Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş.

Condensed Consolidated Interim Financial Statements As at and for the Three-Month Period Ended
31 March 2018

(Originally Issued in Turkish)

10 May 2018

This report is comprised of 44 pages containing the condensed interim summary financial statement and complementary footnotes

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DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET AT 31 MARCH 2018

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

		(Not audited)	(Audited)
Assets	*Notes*	**31 March 2018**	**31 December 2017**
Current assets		**392,486,811**	**370,705,981**
Cash and cash equivalents	*4*	2,764,027	3,363,130
Trade receivables		109,159,540	110,498,983
- Trade receivables from related parties	*6*	*6,600,761*	*4,615,348*
- Trade receivables from third parties		*102,558,779*	*105,883,635*
Other receivables		1,926,573	3,604,693
- Trade receivables from third parties		*1,926,573*	*3,604,693*
Inventories		208,027,402	187,720,242
Prepaid expenses		55,384,149	51,219,612
Current income tax assets	*9*	212,829	205,596
Other current assets		14,521,091	13,602,525
		391,995,611	**370,214,781**
Assets classified as held for sale		491,200	491,200
Total current assets		**289,340,970**	**288,973,770**
Trade receivables		1,336,928	1,240,085
- Other trade receivables from third parties		*1,336,928*	*1,240,085*
Available-for-sale financial assets		9,469,958	9,469,958
Investment properties		54,962	54,052
Property, plant and equipment	*7*	255,329,705	254,286,863
Intangible assets		23,149,417	23,286,776
Prepaid expenses		--	636,036
Total assets		**681,827,781**	**659,679,751**

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

CONSOLIDATED BALANCE SHEET AT 31 MARCH 2018

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

		(Not audited)	(Audited)
Liabilities	**Notes**	**31 March 2018**	**31 December 2017**
Total current liabilities		**486,924,279**	**432,493,281**
Short-term borrowings	*5*	109,857,540	81,098,235
Short-term portion of long term borrowings	*5*	79,274,885	58,224,451
Trade payables		197,588,798	228,199,406
- Due to other parties		*197,588,798*	*228,199,406*
Payables related to employee benefits		7,315,781	6,367,565
Other payables		10,248,558	13,177,377
- Other payables from related parties		*996,974*	*1,410,167*
- Other payables from other parties	*6*	*9,251,584*	*11,767,210*
Deferred revenue		73,502,127	36,995,393
Short-term provisions		8,989,686	8,307,952
- Provisions for employee benefits		*3,594,881*	*3,711,822*
- Other provisions	*8*	*5,394,805*	*4,596,130*
Other current liabilities		146,904	122,902
Total non-current liabilities		**119,999,497**	**137,996,248**
Long-term borrowings	*5*	101,841,995	115,772,275
Other payables		597,494	621,894
- Other payables from other parties		*597,494*	*621,894*
Deferred revenue		--	39,262
Long-term provisions		3,983,209	4,278,027
- Long-term provisions related to employee benefits		*2,248,689*	*2,119,647*
- Other long-term provisions	*8*	*1,734,520*	*2,158,380*
Deferred tax liabilities	*9*	13,576,799	17,284,790
Total equity		**74,904,005**	**89,190,222**
Equity Attributable to Equity Holders of the Parent			
Share capital		209,069,767	209,069,767
Reverse merger capital differences		(159,069,767)	(159,069,767)
Share premium		282,945	282,945
Treasury shares (-)		(10,991)	(10,991)
Other comprehensive income/expense not to be reclassified to profit or loss		116,692,055	117,026,241
- Increase on revaluation of property and equipment		*115,492,865*	*115,492,865*
- Actuarial gain arising from employee benefits		*1,199,190*	*1,533,376*
Legal reserves		607,177	607,177
Accumulated deficit		(78,715,150)	(93,971,564)
Net loss for the period		(13,952,031)	15,256,414
Total liabilities and equity		**681,827,781**	**659,679,751**

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

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

Profit or loss section	*Notes*	(Not audited) 1 January - 31 March 2018	(Audited) 1 January - 31 March 2017
Revenue		122,609,317	104,524,154
Cost of sales (-)		(82,671,572)	(62,982,752)
Gross profit		**39,937,745**	**41,541,402**
General administrative expenses (-)	*10*	(7,898,148)	(4,778,543)
Marketing expenses (-)	*10*	(27,206,207)	(17,312,895)
Research and development expenses (-)	*10*	(852,416)	(804,670)
Other operating income	*11*	7,967,457	11,265,778
Other operating expenses (-)	*11*	(6,062,421)	(12,070,499)
Operating profit		**5,886,010**	**17,840,573**
Income from investing activities		2,440	4,479
Operating profit before financial income/(expenses)		**5,888,450**	**17,845,052**
Financial income	*12*	6,633,686	21,478,128
Financial expenses (-)	*12*	(30,098,612)	(40,122,415)
Loss before tax		**(17,576,476)**	**(799,235)**
Taxation on income/(expenses):			
- Deferred tax income	*9*	3,624,445	(384,512)
Net loss for the period		**(13,952,031)**	**(1,183,747)**
Earnings per share of the parent company shareholders (whole kuruş)	*3*	(0.067)	(0.006)
Earnings per diluted share of the parent company shareholders (whole kuruş)	*3*	(0.067)	(0.006)

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 - 31 MARCH 2018
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

	(Not audited) 1 January - 31 March 2018	(Audited) 1 January - 31 March 2017
Net loss for the period	**(13,952,031))**	**(1,183,747)**
Other comprehensive income		
Items not to be classified to profit or loss		
Revaluation reserves	--	37,321,364
Remeasurement differences	(417,732)	--
Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or (Loss)	83,546	(7,464,273)
Other comprehensive income	**(334,186)**	**29,857,091**
Total comprehensive income	**(14,286,217)**	**28,673,344**

