

DOĐTAŐ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŐİRKETİ

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT
30 JUNE 2016 TOGETHER WITH AUDITOR'S REVIEW REPORT**

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD 1 JANUARY - 30 JUNE 2016**

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DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**CONSOLIDATED BALANCE SHEET AT 30 JUNE 2016****(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)**

	Notes	30 June 2016	31 December 2015
ASSETS			
Current assets		252,604,547	223,822,965
Cash and cash equivalents	3	2,407,158	7,177,720
Trade receivables		104,390,431	81,052,856
- <i>Trade receivables from related parties</i>	21	2,124,050	2,225,082
- <i>Trade receivables from third parties</i>	4	102,266,381	78,827,774
Other receivables		3,676,575	3,763,297
- <i>Other receivables from third parties</i>	5	3,676,575	3,763,297
Inventories	6	123,717,472	105,264,234
Current income tax assets	19	444,670	398,612
Prepaid expensesx	8	15,653,000	23,858,053
Other current assets	7	2,315,241	2,308,193
Assets classified as held for sale	10	426,200	566,200
Total current assets		253,030,747	224,389,165
Non-current assets		185,164,038	180,305,825
Trade receivables		1,557,013	828,995
- <i>Trade receivables from third parties</i>	4	1,557,013	828,995
Other receivables		446,318	387,324
- <i>Other receivables from related parties</i>	21	-	-
- <i>Other receivables from third parties</i>	5	446,318	387,324
Available-for-sale financial assets	9	9,469,958	9,469,958
Investment properties	11	55,870	56,476
Property, plant and equipment	12	148,615,408	147,336,781
Intangible assets	13	22,661,995	20,943,216
Prepaid expenses	8	16,211	16,213
Deferred tax assets	19	2,341,265	1,266,862
Total assets		438,194,785	404,694,990

These condensed consolidated interim financial information has been approved for issue by the Board of Directors on 19 August 2016.

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**CONSOLIDATED BALANCE SHEET AT 30 JUNE 2016****(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)**

	Notes	30 June 2016	31 December 2015
LIABILITIES			
Total current liabilities		297,041,505	254,708,861
Short-term borrowings	14	87,068,473	59,645,357
Short-term portion of long term borrowings	14	38,122,488	34,147,189
Trade payables		122,282,646	126,184,832
- <i>Due to related parties</i>	21	35,761	-
- <i>Due to other parties</i>	4	122,246,885	126,184,832
Payables related to employee benefits	16	4,890,485	4,766,784
Other payables		760,982	475,797
- <i>Other payables from related parties</i>	5	760,982	475,545
- <i>Other payables from other parties</i>		-	252
Deferred revenue	8	36,785,010	23,418,945
Short-term provisions		5,891,148	4,907,687
- <i>Provisions for employee benefits</i>	16	3,546,678	2,927,508
- <i>Other provisions</i>	15	2,344,470	1,980,179
Other short-term liabilities	7	1,240,273	1,162,270
Total non-current liabilities		112,730,225	114,188,476
Long-term borrowings	14	107,610,290	109,547,560
Other payables		588,998	588,998
- <i>Other payables from other parties</i>	5	588,998	588,998
Long-term provisions		4,453,097	3,323,010
- <i>Long-term provisions related to employee benefits</i>	16	3,807,599	2,950,900
- <i>Other long-term provisions</i>	15	645,498	372,110
Deferred revenue	8	77,840	116,720
Deferred tax liabilities	19	-	612,188
Total equity		28,423,055	35,797,653
Share capital	18	209,069,767	209,069,767
Reverse merger capital differences	18	(159,069,767)	(159,069,767)
Share premium		282,945	282,945
Treasury share (-)	18	(5,367,595)	(5,367,595)
Other comprehensive income/expense not to be reclassified to reclassified to profit or loss			
- <i>Increase on revaluation of property and equipment</i>		44,446,000	45,166,056
- <i>Actuarial gain arising from employee benefits</i>		1,106,913	1,518,839
Legal reserves	18	607,177	607,177
Accumulated deficit		(55,689,713)	(28,677,323)
Net loss for the period		(6,962,672)	(27,732,446)
Total liabilities and equity		438,194,785	404,694,990

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD BETWEEN 1 JANUARY - 30 JANUARY 2016
(Amounts expressed in Turkish Lira (“TRY”) unless otherwise stated.)**

	Notes	Reviewed 1 January - 30 June 2016	Not reviewed 1 April - 30 June 2016	Reviewed 1 January - 30 June 2015	Not reviewed 1 April - 30 June 2015
Revenue		195,633,888	111,824,692	171,924,989	93,280,090
Cost of sales (-)		(126,346,538)	(74,475,563)	(111,853,286)	(60,464,111)
Gross profit		69,287,350	37,349,129	60,071,703	32,815,979
General administrative expenses (-)		(14,767,538)	(7,220,722)	(9,468,968)	(5,126,371)
Marketing expenses (-)		(44,669,234)	(23,313,195)	(40,473,987)	(21,960,167)
Research and development expenses (-)		(2,032,509)	(1,026,879)	(1,056,879)	(644,633)
Other operating income		7,070,175	5,060,436	7,664,346	4,220,897
Other operating expenses (-)		(7,498,862)	(6,266,597)	(4,923,516)	(2,235,834)
Operating profit		7,389,382	4,582,172	11,812,699	7,069,871
Income from investing activities		200,892	28,218	30,816	7,084
Expense from investing activities (-)		(16,271)	-	(165,701)	(98,399)
Operating profit before financial income/(expenses)		7,574,003	4,610,390	11,677,814	6,978,556
Financial income		8,796,400	6,690,593	2,454,173	1,440,567
Financial expense (-)		(24,916,684)	(14,300,596)	(38,637,981)	(14,354,506)
Profit/(Loss) before tax		(8,546,281)	(2,999,613)	(24,505,994)	(5,935,383)
Taxation on income:					
Deferred tax (expense)/income	19	1,583,609	687,822	4,839,098	1,214,588
Profit/(Loss) for the period		(6,962,672)	(2,311,791)	(19,666,896)	(4,720,795)
Total comprehensive income attributable to:					
Non-controlling interests		-	-	-	-
Owners of the parent		(6,962,672)	(2,311,791)	(19,666,896)	(4,720,795)
Earnings/(Losses) per share	20	(0.000333)	(0.000111)	(0.000941)	(0.00023)

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD BETWEEN 1 JANUARY - 30 JANUARY 2016 (Amounts expressed in Turkish Lira (“TRY”) unless otherwise stated.)

