR against TL:</b> |   |   |
| 4- Net EUR asset / liability  | (15.508.168)                            | 15.508.168                              |
| 5- EUR risk averse portion (-)  | --                                      | --                                      |
| <b>6- EUR net effect (4+5)</b>  | <b>(15.508.168)</b>                     | <b>15.508.168</b>                       |
| <b>Total (3+6)</b>  | <b>(16.673.975)</b>                     | <b>16.673.975</b>                       |
| <hr/>   |   |   |
| <b>31 December 2017</b>   | <b>Profit/Loss</b>                      |   |
|   | <b>Appreciation of foreign currency</b> | <b>Depreciation of foreign currency</b> |
| <b>Assumption of devaluation/appreciation by 10% of USD against TL</b>  |   |   |
| 1- Net USD asset / liability  | 744.957                                 | (744.957)                               |
| 2- USD risk averse portion (-)  | --                                      | --                                      |
| <b>3- USD net effect (1+2)</b>  | <b>744.957</b>                          | <b>(744.957)</b>                        |
| <b>Assumption of devaluation/appreciation by 10% of EUR against TL:</b> |   |   |
| 4- Net EUR asset / liability  | (15.052.998)                            | 15.052.998                              |
| 5- EUR risk averse portion (-)  | --                                      | --                                      |
| <b>6- EUR net effect (4+5)</b>  | <b>(15.052.998)</b>                     | <b>15.052.998</b>                       |
| <b>Total (3+6)</b>  | <b>(14.308.041)</b>                     | <b>14.308.041</b>                       |

**DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES**  
**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

**13. ADDITIONAL DISCLOSURES THAT ARE 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.

|   | <b>30 June 2018</b> | <b>30 June 2017</b> |
|---|---------------------|---------------------|
| Net profit / (loss) for the period        | (34.706.474)        | 5.201.883           |
| Tax income / expense                      | (7.596.942)         | 2.027.444           |
| Financial income                          | (12.453.282)        | (24.117.958)        |
| Financial expense                         | 62.110.350          | 54.561.080          |
| Depreciation and amortization expenses    | 10.594.376          | 5.748.341           |
| Provision for unused vacation liabilities | --                  | 1.258.806           |
| <b>EBITDA</b>                             | <b>17.948.028</b>   | <b>44.679.596</b>   |

**14. EARNINGS / (LOSS) PER SHARE**

|   | <b>1 January -<br/>30 June 2018</b> | <b>1 January -<br/>30 June 2017</b> |
|---|-------------------------------------|-------------------------------------|
| Weighted average number of shares in issue                    | 20.906.976.700                      | 20.552.245.211                      |
| Net income or (loss) attributable to the owners of the parent | (34.706.474)                        | 5.201.883                           |
| Earnings / (Losses) per share                                 | <b>(0,002)</b>                      | <b>0,0002</b>                       |

**15. EVENTS AFTER THE REPORTING PERIOD**

Between the date of 30 June 2018 and the date of approval of the financial statements as of 17 August 2018, TL has suffered considerable depreciation against major foreign currencies. The depreciation has been 31% against USD and 29% against EUR.