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

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

				Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss			Retained Earnings		
	Share capital	Share premium	Treasury shares	Remeasurement differences	Revaluation reserves	Legal reserves	Accumulated deficit	Net loss for the period	Total equity
Balance at 1 January 2017	**50,000,000**	**282,945**	**(10,991)**	**1,867,562**	**68,479,964**	**607,177**	**(55,666,146)**	**(39,648,115)**	**25,912,396**
Transfers	--	--	--	--		--	(39,648,115)	39,648,115	--
Total comprehensive loss	--	--	--	--	29,857,091	--	--	(1,183,747)	**28,673,344**
Balance at 31 March 2017	**50,000,000**	**282,945**	**(10,991)**	**1,867,562**	**98,337,055**	**607,177**	**(95,314,261)**	**(1,183,747)**	**54,585,740**
Balance at 1 January 2018	**50,000,000**	**282,945**	**(10,991)**	**1,533,376**	**115,492,865**	**607,177**	**(93,971,564)**	**15,256,414**	**89,190,222**
Transfers	--	--	--	--	--	--	15,256,414	(15,256,414)	--
Total comprehensive loss	--	--	--	(334,186)	--	--	--	(13,952,031)	(14,286,217)
Balance at 31 March 2018	**50,000,000**	**282,945**	**(10,991)**	**1,199,190**	**115,492,865**	**607,177**	**(78,715,150)**	**(13,952,031)**	**74,904,005**

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

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

		Current Period	Prior Period
		(Not audited)	(Audited)
	Notes	1 January - 31 March 2018	1 January - 31 March 2017
Net loss for the period		**(13,952,031)**	**(1,183,747)**
Adjustments to reconcile loss for the period		**20,307,279**	**36,874,521**
Depreciation and amortization	*7*	4,995,489	3,319,581
Adjustments related to impairment		2,668,306	162,567
- Adjustments related to impairment on receivables		*2,668,306*	*162,567*
Adjustments related to provisions		206,479	310,804
- Adjustments related to guarantee		*528,564*	*309,242*
- Adjustments related to other provisions		*(322,085)*	*1,562*
Adjustments related to financial income/ expenses		9,892,699	7,610,102
- Adjustments related to financial expenses	*12*	*9,921,559*	*7,612,753*
- Adjustments related to financial income	*12*	*(28,860)*	*(2,651)*
Adjustments to unrealized foreign currency differences		6,166,511	25,082,476
Adjustments to gain/(loss) on sale of property and equipment		2,240	4,479
Adjustments related to tax expenses		(3,624,445)	384,512
Operating income before changes in the working capital		**(18,353,322)**	**(23,837,440)**
Changes in net working capital:			
Adjustments related to increases in inventories		(20,307,160)	(1,410,653)
Increase in trade receivables and other receivables		252,414	(15,765,965)
Adjustments related to (increase)/decrease in prepaid expenses		(3,528,501)	(3,141,787)
Adjustments related to (increase)/decreases in deferred income		36,467,472	31,866,762
Adjustments related to provisions for employment termination benefits		418,584	(401,046)
Adjustments related to increase in trade payables		(30,610,609)	(34,984,751)
Increases in other current assets and		(919,476)	(1,677,300)
Guarantee payments made within the period		(153,749)	
Other increases		27,703	--
Net cash from operating activities		**1,949,277**	**13,037,081**
Cash Flows From Investing Activities			
Cash outflows from purchases of tangible and intangible assets	*7*	(10,261,871)	(4,784,550)
Proceeds from disposal of tangible and intangible assets	*7*	4,360,899	578,776
Net cash used for investment activities		**(5,900,972)**	**(4,205,774)**
Cash flows from financing activities			
Interest paid		(9,921,559)	(4,785,532)
Interest received		28,860	2,650
Proceeds from borrowings		64,257,034	58,721,374
- Proceeds from bank borrowings		64,257,034	*58,721,374*
Payments of financial liabilities		(37,059,712)	(59,319,559)
- Cash outflows due to payments of bank borrowings		*(37,059,712)*	*(59,319,559)*
Net cash used in financing activities		**17,304,623**	**(5,381,067)**
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES		**(599,103)**	**2,266,493**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	*4*	**3,363,130**	**737,786**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	***4***	**2,764,027**	**3,004,279**

1. ORGANISATION AND NATURE OF OPERATIONS

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 of the Company is as follows:

İdealtepe Mahallesi Rıfkı Tongsir Caddesi No:107/ Küçükyalı, Maltepe/İSTANBUL'dur.

The Company's production facilities are located at Doğanlı Köyü 9. km Düzce and İdriskoru Köyü Hacıvenez Mevkii No: 29 Biga Çanakkale 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 31 December 2017, 49.99 % of its shares are open for trading.

<u>Subsidiaries</u>

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 31 March 2018 (2017:None).

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

1. ORGANISATION AND NATURE OF OPERATIONS (Continued)

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

	31 March 2018		31 December 2017	
	%	TL	%	TL
Portion 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
	100	**209,069,767**	**100**	**209,069,767**

As of 31 March 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 names and details of the Company's subsidiaries for the period between March 31, 2018, and December 31, 2017, are as follows:

				Company's share ratio (%)	
Subsidiaries	**Place of incorporation and operation**	**Nature of operation**	**Functional currency**	**31 March 2018**	**31 December 2017**
Doğtaş Mobilya Pazarlama Ticaret A.Ş. ("Doğtaş Pazarlama")	Turkey	Furniture sales and marketing	Turkish Lira	100	100
Doğtaş Bulgaria Eood ("Doğtaş Bulgaria")	Bulgaria	Furniture sales and marketing	Leva	100	100
Doğtaş Holland B.V. ("Doğtaş Holland")	Holland	Furniture sales and marketing	Euro	100	100
Doğtaş Germany GmbH ("Doğtaş Germany")	Germany	Furniture sales and marketing	Euro	100	100
2K Oturma Grupları İnşaat ve Taahhüt San. ve Tic. A.Ş. ("2K")	Turkey	Sitting group sales	Turkish Lira	100	100
3K Mobilya Dekor. San. ve Tic. A.Ş. ("3K")	Turkey	Furniture decoration	Turkish Lira	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 consolidated financial statements.