	Notes	Reviewed 1 January - 30 June 2016	Not reviewed 1 April - 30 June 2016	Reviewed 1 January - 30 June 2015	Not reviewed 1 April - 30 June 2015
Net loss for the period		(6,962,672)	(2,311,791)	(19,666,896)	(4,720,795)
<i>Items not to be classified to profit or loss</i>		(411,926)	-	(410,587)	(154,585)
Remeasurement difference	16	(514,908)	-	(513,234)	(193,231)
Deferred tax expense	19	102,982	-	102,647	38,646
Total comprehensive income/(loss)		(7,374,598)	(2,311,791)	(20,077,483)	(4,875,380)
Total comprehensive income attributable to:					
Non-controlling interests		-	-	-	-
Owners of the parent		(7,374,598)	(2,311,791)	(20,077,483)	(4,875,380)

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2016 (Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

	Share capital	Share premium	Treasury shares	Legal reserves	Remeasurement differences	Revaluation differences	Accumulated losses	Net profit for the period	Total equity
Balance at 1 January 2015	50,000,000	282,945	(5,367,595)	607,177	1,461,215	34,006,514	(18,320,168)	(11,267,649)	51,402,439
Transferred to previous year's losses	-	-	-	-	-	-	(11,267,649)	11,267,649	-
Transfers	-	-	-	-	-	(469,175)	469,175	-	-
Total comprehensive loss	-	-	-	-	(410,587)	-	-	(19,666,896)	(20,077,483)
Balance at 30 June 2015	50,000,000	282,945	(5,367,595)	607,177	1,050,628	33,537,339	(29,118,642)	(19,666,896)	31,324,956
Balance at 1 January 2016	50,000,000	282,945	(5,367,595)	607,177	1,518,839	45,166,056	(28,677,323)	(27,732,446)	35,797,653
Transferred to previous year's losses	-	-	-	-	-	-	(27,732,446)	27,732,446	-
Transfers	-	-	-	-	-	(720,056)	720,056	-	-
Total comprehensive loss	-	-	-	-	(411,926)	-	-	(6,962,672)	(7,374,598)
Balance at 30 June 2016	50,000,000	282,945	(5,367,595)	607,177	1,106,913	44,446,000	(55,689,713)	(6,962,672)	28,423,055

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2016 (Amounts expressed in thousands Turkish Lira (“TL”), unless otherwise indicated.)

	Notes	Reviewed 1 January - 30 June 2016	Reviewed 1 January- 30 June 2015
Net income/(loss) for the period		(6,962,672)	(19,666,896)
Adjustments to reconcile net income for the period		25,054,591	45,453,996
Adjustments related to amortisation and depreciation	12,13	6,894,337	6,237,686
Adjustments related to (cancellation) of provision for employment termination benefits	16	2,481,403	428,437
Adjustments related to (cancellation) of warranty provisions	15	752,882	486,727
Adjustments to reconcile income/(loss)		(115,203)	405,752
Unearned finance income from forward sales		(97,396)	(895,759)
Adjustments related to impairment on receivables		-	227,119
Adjustments related to inventories impairment (cancellation)		-	86,451
Adjustments related to tax income/(expense)	19	(1,583,609)	(4,839,098)
Adjustments to gain/(loss) on sale of property and equipment		(247,655)	134,885
Adjustments related to financial expenses		14,738,701	8,013,476
Adjustments related to financial income		-	(100,590)
Adjustments to unrealised foreign translation differences		2,231,131	35,268,910
Changes in net working capital		(21,985,758)	517,381
Adjustments related to decrease/(increase) in trade receivables		(24,069,230)	(12,528,077)
Adjustments related to decrease/(increase) in other receivables related with operations		82,702	(981,305)
Adjustments related to decrease/(increase) in inventories		(18,453,238)	(2,874,977)
Adjustments related to decrease/(increase) in prepaid expenses		8,205,055	(902,789)
Adjustments related to decrease/(increase) in other current assets related with operations		(6,441)	38,724
Adjustments related to increase/(decrease) in trade payables		(3,937,947)	19,186,285
Adjustments related to provisions for employment termination benefits		123,701	2,406,702
Adjustments related to increases in other payables related with operations		2,742,455	(1,003,896)
Adjustments related to decrease/(increase) in other liabilities related with operations		-	56,215
Increase/(decrease) in deferred revenue		13,327,185	(2,879,501)
Cash outflows from operations		(3,893,839)	26,304,481
Taxes paid		-	(125,442)
Employee termination benefits paid	16	(1,520,442)	(499,053)
Payments for other provisions		(2,343,506)	(934,663)
A. Cash outflows from operating activities		(7,757,787)	24,745,323
Interest received		11,790	100,590
Cash outflows from purchases of tangible and intangible assets	12,13	(9,791,743)	(7,134,880)
Proceeds from disposal of property, equipment and intangible assets		287,655	242,150
B, Cash outflows from investing activities		(9,492,298)	(6,792,140)
Interest paid		(11,894,091)	(7,694,570)
Proceeds from bank borrowings		142,989,576	110,871,125
Cash outflows due to the payments of bank borrowings		(118,615,962)	(130,423,843)
Payments of financial liabilities		-	(668,353)
C, Cash outflows from financing activities		12,479,523	(27,915,641)
Net increase/(decrease) in cash and cash equivalents		(4,770,562)	(9,962,458)
Cash and cash equivalents at the beginning of the period	3	7,177,720	19,212,856
Cash and cash equivalents at the end of the period	3	2,407,158	9,250,398

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2016 (Amounts expressed in thousands Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Registered head office:

Rüzgarlıbahçe Mahallesi Kavak Sokak No:31/1 B Blok Smart Plaza Kat:4-5 Kavacık, Beykoz - İstanbul.

Registered market:

The Company is registered in Capital Market Board (“CMB”) and its shares have been traded in Borsa İstanbul A.Ş. (“BİST”) since 1990 (formerly known as "Istanbul Stock Exchange") under the name DGKLB. As of 30 June 2016, 7,89% of its shares are open for trading.

Nature of operations:

The main operating segment is production and sale of furnitures.

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

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

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 of 30 June 2016 (31 December 2015: None).

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

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2016 (Amounts expressed in thousands Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Consolidated financial statements were approved by the Company's Board of Directors to be published on 19 August 2016. The General Assembly and related legal entities have the right to amend the financial statements prepared in accordance with the legal regulations and the financial tables in this consulate.

The shareholding structure of Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. as of 30 June 2016 and 31 December 2015 is as follows:

Shareholder	30 June 2016	Proportion of ownership (%)	31 December 2015	Proportion of ownership (%)
International Furniture B.V.	96,284,884	46.05	96,284,884	46.05
Davut Doğan	16,047,503	7.68	16,047,503	7.68
Adnan Doğan	16,047,484	7.68	16,047,484	7.68
Şadan Doğan	16,047,474	7.68	16,047,474	7.68
İsmail Doğan	16,047,474	7.68	16,047,474	7.68
İlhan Doğan	16,047,474	7.68	16,047,474	7.68
Murat Doğan	16,047,474	7.68	16,047,474	7.68
Other	16,500,000	7.89	16,500,000	7.89
	209,069,767	100	209,069,767	100

As of 30 June 2016 and 31 December 2015, 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 Doğ-Taş Doğanlar Mobilya İmalat Enerji Üretim Sanayi A.Ş. and Kelebek Mobilya Sanayi ve Ticaret A.Ş. during the Merger.

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

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

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

As of 30 June 2016, the number of employees of the Company and its subsidiaries (collectively referred to as the "Group") is 1,333 (31 December 2015: 1,355).