As of 31 March 2018, the number of employees of the Company and its subsidiaries (collectively referred to as the "Group") is 1,472 (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.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Principal accounting policies used to prepare the condensed interim summary financial statements of the Group are given below.

2.1 The main principles of the presentation of the condensed interim summary financial statements

Statement of compliance with TAS

The accompanying 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 financial statements are prepared based on the Turkish Accounting Standards ("TAS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué. TAS - Turkish Accounting Standards - comprises Turkish Financial Reporting Standards (TFRS) and the annexes and interpretations related thereto.

The condensed interim summary financial statements of the Group for the three-month interim accounting period that ended on March 31, 2018, were prepared in accordance with TAS 34 "Interim Financial Reporting." The condensed interim summary financial statements do not contain all of the information and annotations that must be included in the annual financial statements, and should be read with the Group's annual condensed financial statements prepared as of December 31, 2017.

a) The preparation method of the financial statements.

The condensed interim summary financial statements and footnotes are presented in the format prescribed in the announcement dated June 7, 2013, of the Capital Markets Board of Turkey (CMB).

The condensed interim summary financial statements were approved for disclosure by the Company's Board of Directors on May 10, 2018. The General Assembly and other regulatory bodies are entitled to amend the financial statements and the condensed interim summary financial statements herein in accordance with the relevant legislation.

b) Correction of financial statements during periods of high inflation

The CMB passed a resolution on March 17, 2005, that inflation accounting is not required for public companies operating in Turkey starting from January 1, 2005. In line with this decision, TAS 29 "Financial Reporting in Hyperinflationary Economies" has not been incorporated in the condensed financial statements of the Group since January 1, 2005.

d) Principles of measurement

The condensed interim summary financial statements were prepared by the historical cost method for the items other than the purchases up to January 1, 2000, and the financial assets, financial liabilities, lands, underground and overland plants, buildings, machines, facilities and devices were valuated by the deemed cost method under the TAS 29 standard of "Financial Reporting in Hyperinflationary Economies." Financial assets, financial liabilities, lands, underground and above-ground plants, buildings, machines, facilities and devices valuated by the deemed cost method are valuated on the basis of their fair values as of January 1, 2000.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.1 The main principles of the presentation of the condensed interim summary financial statements (Continued)

The functional and reporting currency

Except for the subsidiaries operating abroad, the functional currency of the companies included in the consolidation is Turkish lira ("TL") and such companies keep their accounting records in accordance with the commercial legislation, financial legislation in effect in Turkey and the requirements of the Uniform Chart of Accounts published by the Ministry of Finance.

The functional currencies of the Group's subsidiaries are summarized in Footnote 1

The condensed interim summary financial statements are based on the legal records of the Group's companies and provided in Turkish lira, and they are subject to certain correctional and classification amendments in order to duly present the Group's standing as per the Turkish Accounting Standards published by the Public Oversight, Accounting and Auditing Standards Authority (KGK).

e) 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.

f) Changes in the accounting policies

In addition to the amendments specified below, the accounting policies implemented in the condensed interim summary financial statements of the Group are the same as those that have been implemented in annual condensed financial statements prepared from December 31, 2017.

a. IFRS 15 Revenue from Contracts with Customers

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

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The amendments are effective for periods beginning on or after 1 January 2018 and the Group does not expect that application of IFRS 15 will have significant impact on its consolidated financial statements.

b. IFRS 9 Financial Instruments

TFRS 9 sets out requirements for recognizing 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.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.1 The main principles of the presentation of the condensed interim summary financial statements (Continued)

g) Changes in the accounting policies (Continued)

b. IFRS 9 Financial Instruments (Continued)

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 Company's accounting policies related to financial liabilities and derivative financial instruments.

Detailed information on how the Company 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: amortized 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 amortized cost 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 to hold assets to collect contractual cash flows; 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.

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 amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.1 The main principles of the presentation of the condensed interim summary financial statements (Continued)

g) Changes in the accounting policies (Continued)

b. IFRS 9 Financial Instruments (Continued)

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.

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

The implementation of the TFRS 9 on January 1, 2018, does not have a material effect on the book values of financial assets as detailed below.

The statement below and the annexed notes explain the original measurement categories under the TAS 39 and the new measurement categories as per the TFRS 9 for each class of financial assets as of January 1, 2018.

Financial assets	Original classification as per the TMS 39	New classification as per the TFRS 9	Original book value as per the TAS 39	New book value as per the TFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost	2,674,027	2,674,027
Trade receivables	Loans and receivables	Amortized cost	110,496,468	110,496,468
Other receivables	Loans and receivables	Amortized cost	1,926,573	1,926,573
Available-for-sale financial assets	Available-for-sale financial assets	Compulsory Fair Value difference to profit/loss	9,469,958	9,469,958

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.1 The main principles of the presentation of the condensed interim summary financial statements (Continued)

g) Changes in the accounting policies (Continued)

b. IFRS 9 Financial Instruments (Continued)

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 amortized cost and contract assets but not to investments in equity instruments.

The financial assets at amortized cost consist of trade receivables, corporate borrowing instruments and cash and cash equivalents.

The Company recognizes loss allowances for the expected credit losses of the following items under TFRS 9:

- financial assets measured at amortized cost;

- The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses:
- The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its obligations arising from retail sales, turnover premiums contracts and supplier discounts to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or the financial asset is more than 360 days past due.

The Company considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade.

Lifetime expected credit losses are that result from all possible default events over the expected life of a financial instrument 12-month expected credit losses are that result from possible default events within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.1 The main principles of the presentation of the condensed interim summary financial statements (Continued)

g) Changes in the accounting policies (Continued)

b. IFRS 9 Financial Instruments (Continued)

Measurement of expected credit losses:

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls.

Expected credit losses are discounted at the effective interest rate of the financial asset. For trade receivables, other receivables, other assets and contract assets the Company applies the simplified approach to providing for expected credit losses (TFRS 9 requires the use of the lifetime expected loss provision for all trade receivables). The expected credit losses were calculated based on actual credit loss experience over the past years.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Financial assets are written off when there is no reasonable expectation of recovery (such as a debtor failing to engage in a repayment plan with the Company). Where trade receivables, other receivables, other assets and contract assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Impact of the IFRS 9

As of 1 January 2018, the Group does not expect that application of IFRS 9 will have significant impact on its consolidated financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.1 The main principles of the presentation of the condensed interim summary financial statements (Continued)

g) Significant accounting estimates and assumptions

Preparation of financial statements as per the TFRS requires the use of certain assumptions and material accounting estimates that may affect the annotations to assets and liabilities, contingent assets and liabilities, and income and expense items. Even if such estimates are based on the best estimations of the management given the current circumstances and actions, actual outcomes may be different from the estimations. Assumptions and estimations that require complex and more advanced interpretations may materially affect the financial statements. Assumptions and material accounting estimates used for preparing the quarterly condensed interim summary financial statements that expired on March 31, 2018, did not differ from those that were used earlier.

Determining fair values

Various accounting policies and their descriptions require the determination of fair values of both financial and non-financial assets and liabilities. Fair values are determined by the following methods for the purpose of measurement and/or disclosure. Additional information about the assumptions used to determine the fair values are given in the footnotes specific to the assets and liabilities, if applicable.

i) Trade and other receivables

Fair values of trade and other receivables are estimated as values found by a discounting of future cash flows by the effective interest rate on the measurement date. Short-term receivables with no stated interest rate may be measured at the original invoice amount if the effect of discounting is immaterial. Such fair values are determined during the first recognition, and at the end of each reporting period for disclosure purposes.

ii) Other non-derivative financial liabilities

Fair values of the other non-derivative financial liabilities are determined during the first recognition, and at the end of each reporting period for disclosure purposes. Fair value is calculated by a discounting of future capital and interest cash flows to the current value at market interest rates.

Provisions, contingent assets and contingent liabilities

Provision are recognized 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 recognized in these consolidated financial statements and treated as contingent liabilities and contingent assets.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.1 The main principles of the presentation of the condensed interim summary financial statements (Continued)

g) Significant accounting estimates and assumptions (Continued)

Deferred tax

The Group recognizes the deferred tax assets and liabilities for temporary timing differences arising from the differences between the legal tax base statements and financial statements prepared in accordance with the TAS. A partially or fully recoverable amount of deferred tax assets was estimated under the current conditions. Future profit projections, current losses, expiration dates of unused losses and other tax assets, and tax planning strategies that can be used when necessary were taken into consideration in the assessment. If, in light of the obtained data, the Group's future taxable profit does not fully meet the deferred tax assets, a provision is made for the whole or a part of the deferred tax asset. The Group has included the deferred tax assets in its records from March 31, 2018, to December 31, 2017, due to the expectation of taxable profits in the future based on the assessments.

Financial losses indicated in the declaration may be deducted from the organization's period earnings up to five years in accordance with the Turkish tax legislation. However, financial losses cannot be set off against retained earnings. Deferred tax assets that are made up of available financial losses are recorded on the condition that it is very likely to use such differences by making taxable profit in the future.

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.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.1 The main principles of the presentation of the condensed interim summary 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:

	Useful life
Land improvements	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 tangible fixed assets as of the balance sheet date. 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.

Property, plant and equipment are carried at the acquisition cost less accumulated depreciation and impairment, if any. Land is not depreciated. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

A decrease in carrying amount arising on the revaluation of such buildings is charged to profit or loss to the extent that is exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.1 The main principles of the presentation of the condensed interim summary financial statements (Continued)

h) Significant accounting estimates and assumptions (Continued)

Intangible assets

Intangible assets are presented with net book value after deduction of amortization. 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 amortized on a straight-line basis over their useful lives for two to five 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.

ı) The standards that were published but did not take effect as of March 31, 2018, and are not applicable before taking effect

The standards that were published but did not take effect and are not applicable before taking effect.

The new standards, interpretations and amendments that were published but did not take effect as of the reporting date and are not implemented earlier by the Group even if such implementation is permitted are given below. The group shall make the amendments that affect its condensed financial statements and their footnotes once the new standards and interpretations take effect, unless otherwise specified.

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 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 IFRS 15 Revenue from Contracts with Customers

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

ı) The standards that were published but did not take effect as of March 31, 2018, and are not applicable before taking effect (continued)

The standards that were published but did not take effect and are not applicable before taking effect. (continued)

Amendments to TFRS 9 - Prepayment features with negative compensation

On December 2017, POA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortized cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 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. This amendment is applicable to the annual accounting periods that start on January 1, 2019, and later, and it may be implemented earlier. This amendment of the TFRS 9 is not expected to have a material effect on the Group's condensed financial statements.