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2016 (Amounts expressed in thousands Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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

As a result of the merger between 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.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

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

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

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

2.1.2 Financial Statements of Foreign Subsidiaries

The financial statements of foreign subsidiaries have been arranged to reflect the necessary adjustments and classifications with the purpose of fair presentation in line with TAS (Turkish Accounting Standards). Foreign currency-denominated assets and liabilities are converted to Turkish lira at the exchange rate prevailing on the balance sheet date and the average exchange rate on the income statement. The exchange losses or gains, which result from closing and average rates, are recognized under "Foreign Currency Translation Differences" in the Shareholders' Equity section.

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2016 (Amounts expressed in thousands Turkish Lira (“TL”), unless otherwise indicated.)

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

2.1 Financial reporting standards (continued)

2.1.3 Basis of consolidation

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

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

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

Subsidiaries	30 June 2016		31 December 2015	
	Direct and indirect ownership interest by the Group	Proportion of effective interest	Direct and indirect ownership interest by the Group	Proportion of effective interest
Doğtaş Pazarlama	100,00	100,00	100,00	100,00
2K	100,00	100,00	100,00	100,00
3K	100,00	100,00	100,00	100,00

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

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

2.1.4 Changes in accounting policies, estimates and errors

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

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

As of 30 June 2016, there are no significant accounting errors that the Group has identified in the accounting policies.

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2016 (Amounts expressed in thousands Turkish Lira (“TL”), unless otherwise indicated.)

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

2.2 Summary of significant accounting policies

In accordance with the TAS 34, entities are allowed to prepare a complete or condensed set of interim financial statements. In this framework, the Group has preferred to prepare condensed consolidated financial statements in the interim periods. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements prepared for the year ended 31 December 2015.

2.3 Comparatives and restatement of prior period’s financial statements

The consolidated financial statements of the Group are prepared comparatively to enable the determination of the trends of the financial position and performance. The Group presented the consolidated balance sheet at 30 June 2016 comparatively with the consolidated balance sheet at 31 December 2015. The Group presented the consolidated statements of income, other comprehensive income, cash flows and changes in equity for the period ended 30 June 2016 comparatively with the consolidated statements of income, comprehensive income, cash flows and changes in equity for the year ended 31 December 2015.

2.4 New and amended Turkish Financial Reporting Standards

The new standards, amendments to published standards and interpretations applicable to 30 June 2016:

- The amendment to TFRS 11 “Joint Arrangements” applies to annual reporting periods that begin January 1, 2016, or later. It is about the shares acquired in joint operations. The amendment brings clarification to the accounting of share purchases in joint operations of which their activities constitute a business. The aforementioned amendment has not had any effect on the Group's financial status and performance.
- Amendments to TAS 16 “Property, plant and equipment”, and TAS 41 “Agriculture”, regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41. The standart has no impact on the financial position or performance of the Group.

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

2.4 New and amended Turkish Financial Reporting Standards (Continued)

- Amendment to TAS 16 “Property, plant and equipment” and TAS 38 “Intangible assets”, on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The standart has no impact on the financial position or performance of the Group.
- TFRS 14 “Regulatory Deferral Accounts” applies to annual reporting periods that begin on January 1, 2016, or later. This standard allows first-time adopters of TFRS to continue to recognize regulatory deferral account balances in accordance with the previous legislation. However, the affect of the new standard should be kept separate from other items, in order to provide comparability with other companies that have implemented TFRS and will not recognize the aforementioned amount. The aforementioned amendment has not had any effect on the Group's financial status and performance.
- Amendments to TAS 27 ‘Separate financial statements’ on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The standart has no impact on the financial position or performance of the Group.
- TFRS 10 “Consolidated Financial Statements” and TAS 28 “Investments in As-so-ciates and Joint Ventures” applies to annual reporting periods that begin on January 1, 2016, or later. Amendments have been made to TFRS 10 and TAS 28 in order to eliminate inconsistencies related to sale or contribution of assets between an investor and its associate or joint venture. On account of this amendment, all gains or losses arising from an activity that effectively constitute a business, including subsidiary activities, are recognized; however, gains or losses regarding an asset purchase or sale are partly recognized, even if not related to a subsidiary. The aforementioned amendment has not had any effect on the Group's financial status and performance.
- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 5 standards:
 - TFRS 5 “Non-current assets held for sale and discontinued operations” regarding methods of disposal.
 - TFRS 7 “Financial instruments: Disclosures”, (with consequential amendments to TFRS 1) regarding servicing contracts.
 - TAS 19 “Employee benefits” regarding discount rates.
 - TAS 34 “Interim financial reporting” regarding disclosure of information.
 - The TAS 1 "Presentation of Financial Statements" is applicable to annual reporting periods starting on January 1, 2016, and thereafter. These amendments are intended to improve the presentation and annotations of financial statements.

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

2.4 New and amended Turkish Financial Reporting Standards (Continued)

Amendment to TFRS 10 “Consolidated financial statements” and TAS 28 “Investments in associates and joint ventures”, effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The standart has no impact on the financial position or performance of the Group.

a) Standards, amendments and interpretations issued as of 31 December 2016 but not effective:

- Amendments to TAS 7 “Statement of cash flows” on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. This standard is not expected to have a significant effect on the financial position and performance of the Group
- Amendments TAS 12 “Income Taxes”, effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. It also clarify certain other aspects of accounting for deferred tax assets. This standard is not expected to have a significant effect on the financial position and performance of the Group.
- Amendments to TFRS 2, ‘Share based payments’ on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.
- TFRS 15 “Revenue from contracts with customers”, effective from annual periods beginning on or after 1 January 2018. TFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. This standard is not expected to have a significant effect on the financial position and performance of the Group.
- Amendment to TFRS 15 “Revenue from contracts with customers”, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. This standard is not expected to have a significant effect on the financial position and performance of the Group.
- TFRS 9 “Financial instruments”, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. This standard is not expected to have a significant effect on the financial position and performance of the Group.

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

2.4 New and amended Turkish Financial Reporting Standards (Continued)

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

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

NOTE 3 - CASH AND CASH EQUIVALENTS

The details of the cash and cash equivalents as of 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016	31 December 2015
Cash	190,072	39,381
Banks		
- Demand deposit	2,065,979	1,303,097
- Time deposit	-	5,800,000
Credit card receivables	151,107	35,242
	2,407,158	7,177,720

As at 31 December 2015, the Group has time deposit amounting to TL 5,800,000 with a weighted effective interest rate 8% and four days to maturity.