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

On December 2017, POA has issued amendments to TAS 28 to clarify that entities also apply TFRS 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 TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. This amendment is applicable to the annual accounting periods that start on January 1, 2019, or later, and it may be implemented earlier. This amendment of the TAS 28 is not expected to have a material effect on the Group's condensed financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

ı) The standards that were published but did not take effect as of March 31, 2018, and are not applicable before taking effect (continued)

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

The new standards, interpretations, and the amendments in the current International Financial Reporting Standards ("IFRS") listed below were published by the International Accounting Standards Board ("IASB") but these new standards, interpretations and amendments have not yet been adapted to/published in the TFRS by KGK, and therefore do not constitute a part of the TFRS. Accordingly, IFRS and IAS references are made to the standards that were published by UMSK but not published by KGK yet. The Group shall make the necessary amendments in its condensed financial statements and footnotes after this standard and interpretations take effect in the TFRS.

IFRIC 23 –Uncertainty over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 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. IFRIC 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 Company is assessing the potential impact on its financial statements resulting from the application of IFRIC 23.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

ı) The standards that were published but did not take effect as of March 31, 2018, and are not applicable before taking effect (continued)

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

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 Company does not expect that application of these improvements to IFRSs will have significant impact on its 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 recognized 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.

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

ı) The standards that were published but did not take effect as of March 31, 2018, and are not applicable before taking effect (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 does not expect that application of these amendments to IAS 19 will have significant impact on its consolidated financial statements.

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.

3. EARNINGS PER SHARE

	1 January - 31 March 2018	**1 January - 31 March 2017**
Average number of shares outstanding during the period	20,906,976,700	20,552,245,211
Net profit attributable to parent company's shareholders	(17,543,980)	(1,183,747)
Earnings per share (whole kuruş)	**(0.084)**	**(0.006)**

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

4. CASH AND CASH EQUIVALENTS

	31 March 2018	31 December 2017
Cash on hand	132,373	24,317
Cash in bank – Checking account	1,677,736	3,009,651
Cash at bank - Deposit account	3,949	--
Other	949,969	329,162
	2,764,027	**3,363,130**

5. BORROWINGS

	31 March 2018		
	Effective interest rate per annum %	**Original currency**	**TL**
Short-term borrowings:			
EUR denominated bank borrowings	%1.50 - %6.08	4,000,000	19,676,400
TL denominated bank borrowings	%15.90 - %18.83	90,181,140	90,181,140
Short-term borrowings			**109,857,540**
Short-term portion of long-term borrowings			
EUR denominated bank borrowings	%1.50 - %6.08	12,213,836	60,081,083
TL denominated bank borrowings	%15.90 - %18.83	19,193,802	19,193,802
Short-term portion of long-term borrowings			**79,274,885**
Total short-term borrowings			**189,132,425**
EUR denominated bank borrowings	%1.50 - %6.08	16,250,535	79,938,005
TL denominated bank borrowings	%15.90 - %18.83	21,903,990	21,903,990
Long-term bank borrowings:			**101,841,995**
Total bank borrowings			**290,974,420**

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

5. BORROWINGS (Continued)

	31 December 2017		
	Effective interest rate per annum %	**Original currency**	**TL**
Short-term borrowings:			
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
Short-term borrowings:			**81,098,235**
Short-term portion of long-term borrowings:			
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
Short-term portion of long-term borrowings			**58,224,451**
Total short-term borrowings			**139,322,686**
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
Long-term bank borrowings:			**115,772,275**
Total bank borrowings			**255,094,961**

31 Mart 2018 ve 2017 tarihlerinde sona eren üç aylık ara hesap dönemlerine ilişkin Grup'un finansman faaliyetlerinden kaynaklanan yükümlülüklerine ait mutabakat aşağıdaki gibidir:

	31 March 2018	**31 December 2017**
Loans as of January 1	255,094,961	228,942,512
Bank loans principal inflows for the period	64,257,034	44,605,071
Interest and principal repayments for the period	44,465,645	30,458,038
Accrued interest for the period	3,312,488	2,827,221
The effects of changes in foreign exchange rates for the period	12,775,582	10,981,206
Loans as of March 31	**290,974,420**	**256,897,972**

The Group's foreign exchange rate exposure with regard to its financial liabilities is disclosed in the Note 13.

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

	31 March 2018	**31 December 2017**
Up to 3 months	17,719,960	53,349,638
3-12 months	171,412,465	85,973,048
1-5 years	101,841,995	115,772,275
	290,974,420	**255,094,961**

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

6. RECEIVABLES FROM, AND DEBTS TO, THE AFFILIATES

Since all transactions and balances with the Group's affiliates, intercompany profits, unrealized profits and losses are eliminated from the records for consolidation purposes are not available in this footnote.

a) Trade receivables and payables due from related parties as of 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018	**31 December 2017**
Due from related parties		
Doğtaş Germany GmbH	3,642,330	3,148,370
Doğtaş Bulgaria Eood	682,541	633,208
Doğtaş Holland B.V.	669,891	621,472
Real Person Shareholders	947,528	114,132
Other	658,471	98,166
	6,600,761	**4,615,348**
Due to related parties		
Doğanlar Yatırım Holding A.Ş.	9,242,253	11,767,210
Other	9,331	--
	9,251,584	**11,767,210**

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

6. RECEIVABLES FROM, AND DEBTS TO, THE AFFILIATES

a) Rendered of goods and services to related parties as of 31 March 2018 and 31 December 2016 are as follows:

	31 March 2018	31 December 2017
Sales and services rendered:		
Doğanlar Yatırım Holding A.Ş.	7,178	--
Doğtaş German GmbH	--	340,532
Doğanlar Lojistik İnş. Gıda A.Ş.	--	12,022
Other	6,112	7,500
	13,290	**360,054**

b) Purchase and of goods and services to related parties as of 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018	31 December 2017
Sales and services purchased:		
Doğanlar Yatırım Holding A.Ş.	7,000	719,249
Doğan Kent Elektrik Enerjisi Toptan Satış A.Ş.	--	12,000
	7,000	**731,249**

c) The benefits offered to the Board Members and senior executives for the interim periods ending on March 31, 2018, and March 31, 2017, are as follows:

	31 March 2018	31 December 2017
Short term compensation	1,197,268	973,269
	1,197,268	**973,269**

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

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

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements and buildings	Machinery, plant and equipment	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost:								
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	--	--	3,014,667	--	2,543,055	3,165,818	1,170,575	9,894,115
Disposals	--	--	--	--	(430,570)	--	(3,939,344)	(4,369,914)
31 March 2018	**53,908,240**	**91,315,210**	**122,318,132**	**1,113,794**	**60,572,419**	**37,336,334**	**11,921,215**	**378,485,344**
Accumulated depreciation:								
1 January 2018	--	(19,951,450)	(46,467,175)	(1,113,794)	(33,899,250)	(17,242,611)	--	(118,674,280)
Period Cost	--	(568,962)	(570,365)	--	(1,608,002)	(1,743,045)	--	(4,490,374)
Disposals	--	--	--	--	9,015	--	--	9,015
31 March 2018	**--**	**(20,520,412)**	**(47,037,540)**	**(1,113,794)**	**(35,498,237)**	**(18,985,656)**	**--**	**(123,155,639)**
Net book value	**53,908,240**	**70,794,798**	**75,280,592**	**--**	**25,074,182**	**18,350,678**	**11,921,215**	**255,329,705**

As at 31 March 2018 and 31 December 2017, total mortgages on property, plant and equipment of the Group amounting to EUR 70,000,000 and TL 60,000,000.

The insurance amount on property plant and equipments and inventories is TL 131,999,300 and TL 170,225,000 respectively. (2017: property, plant and equipment: TL 170,225,000, inventories: TL 131,999,300).

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Land improvements and buildings	Machinery, plant and equipment	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost:								
1 January 2017	43,773,000	77,882,324	75,917,058	1,486,795	45,717,698	27,696,904	3,135,143	**275,608,922**
Additions	--	--	--	--	1,637,098	1,364,317	1,760,775	**4,762,190**
Disposals	--	--	(578,776)	--	--	--	--	**(578,776)**
Revaluation	--	--	37,321,364	--	--	--	--	**37,321,364**
31 March 2017	**43,773,000**	**77,882,324**	**112,659,646**	**1,486,795**	**47,354,796**	**29,061,221**	**4,895,918**	**317,113,700**
Accumulated depreciation								
1 January 2017	--	(17,805,324)	(44,659,338)	(1,486,795)	(27,789,491)	(11,789,303)	--	**(103,530,251)**
Period Cost	--	(138,888)	(216,942)	--	(1,118,763)	(1,012,727)	--	**(2,487,320)**
Disposals	--	--	578,776	--	--	--	--	**578,776**
31 March 2017	**--**	**(17,944,212)**	**(44,297,504)**	**(1,486,795)**	**(28,908,254)**	**(12,802,030)**	**--**	**(105,438,795)**
Net book value	**53,908,240**	**59,938,112**	**68,362,142**	**--**	**18,446,542**	**16,259,191**	**4,895,918**	**211,674,905**

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

8. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions

The details of the short-term provisions as of March 31, 2018, and March 31, 2017, are as follows:

	31 March 2018	31 December 2017
Provision for warranty expenses	3,929,609	2,976,881
Provision for litigations	1,462,584	1,462,584
Provision for project expenses	--	156,665
Other	2,612	--
	5,394,805	**4,596,130**

Long-term provisions:

	31 March 2018	31 December 2017
Provision for warranty expenses	1,734,520	2,158,380
	1,734,520	**2,158,380**

Movements in the provision for warranty expense are as follows:

	31 March 2018	31 December 2017
Balance at 1 January	**5,135,261**	**1,502,555**
Additions	1,175,299	4,813,387
Payments	(646,431)	(1,180,681)
31 March	**5,664,129**	**5,135,261**

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

8. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Movements in the provision for litigation are as follows:

	31 March 2018	31 December 2017
Balance at 1 January	**1,462,584**	**887,798**
Additions	--	574,786
31 March	**1,462,584**	**1,462,584**

Movements in the provision for project expenses are as follows:

	31 March 2018	31 December 2017
Balance at 1 January	**156,665**	**628,094**
Payments	(156,665)	(471,429)
31 March	**--**	**156,665**

Contingent assets and liabilities:

Summary of guarantees received and given is stated below:

Guarantees given

	31 March 2018	31 December 2017
Letters of guarantees given (*)	400,711,000	376,085,000
Letters of guarantees given to government institutions (**)	77,789,140	102,822,345
Letters of guarantees given to customers	5,089,510	3,434,372
Letters of guarantees given to suppliers	470,147	522,806
	484,059,797	**482,864,523**

(*) Mortgages on property, plant and equipment are related to loans used for purchasing and financing purposes.
(**) Consists of letters of guarantees given to Türkiye İhracat Kredi Bankası A.Ş. (Export Credit Bank of Turkey) with respect to loans used mainly.