Cash and cash equivalents included in the summary consolidated cash flow statements as of June 30 2016, and 2015, are as follows:

	30 June 2016	31 December 2015	30 June 2015	31 December 2014
Cash and cash equivalents	2,407,158	7,177,720	9,250,398	19,212,856

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2016 (Amounts expressed in thousands Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 4 - TRADE RECEIVABLES AND PAYABLES

The details of the short trade receivables and payables as of 30 June 2016 and 31 December 2015 are as follows:

Short term trade receivables:	30 June 2016	31 December 2015
Customers	88,513,610	77,152,213
- Due from related parties (Note 24)	2,124,050	2,225,082
- Other	86,389,560	74,927,131
Cheques and notes receivable	16,413,029	4,611,838
Doubtful of receivables	18,332,135	18,412,558
Provision for doubtful of receivables (-)	(18,332,135)	(18,412,558)
Unearned finance income (-)	(536,208)	(711,195)
	104,390,431	81,052,856

As at 30 June 2016 the average term of trade receivables is less than 2 month. (31 December 2015: less than 2 month). The maturity of the trade receivables of the Group varies and the interest rate applied for trade receivables is 11.00% (31 December 2015: 10.85%).

Trade receivables amounting to TL 33,784,487 (31 December 2015: TL 16,668,521) as at 30 June 2016 have not been evaluated as doubtful receivables despite the past due. The maturity analysis of these receivables is as follows:

	30 June 2016	31 December 2015
Up to 1 month	5,946,106	108,551
Between 1 and 3 months	9,617,406	5,455
Over 3 months	13,126,504	16,554,515
	28,690,016	16,668,521
The part secured by a guarantee	6,363,520	3,211,780

Movements of provision for doubtful trade receivables for the years ended 30 June 2016 and 2015 are as follows:

	2016	2015
Balance at the beginning of the period	(18,412,558)	(16,863,193)
Provisions	-	(323,726)
Written-off	80,423	96,607
Balance at the end of the period	(18,332,135)	(17,090,312)

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NOTE 4 - TRADE RECEIVABLES AND PAYABLES (Continued)

The details of the short trade receivables and payables as of 30 June 2016 and 31 December 2015 are as follows:

Long term trade receivables:	30 June 2016	31 December 2015
Notes receivable	1,761,174	955,565
Rediscount of notes receivables(-)	(204,161)	(126,570)
	1,557,013	828,995
Short term trade payables:	30 June 2016	31 December 2015
Supplier current accounts	107,221,671	104,326,723
- Due to related parties (Note 21)	35,761	-
- Other	107,185,910	104,326,723
Cheques and notes payable	17,772,933	23,132,980
Unincurred finance cost (-)	(2,711,958)	(1,274,871)
	122,282,646	126,184,832

As of 30 June 2016 the average term of trade payables is less than 4 month. (31 December 2015: less than 4 months).

NOTE 5 - OTHER RECEIVABLES AND PAYABLES

Short-term other receivables:	30 June 2016	31 December 2015
Deposits and guarantees given	2,380,818	1,230,721
Receivables from tax authority	1,068,256	782,195
Receivables from personnel	227,501	238,253
Other	-	1,512,128
	3,676,575	3,763,297
Long-term other receivables:	30 June 2016	31 December 2015
Deposits and guarantees given	446,318	387,324
Short-term other payables:	30 June 2016	31 December 2015
Taxes and funds payable	756,194	470,650
Other payables	4,788	5,147
- Due to related parties (Note 24)	-	252
- Other	4,788	4,895
	760,982	475,797

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NOTE 5 - OTHER RECEIVABLES AND PAYABLES (Continued)

Long-term other receivables:	30 June 2016	31 December 2015
Deposits and guarantees given	588,998	588,998

NOTE 6 - INVENTORIES

	30 June 2016	31 December 2015
Raw materials and supplies	68,294,612	39,731,250
Semi-finished goods	33,936,012	25,254,711
Finished goods	6,830,116	26,172,833
Trade goods	14,298,949	13,524,538
Goods in transit	357,783	580,902
	123,717,472	105,264,234

NOTE 7 – OTHER CURRENT ASSETS

Other current asset	30 June 2016	31 December 2015
Other VAT	1,193,147	1,076,621
Deferred VAT	794,092	784,465
Advances given to personnel	227,501	442,106
Other	100,501	5,001
	2,315,241	2,308,193

Other short-term liabilities	30 June 2016	31 December 2015
Deferred and canceled VAT	1,193,398	1,076,621
Other	46,875	85,649
	1,240,273	1,162,270

NOTE 8 - PREPAID EXPENSES AND DEFERRED REVENUE

Short-term prepaid expenses	30 June 2016	31 December 2015
Advances given for inventories	8,435,757	13,691,955
Prepaid expenses	7,217,243	10,166,098
	15,653,000	23,858,053

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NOTE 8 - PREPAID EXPENSES AND DEFERRED REVENUE (Continued)

Long-term prepaid expenses:	30 June 2016	31 December 2015
Future expenses	16,211	16,213

The costs incurred by the Group for its vendors overseas under the government-sponsored "Turquality" program comprise a considerable part of the prepaid expenses account,

Short-term deferred revenue	30 June 2016	31 December 2015
Advances received	31,118,634	14,433,245
Deferred revenue	5,666,376	8,985,700
	36,785,010	23,418,945

Long-term deferred revenue	30 June 2016	31 December 2015
Future revenues	77,840	116,720

NOTE 9 - AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group's financial investments consist of investments classified as available-for-sale financial assets. The details of the financial investments as of 30 June 2016 and 31 December 2015 are as follows:

	Ownership interest (%)	30 June 2016 Carrying amount	Ownership interest (%)	31 December 2015 Carrying amount
Doğtaş Holland	100.00	4,657,668	100.00	4,657,668
Doğtaş Germany	100.00	3,393,430	100.00	3,393,430
Doğtaş Bulgaria	100.00	1,418,860	100.00	1,418,860
		9,469,958		9,469,958

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

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NOTE 10 – AVAILABLE-FOR-SALE PROPERTIES

	2016	2015
Balances at 1 January	566,200	866,200
Additions	-	-
Disposal (-)	(140,000)	(300,000)
Balances at 30 June	426,200	566,200

As of 30 June 2016, available for sale real estates consist of buildings acquired from customers in the past periods that were intentionally turned into doubtful receivables.

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

NOTE 11- INVESTMENT PROPERTIES

Investment property with a cost of 60,600 Turkish lira and an accumulated depreciation of 4.124 Turkish lira as of June 30, 2016 is available. The depreciation expense for the period is 606 Turkish lira (January 1 - December 31, 2015: 1,212 Turkish lira), and no purchase or sale took place in the period.

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2016	Additions	Disposals	30 June 2016
Cost:				
Land	31,773,097	-	-	31,773,097
Land improvements and buildings	61,241,460	67,000	-	61,308,460
Machinery, plant and equipment	74,767,138	138,117	(18,052)	74,887,203
Vehicles	1,949,995	-	(363,200)	1,586,795
Furniture and fixtures	39,723,063	2,539,037	-	42,262,100
Leasehold improvements	23,200,172	2,189,189	-	25,389,361
Construction in progress	5,518,949	2,367,069	-	7,886,018
	238,173,874	7,300,412	(381,252)	245,093,034
Accumulated depreciation:				
Land improvements and buildings	(15,858,191)	(677,623)	-	(16,535,814)
Machinery, plant and equipment	(42,601,507)	(998,330)	18,052	(43,581,785)
Vehicles	(1,980,538)	(9,393)	463,200	(1,526,731)
Furniture and fixtures	(23,120,052)	(2,217,494)	-	(25,337,546)
Leasehold improvements	(7,276,805)	(2,218,945)	-	(9,495,750)
	(90,837,093)	(6,121,785)	481,252	(96,477,626)
Net book value	147,336,781			148,615,408

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 June 2015	Additions	Disposals	30 June 2015
Cost:				
Land	22,874,662	-	-	22,874,662
Land improvements and buildings	55,931,759	-	-	55,931,759
Machinery, plant and equipment	75,401,457	115,624	(1,355,912)	74,161,169
Vehicles	1,972,996	-	(23,001)	1,949,995
Furniture and fixtures	34,035,136	2,355,264	(7,501)	36,382,899
Leasehold improvements	17,196,496	1,486,812	-	18,683,308
Construction in progress	1,788,765	2,566,268	-	4,355,033
	209,201,271	6,523,968	(1,386,414)	214,338,825
Accumulated depreciation:				
Land improvements and buildings	(14,344,095)	(739,955)	-	(15,084,050)
Machinery, plant and equipment	(41,787,272)	(1,076,375)	1,287,341	(41,576,306)
Vehicles	(1,696,204)	(162,578)	18,023	(1,840,759)
Furniture and fixtures	(18,740,206)	(2,134,526)	4,015	(20,870,717)
Leasehold improvements	(3,944,520)	(1,626,779)	-	(5,571,299)
	(80,512,297)	(5,740,213)	1,309,379	(84,943,131)
Net book value	128,688,974			129,395,694

Liens and restrictions on property, plant and equipment are given in Footnote 15.

NOTE 13 - INTANGIBLE ASSETS

	1 January 2016	Additions	30 June 2016
Cost:			
Brand	17,530,000	-	17,530,000
Rights	9,908,652	2,491,331	12,399,983
	27,438,652	2,491,331	29,929,983
Accumulated amortisation			
Rights	(6,495,436)	(772,552)	(7,267,988)
	(6,495,436)	(772,552)	(7,267,988)
Net book value	20,943,216		22,661,995

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NOTE 13 - INTANGIBLE ASSETS (Continued)

	1 June 2015	Additions	30 June 2015
Cost:			
Brand	17,530,000	-	17,530,000
Rights	8,441,899	610,912	9,052,811
	25,971,899	610,912	26,582,811
Accumulated amortisation:			
Rights	(5,485,203)	(496,867)	(5,982,070)
	(5,485,203)	(496,867)	(5,982,070)
Net book value	20,486,696		20,600,741

NOTE 14 – BORROWINGS

The details of the borrowings as of 30 June 2016 and 31 December 2015 are as follows:

		30 June 2016	
	Effective interest rate per annum (%)	Original currency	TL
Short-term borrowings:			
EUR denominated bank borrowings	%0.75 - %5.52	17,340,172	55,564,847
TL denominated bank borrowingsx	%13.75 - %15.80	31,503,626	31,503,626
			87,068,473
Short-term portion of long-term borrowings:			
EUR denominated bank borrowings	%0.75 - %5.52	11,896,919	38,122,488
Total short-term borrowings			125,190,961
Long-term bank borrowings:			
EUR denominated bank borrowings	%0.75 - %5.52	33,582,040	107,610,290
EUR denominated bank borrowings			232,801,251

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2016
(Amounts expressed in thousands Turkish Lira (“TL”), unless otherwise indicated.)****NOTE 14 – BORROWINGS (Continued)**

	31 December 2015		
	Effective interest rate per annum	Original currency	TL
Short-term bank borrowings:			
EUR denominated bank borrowings	%0.75 - %5.52	18,469,314	58,688,091
TL denominated bank borrowings	-	957,266	957,266
			59,645,357
Short-term portion of long-term borrowings:			
TL denominated bank borrowings	%0.75 - %5.52	10,746,220	34,147,189
Total short-term borrowings			93,792,546
Long-term bank borrowings:			
TL denominated bank borrowings	%0.75 - %5.52	34,474,937	109,547,560
Total bank borrowings			203,340,106

The redemption schedule of long-term borrowings is as follows:

	30 June 2016	31 December 2015
Up to 3 months	58,658,748	65,777,610
3-12 months	66,532,213	28,014,936
1-5 years	107,610,290	109,547,560
	232,801,251	203,340,106

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions:	30 June 2016	31 December 2015
Provision for warranty expenses	1,584,080	1,104,586
Provision for litigations	423,678	483,198
Other	336,712	392,395
	2,344,470	1,980,179

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

Long-term provisions:	30 June 2016	31 December 2015
Provision for warranty expenses	645,498	372,110

Contingent assets and liabilities:

As at 30 June 2016 and 31 December 2015, total mortgages on property, plant and equipment of the Group amounting to EUR 70,000,000 and TL 22,500,000 (31 December 2015: 70,000,000 EUR and 22,500,000 TL).

Summary of guarantees received and given is stated below:

Guarantees given	30 June 2016	31 December 2015
Letters of guarantees given	248,808,000	244,932,000
Letters of guarantees given to government institutions	124,452,783	131,141,259
Letters of guarantees given to customers	3,244,354	4,152,854
Letters of guarantees given to suppliers	443,415	735,275
Letters of guarantees given for litigation	375,317	493,379
	377,323,869	381,454,767

Guarantees received	30 June 2016	31 December 2015
Letter of guarantees received from franchisees	65,699,982	62,079,935
Letters of commitment received	-	18,875,000
Mortgages received from domestic franchisees	17,360,000	16,220,000
Mortgages received from foreign franchisees	8,026,752	7,980,776
	91,086,734	105,155,711

As of 30 June 2016 and 31 December 2015, breakdown of the guarantees, mortgage and pledges given by the Group is as follows:

	30 June 2016	31 December 2015
Total amount of guarantees, pledges and mortgages given on behalf of its own legal name	377,323,869	381,454,767

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

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2016 (Amounts expressed in thousands Turkish Lira (“TL”), unless otherwise indicated.)

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

The total number of Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. ordinary shares 19,256,976,700 shares with a par value of 1 TL per share hold in pledge because of Group’s borrowing on 30 June 2016 and 31 December 2015. Furthermore, Doğtaş Pazarlama is under commercial pledgewith regard to the aforementioned borrowing.

The insurance amount on property plant and equipments and inventories is TL 69,093,700 and TL 41,940,000 respectively. (2015: property, plant and equipment: TL 68,791,700 TL, inventories: TL 38,893,000).

The Group netted off its checks endorsed amounting to 64.456.803 Turkish lira from its liabilities as of June 30, 2016, (December 31, 2015: 47,677,997 Turkish lira).

Operating leases

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

	30 June 2016	31 December 2015
Up to 1 year	200,000	650,000

As of 30 June 2016, the Group has recorded an operating lease amounting to TL 700,000 (2015: TL 827,386) in the income statement in the consolidated balance sheet.