Guarantees received

	31 March 2018	31 December 2017
Letter of guarantees received from franchisees	68,657,318	73,555,039
Mortgages received from domestic franchisees	18,055,000	17,500,718
Mortgages received from foreign franchisees	10,474,033	7,557,531
	97,186,351	**98,613,288**

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

8. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

As of 31 March 2018 and 31 December 2017, breakdown of the guarantees, mortgage and pledges given by the Group is as follows:

Total amount of guarantees, pledges and mortgages given on behalf of its own legal name	**31 March 2018**	**31 December 2017**
A. Total amount of guarantees, pledges and mortgages given on behalf of its own legal name	484,059,797	482,864,523
B. GPM's given on behalf of fully Consolidated companies	--	--
C. GPM's given for continuation of its economic activities on behalf of third parties	--	--
D. Total amount of other GPM's	--	--
i. . Total amount GPM's given on behalf of the majority shareholders	--	--
ii. Total amount of GPM's given on behalf of other group companies which are not included in item B or C	--	--
iii. Total amount of GPM's given on behalf of third parties which are not covered by item C.	--	--
Total	**484,059,797**	**482,864,523**

The total number of Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. ordinary shares 9,628,488,350 shares with a par value of 1 TL per share hold in pledge because of Group's borrowing on 31 March 2018 and 31 December 2017**.**

As of March 31, 2018, the Group has netted off its checks endorsed amounting to 92,691,029 Turkish liras from its liabilities (2017: 60,012,853 Turkish lira).

Operating leases

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

	31 March 2018	**31 December 2017**
Up to 1 year	244,000	372,000
1 - 2 years	--	372,000
	244,000	**744,000**

As of 31 March 2018, the Group has recorded an operating lease amounting to TL 99,000(31 December 2017: TL 700,000) in the income statement in the consolidated balance sheet.

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

9. TAX ASSETS AND LIABILITIES

The provisions necessary for the Group's estimated tax liabilities for the current period were reserved in the condensed financial statement.

	31 March 2018	**31 December 2017**
Prepaid taxes (-)	212,829	205,596
Current income tax assets (-)	**212,829**	**205,596**

	31 March 2018	**31 December 2017**
Current period tax expense	3,624,445	(5,659,784)
Tax income / (expenditure)	**3,624,445**	**(5,659,784)**

Current income taxes

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

The corporate tax rate in Turkey is 22 percent for 2018 (2017: 20 percent). The corporate tax rate applies to the tax base that is found by adding the expenditures that are not permitted to be deducted as per the tax laws to the trade earnings of companies, and deducting the exemptions (affiliate earnings exemption, investment allowance exemption, and so on) and other deductions.

It is prescribed in Article 91 of the Law No. 7061 on "Amendment of Certain Tax Laws and Certain Other Laws" published in the Official Gazette No. 30261 dated December 5, 2017, and the provisional Article 10 of the Law No. 5520 on Corporate Tax that the corporate tax rate that the earnings of the companies shall be 22 percent for the tax periods of 2018, 2019 and 2020, and 20 percent for the following tax periods. The Council of Ministers is authorized to reduce this rate from 22 percent to 20 percent in this period.

Advance taxes are calculated and accrued in three-month periods in Turkey. 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.

There is not a definite reconciliation procedure in place for tax assessment in Turkey. Companies prepare their tax returns from April 1 to April 25 of the year following the account closure period of the relevant year. The Tax Administration may review such tax returns and accounting records that form the basis thereof within five years.

9. TAX ASSETS AND LIABILITIES (Continued)

Current income taxes (Continued)

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.

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:

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.

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

9. TAX ASSETS AND LIABILITIES (Continued)

Deferred tax:

The Group recognizes 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 realized 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)	
	31 March 2018	**31 December 2017**	**31 March 2018**	**31 December 2017**
Deferred income tax assets:				
Carry forward tax losses	57,704,844	41,377,804	12,695,066	9,103,117
Investment incentives	13,382,640	13,382,640	2,676,528	2,676,528
Provision for doubtful receivables	8,852,725	8,877,125	1,770,545	1,952,968
Provision for unused vacation	3,594,881	3,711,822	718,976	816,601
Provision for warranty	5,280,980	5,135,261	1,056,196	1,027,052
Provision for employee benefits	2,248,689	2,119,647	449,738	423,929
Provision for litigation	--	1,462,584	--	292,517
Other	187,829	193,270	37,566	38,654
			19,404,615	**16,331,366**
Deferred income tax liabilities:				
Property, plant and equipment	(154,176,209)	(166,273,833)	(30,835,242)	(33,051,080)
Cut-off	(10,730,858)	(2,568,529)	(2,146,172)	(565,076)
			(32,981,414)	**(33,616,156)**
Deferred income tax (liabilities)/assets, net			**(13,576,799)**	**(17,284,790)**

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

9. TAX ASSETS AND LIABILITIES (Continued)

Deferred tax (Continued):

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 31 March 2018, the Group has recognized deferred income tax assets amounting to TL 41,377,804, (2017: TL 9,103,117) over the carry forward tax losses amounting to TL 9,103,117 (2017: TL 9,103,117) in consolidated financial statements.

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

	31 March 2018	31 December 2017
2020	186,568	186,568
2021	41,191,236	41,191,236
2022	16,327,040	--
	57,704,844	**41,377,804**

Movements in deferred income taxes are as follows:

	31 March 2018	31 December 2017
1 January 2018	**(17,284,790)**	**(886,552)**
Credited to income statement	3,624,445	(5,659,784)
Charged to other comprehensive income	83,546	(10,738,454)
31 March 2018	**(13,576,799)**	**(17,284,790)**

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

10. EXPENSES BY NATURE

Expenditures for the three-month interim accounting periods that ended on March 31, 2018, and March 31, 2017, by their nature, are as follows:

Marketing expenses	**31 March 2018**	**31 March 2017**
Advertisement	7,057,508	4,947,737
Personnel	5,786,000	3,943,244
Rent	5,151,272	2,578,337
Transportation	3,540,005	1,958,596
Depreciation and amortization	3,481,921	1,756,649
Consultancy	562,754	311,961
Utilities	332,013	329,358
Repair and maintenance	290,049	183,608
Travel	155,780	273,008
Representation	64,819	40,455
Other	784,086	989,942
	27,206,207	**17,312,895**