NOTE 16 - EMPLOYEE BENEFITS

Short-term employee benefits	30 June 2016	31 December 2015
Payables to personnel	3,289,643	2,931,099
Social security premiums	1,156,172	1,059,623
Taxes and funds payable	444,670	776,062
	4,890,485	4,766,784

Short-term employee benefits:	30 June 2016	31 December 2015
Provision for unused vacation	3,546,678	2,927,508
	3,546,678	2,927,508

Long-term employee benefits	30 June 2016	31 December 2015
Provision for employment termination benefits	3,807,599	2,950,900
	3,807,599	2,950,900

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

According to Turkish Labor Law, the Group is under the obligation to pay a severance payment to employees who have completed one year of service and have been terminated due to compelling reasons or have retired, have completed 25 years of service (20 for women) and earned the right to retire (58 for women, 60 for men) have been called to military service, or have died. The severance payment to be made equals the amount of a monthly wage, which is 4,297.21 (December 31, 2015: 4,092.53 Turkish lira), for each year of service. The provision for severance payment is calculated as the present value of the amount of the probable obligation the group will be required to pay to all its employees upon retirement.

Liability of employee benefits is not subject to any funding as there isn't an obligation.

TAS 19 “Employee Benefits” requires actuarial valuation methods to be developed to estimate the Group’s obligation under the defined benefit plans. The following actuarial assumptions are used in the calculation of the total liability. Actuarial loss/ (gain) are accounted in the statement of comprehensive income under revaluation reserves.

	30 June 2016	31 December 2015
Inflation rate (%)	7,00	7,00
Discount rate (%)	11,00	11,00
Turnover rate to estimate the probability of retirement (%)	3,74	3,74

The basic assumption is that the severance payment cap rises in proportion to inflation each year. Thus, the applicable discount rate will be the inflation-adjusted real rate. Since the severance payment cap is re-adjusted at six-month intervals, the severance payment liability of the Group is taken 4,297.21 Turkish lira effective from July 1, 2016 (January 1, 2016: 4,092.53 Turkish lira).

The movement of employee benefits is as follows:

	2016	2015
Balances at 1 January	2,950,900	3,767,128
Cost of interest	867,200	262,402
Cost of service	995,033	504,699
Actuarial gain	514,908	695,581
Payments (-)	(1,520,442)	(499,053)
Balances at 30 June	3,807,599	3,646,446

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2016 (Amounts expressed in thousands Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 17 - GOVERNMENT GRANTS

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

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

The approvals related to abovementioned incentives were completed as at 2013 and the Group utilized from a corporate tax discount amounting to TL 283,635. The Group recognized deferred tax assets amounting to TL 1,670,865 (2015: TL 1,670,865) within the scope of this incentive. Furthermore, deferred tax assets amounting to TL 1,005,663 (2015: TL 1,005,663) were recognized within the two investments started in 2013 and not completed yet.

The Group benefits from 50% of its expenditures on foreign franchises within the scope of Turquality. These incentives were not offset in the consolidated financial statements because it is paid to aforementioned franchisees in order to cover their expenditures. The incentive income of 1,052,166 Turkish lira made in 2016 was accounted for under the other income account (2015: 1,407,023 Turkish lira).

NOTE 18 – EQUITY

The shareholders and the shareholding structure of the Company as at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016	Share (%)	31 December 2015	Share (%)
International Furniture B.V.	96,284,884	46,05	96,284,884	46,05
Davut Doğan	16,047,503	7,68	16,047,503	7,68
Adnan Doğan	16,047,484	7,68	16,047,484	7,68
Şadan Doğan	16,047,474	7,68	16,047,474	7,68
İsmail Doğan	16,047,474	7,68	16,047,474	7,68
İlhan Doğan	16,047,474	7,68	16,047,474	7,68
Murat Doğan	16,047,474	7,68	16,047,474	7,68
Other	16,500,000	7,89	16,500,000	7,89
	209,069,767	100,00	209,069,767	100,00
Reverse merger capital differences	(159,069,767)		(159,069,767)	
Paid-in share capital	50,000,000		50,000,000	

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2016 (Amounts expressed in thousands Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 18 – EQUITY (Continued)

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

There are 20,906,976,700 units of shares with a face value of TL 0.01. As at 31 December 2016 and 2015 paid-in share capital of the Company amounting to TL 50,000,000 with each share has a face value of TL 0.01 The difference of 159,069,768 Turkish lira between the registered capital and paid-up capital was paid by the business combination that took place when the 2013 assets and liabilities of Doğ-Taş Doğanlar Mobilya İmalat Enerji Üretim Sanayi Anonim Şirketi, as determined on December 31, 2013, were taken over as a whole.

As of 30 June 2016 and 31 December 2015, there are no preferred shares representing the capital.

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

	30 June 2016	31 December 2015
Reserves on retained earnings	607,177	607,177
Extraordinary reserves	955,943	955,943
Share premium	282,945	282,945

NOT 19 - TAX ASSETS AND LIABILITIES

The Group's tax expense (or income) is made up of the corporate tax expense and deferred tax expense (or income) of the current period.

	1 January - 30 June 2016	1 January - 30 June 2015
Provision for legal taxes in the current period (-)		
- <i>continued operations</i>	-	-
- <i>discontinued operations</i>	-	-
Deferred tax (expense)/income		
Associated with the statement of income	1,583,609	4,839,098
- <i>continued operations</i>	1,583,609	4,839,098
- <i>discontinued operations</i>	-	-
Reflected in the other income/(expense)	102,982	102,647
- <i>continued operations</i>	102,982	102,647
- <i>discontinued operations</i>	-	-
Total tax (expense)/(income)	1,686,591	4,941,745

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2016 (Amounts expressed in thousands Turkish Lira (“TL”), unless otherwise indicated.)

NOT 19 - TAX ASSETS AND LIABILITIES (Continued)

Current income tax assets:

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

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

Taxes on profit for the period consist of the following:

	30 June 2016	31 December 2015
Corporate tax calculated	-	-
Prepaid taxes (-)	(444,670)	(398,612)
Current income tax assets (-)	(444,670)	(398,612)

Advance taxes are calculated and accrued in three-month periods in Turkey. Accordingly, while the profit for 2016 was taxed in the advance tax period, 20-percent advance tax was calculated on the basis of the company's profit.

As per Turkish Tax Law, losses may be carried over for no longer than five years provided that they are deducted from the taxable profit to be made in the coming years. However, losses incurred are not deducted retroactively from the profits of previous years.

According to Article 20 of the Corporate Tax Law, Corporate Tax is levied upon the declaration of the taxpayer. There is not a definite reconciliation procedure in place for tax assessment in Turkey. Companies prepare their tax returns by April 25 of the year following the account closure period of the relevant year. Tax Administrations may review and amend such tax returns and accounting records that form the basis thereof within five years.

In addition to the corporate tax, in the case of distribution of dividends, income tax withholding should be calculated separately on dividends, except for those distributed to fully accountable organizations that receive dividends and declare such dividends by including them in the profit of the organization, and to the branches of foreign companies in Turkey. The income tax withholding was raised from 10 percent to 15 percent by Cabinet Decree No. 2006/10731 published in the Official Gazette dated July 23, 2006.

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

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NOT 19 - TAX ASSETS AND LIABILITIES (Continued)

Deferred tax:

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

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

	Cumulative temporary differences		Deferred income tax assets/(liabilities)	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Deferred income tax assets:				
Investment incentives	13,382,640	13,382,640	2,676,528	2,676,528
Provision for doubtful receivables	9,815,396	9,177,020	1,963,079	1,835,404
Provision for unused vacation	3,546,678	2,927,510	709,336	585,502
Stocks	10,153,148	3,333,670	2,030,630	666,734
Receivable rediscount	740,369	837,765	148,074	167,553
Provision for employee benefits	3,807,599	2,950,900	761,520	590,180
Provision for warranty	2,229,578	1,476,695	445,916	295,339
Provision for litigation	423,678	483,195	84,736	96,639
Carry forward tax losses	66,310,680	54,610,680	13,262,136	10,922,136
			22,081,955	17,836,015
Deferred income tax liabilities:				
Property, plant and equipment	(80,225,429)	(79,298,475)	(16,045,086)	(15,859,695)
Corrections for periodicity	(17,939,793)	(4,863,084)	(3,587,959)	(972,617)
Other	(538,230)	(1,745,146)	(107,645)	(349,029)
			(19,740,690)	(17,181,341)
Deferred income tax (liabilities)/assets, net			2,341,265	654,674

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NOT 19 - TAX ASSETS AND LIABILITIES (Continued)

The reconciliation of tax expense stated in the consolidated income statements is as follows:

	30 June 2016	30 June 2015
Profit/(Loss) before tax	(8,546,281)	(24,505,994)
Tax calculated at enacted tax rate	1,709,256	4,901,199
Non-deductible expenses	(248,402)	(146,073)
Other	122,755	83,972
Total tax (expense)/income	1,583,609	4,839,098

Movements in deferred income taxes are as follows:

	2016	2015
1 January	654,674	(4,763,743)
(Charged)/Credited to statement of profit or loss	1,583,609	4,839,098
(Charged)/Credited to statement of other comprehensive income	102,982	102,647
30 June	2,341,265	178,002

Corporate tax

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

The Law on Institutions Tax has been amended by Law No. 5520 dated 13 June 2006. In other words, many of the provisions of the New Corporation Tax Act numbered 5520 have entered into force as of January 1, 2006. According to this, in Turkey, the rate of corporate tax is 20% for 2016 (2015: 20%).

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

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.

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

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NOT 19 - TAX ASSETS AND LIABILITIES (Continued)

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

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

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

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

There are many exemptions for corporations in the Corporate Tax Law. Of these exemptions, the ones that are related to the Group are detailed below.

As per the Provisional Article added to Law No. 4691 on Technology Development Zones by Article 44 of Law No. 5035, the profit made exclusively by software and R&D operations in the technology development zones by income and corporate tax-payers operating in such zones are exempt from income and corporate tax until December 31, 2023.

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 2015 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.

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NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

The Constitutional Court annulled in its meeting dated October 15, 2009, the provisions in the Provisional Article 69 of the Income Tax Law on the time limitation for the investment discount, and published the minutes of the meeting on the matter on its website in October 2009. The Constitutional Court order for annulment of the time limitation for investment discounts in "2006, 2007 and 2008" took effect upon publication in the Official Gazette on January 8, 2010. Thus, the time limitation for investment discounts was abolished.

NOTE 20 - EARNINGS PER SHARE

A period loss of 0.33 Turkish lira (June 30, 2015: 0,94 Turkish lira) accrued per a thousand shares of 1 kuruş nominal value in the interim period that ended on June 30, 2016.

	30 June 2016	30 June 2015
Net income or loss attributable to the owners of the parent	(6,962,672)	(19,666,896)
Weighted average number of shares in issue	20,903,445,487	20,903,445,487
Earning/(loss) per share	(0.000333)	(0.000941)

NOTE 21 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Trade receivables and payables due from related parties as of 30 June 2016 and 31 December 2015 are as follows

Due from related parties	30 June 2016	31 December 2015
Doğtaş Germany GmbH	970,974	249,633
Doğtaş Bulgaria Eood	445,205	434,307
Doğtaş Holland B.V.	440,622	295,645
International Furniture B.V.	3,878	
Doğanlar Yatırım Holding A.Ş.		1,036,921
Real person shareholders	257,685	108,447
Other	5,686	100,129
	2,124,050	2,225,082

Due to related parties:	30 June 2016	31 December 2015
Doğanlar Yatırım Holding A.Ş.	35,406	-
Real person shareholders	252	252
Other	103	-
	35,761	252

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NOTE 21 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Rendered of goods and services to related parties as at 30 June 2016 and 31 December 2015 are as follows:

Sales and services rendered:	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Doğanlar Yatırım Holding A.Ş.	226,683	178,218	962,261	16,989
Doğtaş Germany Gmbh	556,824	200,402	227,239	109,742
Doğan Kent Elektrik Enerjisi				
Toptan Satış A.Ş.	-	-	197	-
Other	22,924	8,475	36,894	29,860
	806,431	387,095	1,226,591	156,591

c) Purchase and of goods and services to related parties as of 30 June 2016 and 31 December 2015 are as follows:

Sales and services purchased:	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Doğan Kent Elektrik Enerjisi				
Toptan Satış A.Ş.	1,697,906	859,891	1,380,781	649,652
Doğanlar Yatırım Holding A.Ş,	354,608	76,500	102,000	34,000
Doğan Çiftlik Tarım Hayvancılık				
Gıda San,ve Tic, A,Ş,	2,774	1,271	-	-
Other	4,941	4,941	-	-
	2,060,229	942,603	1,482,781	683,652

d) Key management compensation:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Short term compensation	2,074,695	929,288	1,088,150	295,148

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2016 (Amounts expressed in thousands Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 22 - FINANCIAL RISK MANAGEMENT

Credit Risk

The ownership of financial assets poses the risk of breach of contract by the other party. The company management offsets such risks by restricting the average risks for the other party (except related parties) or taking a guarantee when necessary in each contract.

Liquidity Risk

Prudent liquidity risk management refers to the ability to hold a sufficient amount of cash and securities, the availability of funding sources in sufficient amounts and the ability to close market positions. The risk of funding the present and future potential borrowing requirements is managed by making a sufficient number of high-quality creditors perpetually accessible. The Company management monitors the Company's liquidity reserve movements through estimated cash flows. It keeps a sufficient amount of cash and loan commitments to meet the short-term cash outflow in order to manage the liquidity risk.

Interest Rate Risk

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

Interest rate positions are as follows:

	30 June 2016	31 December 2015
<u>Financial instruments with fixed interest rates</u>		
Financial liabilities	169,548,435	132,948,881
<u>Financial instruments with floating interest rates</u>		
Financial liabilities	63,252,814	70,391,225

Funding risk

The risk of funding current and potential debt liabilities is managed by taking sufficient funding commitments from the creditors which are capable of keeping and funding liquid funds sufficient to fulfill current and potential debt liabilities.

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

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NOTE 22 - FINANCIAL RISK MANAGEMENT (Continued)

	30 June 2016	30 June 2015
Total export amount	20,925,336	20,667,382
Total import amount	7,464,337	5,590,454

Foreign Exchange Risk

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

Foreign currency position

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

	30 June 2016	31 December 2015
Assets	50,576,222	23,949,941
Liabilities	(203,921,283)	(210,422,315)
Net foreign currency position	(153,345,061)	(186,472,374)

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2016 (Amounts expressed in thousands Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 22 - FINANCIAL RISK MANAGEMENT (Continued)

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

30 June 2016	Foreign currency position TL equivalent (functional (functional				USD	EUR	Other
1.	Trade receivables	50,236,933	2,959,675	13,004,874	-		
2a.	Monetary financial assets, (cash and banks account included)	339,289	1,440	104,582	-		
2b.	Non-Monetary financial asset	-	-	-	-		
3.	Other	-	-	-	-		
4.	Current assets (1+2+3)	50,576,222	2,961,115	13,109,456	-		
5.	Trade receivables	-	-	-	-		
6a.	Monetary financial assets	-	-	-	-		
6b.	Non-Monetary financial assets	-	-	-	-		
7.	Other	-	-	-	-		
8.	Non-Current Assets (5+6+7)	-	-	-	-		
9.	Total asset (4+8)	50,576,222	2,961,115	13,109,456	-		
10.	Trade payables	(2,623,658)	(732,279)	(157,514)	-		
11.	Financial liabilities	(93,687,335)	-	(29,237,091)	-		
12a.	Other monetary liabilities	-	-	-	-		
12b.	Other non-monetary liabilities	-	-	-	-		
13.	Current Liabilities (10+11+12)	(96,310,993)	(732,279)	(29,394,605)	-		
14.	Trade payables	-	-	-	-		
15.	Financial Liabilities	(107,610,290)	-	(33,582,040)	-		
16a.	Other monetary liabilities	-	-	-	-		
16b.	Other non-monetary liabilities	-	-	-	-		
17.	Non-current liabilities (14+15+16)	(107,610,290)	-	(33,582,040)	-		
18.	Total liabilities (13+17)	(203,921,283)	(732,279)	(62,976,645)	-		
19.	Net assets of off balance sheet	-	-	-	-		
	derivative items (liability) position (19a-19b)	-	-	-	-		
19a.	Total amount of assets hedged	-	-	-	-		
19b.	Total amount of liabilities hedged	-	-	-	-		
20.	Net foreign assets / (liability) position (9+18+19)	(153,345,061)	2,228,836	(49,867,189)	-		
21.	Net foreign currency asset / (liability) position of monetary items (=1+2a+3+5+6a+10+11+12a+14+15+16a)	(153,345,061)	2,228,836	(49,867,189)	-		
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-		
23.	Export	20,925,336	1,670,601	5,021,622	-		
24.	Import	7,464,337	542,387	1,839,622	-		

Foreign currency denominated assets and liabilities as of 30 June 2016 and 31 December 2015 is set out in the table below:

	30 June 2016	31 December 2015
USD	2.8936	2.9076
EUR	3.2044	3.1776

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2016 (Amounts expressed in thousands Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 22 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2015		Foreign currency position TL equivalent (functional currency)			
		USD	EUR	Other	
1.	Trade receivables	23,495,387	1,374,133	6,136,694	-
2a,	Monetary financial assets, (cash and banks account included)	454,554	132,856	21,482	-
2b,	Non-Monetary financial assets	-	-	-	-
3,	Other	-	-	-	-
4,	Current assets (1+2+3)	23,949,941	1,506,989	6,158,176	-
5,	Trade receivables	-	-	-	-
6a,	Monetary financial assets	-	-	-	-
6b,	Non-Monetary financial assets	-	-	-	-
7,	Other	-	-	-	-
8,	Non-Current Assets (5+6+7)	-	-	-	-
9,	Total asset (4+8)	23,949,941	1,506,989	6,158,176	-
10,	Trade payables	(8,039,475)	(126,187)	(2,414,582)	-
11,	Financial liabilities	(92,835,280)	-	(29,215,534)	-
12a,	Other monetary liabilities	-	-	-	-
12b,	Other non-monetary liabilities	-	-	-	-
13,	Current Liabilities (10+11+12)	(100,874,755)	(126,187)	(31,630,116)	-
14,	Trade payables	-	-	-	-
15,	Financial Liabilities	(109,547,560)	-	(34,474,937)	-
16a,	Other monetary liabilities	-	-	-	-
16b,	Other non-monetary liabilities	-	-	-	-
17,	Non-current liabilities (14+15+16)	(109,547,560)	-	(34,474,937)	-
18,	Total liabilities (13+17)	(210,422,315)	(126,187)	(66,105,053)	-
19,	Net assets of off balance sheet	-	-	-	-
	derivative items (liability) position (19a-19b)	-	-	-	-
19a,	Total amount of assets hedged	-	-	-	-
19b,	Total amount of liabilities hedged	-	-	-	-
20,	Net foreign assets / (liability) position (9+18+19)	(186,472,374)	1,380,802	(59,946,877)	-
21,	Net foreign currency asset / (liability) / (position of monetary items (=1+2a+3+5+6a+10+11+12a+14+15+16a))	(186,472,374)	1,380,802	(59,946,877)	-
22,	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23,	Export	20,667,382	1,693,263	5,687,218	-
24,	İmport	5,590,454	2,193,705	1,977,535	-

As of 30 June 2016, if USD had appreciated/depreciated by 10% against TL, with all other variables held constant, loss before taxation on income would have been TL 644,936 lower/ higher, mainly as a result of foreign exchange losses/gains on the translation of the foreign currency position.
(2015: TL 401,482)

As of 30 June 2016, if EUR had appreciated/depreciated by 10% against TL, with all other variables held constant, loss before taxation on income would have been TL 15,979,442 lower/ higher, mainly as a result of foreign exchange losses/gains on the translation of the foreign currency position.
(2015: TL 19,048,720)

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2016 (Amounts expressed in thousands Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 22 - FINANCIAL RISK MANAGEMENT (Continued)

Capital risk management

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

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

In parallel with other companies in the industry, the Group monitors the capital using the debt/capital ratio.

NOTE 23 - NOTE 26 - FINANCIAL INSTRUMENTS ADDITIONAL DISCLOSURES

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

Fair value of financial instruments

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

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

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2016 (Amounts expressed in thousands Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 24 - ADDITIONAL DISCLOSURES THAT ARE NOT REQUIRED UNDER TAS

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

	1 January - 30 June 2016	1 January - 30 June 2015
Net loss for the period	(6,962,672)	(19,666,896)
Tax	(1,583,609)	(4,839,098)
Financial income	(8,796,400)	(2,454,173)
Financial expense	24,916,684	38,637,981
Amortisation	6,934,336	6,237,686
Provision for employee benefit	1,862,233	428,437
Provision for unused vacation	619,170	505,827
EBITDA	16,989,742	18,849,764

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