General administrative expenses	**31 March 2018**	**31 March 2017**
Personnel	2,947,422	2,276,042
Consultancy	1,490,507	915,667
Rent	507,117	383,133
Food expenses	473,518	82,653
Depreciation and amortization	441,733	163,095
Travel	399,165	221,462
Office expenses	398,129	216,983
Utilities	263,829	135,803
Subscription expenses	157,998	44,122
Representation	62,129	32,461
Other	756,601	307,122
	7,898,148	**4,778,543**

Research and development expenses	**31 March 2018**	**31 March 2017**
Personnel	639,594	690,429
Depreciation and amortization	172,262	49,609
Food expenses	12,026	17,016
Rent	6,704	18,006
Other	21,830	29,610
	852,416	**804,670**

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

10. EXPENSES BY NATURE (Continued)

Functional classification of personnel and amortization and depreciation expenses are as follows:

Personnel expenses:	**31 March 2018**	**31 March 2017**
Cost of sales	9,552,492	7,681,543
Marketing expenses	5,786,000	3,943,244
General administrative expenses	2,947,422	2,276,042
Research and development expenses	639,594	690,429
	18,925,508	**14,591,258**

Depreciation and amortization:	**31 March 2018**	**31 March 2017**
Marketing expenses	3,481,921	1,756,649
Cost of sales	385,443	1,350,228
General administrative expenses	441,733	163,095
Research and development expenses	172,262	49,609
	4,481,359	**3,319,581**

11. OTHER OPERATING INCOME/ EXPENSES

Other real operating income and expenditures for the three-month interim accounting periods that ended on March 31, 2018, and March 31, 2017, are as follows:

	31 March 2018	**31 March 2017**
Foreign exchange gains	6,384,965	9,586,098
Interest income	918,981	--
Other	663,511	1,679,680
Other operating income	**7,967,457**	**11,265,778**
Foreign exchange losses	(5,052,523)	(8,626,128)
Interest expense	--	(2,142,324)
Provision expense	--	(164,130)
Other	(1,009,898)	(1,137,917)
Other operating expenses (-)	**(6,062,421)**	**(12,070,499)**

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

12. FINANCIAL INCOME/ (EXPENSES)

Financial income and expenditures for the three-month interim accounting periods that ended on March 31, 2018, and March 31, 2017, are as follows:

	31 March 2018	31 March 2017
Foreign exchange gains	6,604,826	21,475,477
Interest income	28,860	2,651
Financial income	**6,633,686**	**21,478,128**
Foreign exchange losses	(20,177,034)	(32,509,662)
Interest expense on borrowings	(9,921,578)	(7,612,753)
Financial expenses	**(30,098,612)**	**(40,122,415)**
Financial expenses, net	**(23,464,926)**	**(18,644,287)**

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 analyzing 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.

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

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit Risk (Continued)

	Receivables					
	Trade		Other			
31 March 2018	**Due from related parties**	**Other**	**Due from related parties**	**Other**	**Deposit and credit card receivables in banks**	**Other**
Maximum exposure to credit risk as of 31 March 2018 (A+B+C+D+E)	**6,600,761**	**103,895,707**	**--**	**1,926,573**	**2,631,654**	**--**
- The part of the maximum risk that is covered by guarantees, and so on	--	--	--	--	--	--
	--	--	--	--	--	--
A. Neither past due nor impaired	220,250	73,774,309	--	1,926,573	2,631,654	--
B. Restructured	--	--	--	--	--	--
C. Past due but not impaired	6,380,511	30,121,398	--	--	--	--
- The part of net value under guarantee with collateral	--	--	--	--	--	--
D. Impaired	--	--	--	--	--	--
- Past due	--	19,966,107	--	--	--	--
- Impairment (-)	--	(19,966,107)	--	--	--	--
E. Loan-risk-bearing off-balance sheet items	--	--	--	--	--	--

	Receivables					
	Trade		Other			
31 December 2017	**Due from related parties**	**Other**	**Due from related parties**	**Other**	**Deposit and credit card receivables in banks**	**Other**
Maximum exposure to credit risk as of 31 December 2017 (A+B+C+D+E)	**4,615,348**	**107,123,720**	--	**3,604,693**	**3,363,130**	--
- The part of the maximum risk that is covered by guarantees, and so on						
A. Neither past due nor impaired	98,166	73,396,641	--	3,604,693	3,363,130	--
B. Restructured	--	--	--	--	--	--
C. Past due but not impaired	4,517,182	33,727,079		--	--	--
- The part of net value under guarantee with collateral	--	--	--	--	--	--
D. Impaired	--	--	--	--	--	--
- Past due	--	19,992,777	--	--	--	--
- Impairment (-)	--	(19,992,777)	--	--	--	--
E. Loan-risk-bearing off-balance sheet items	--	--	--	--	--	--

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

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit Risk (Continued)

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

	31 March 2018	31 December 2017
Up to 1 month	7,103,081	7,718,749
30 - 119 days	7,249,619	7,877,988
120 - 179 days	1,966,777	2,137,250
Over 180 days	13,801,921	15,993,092
	30,121,398	**33,727,079**

Liquidity Risk

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

As of 31 March 2018 and 31 December 2017 the undiscounted contractual cash flows of the financial liabilities of the Group are as follows:

Payment terms under the contract as of March 31, 2018	Book value	Total cash outflows under the contract (I+II+III+IV)	less than three months (I)	three to twelve months (II)	one to five years (III)	more than five years (IV)
Non-derivate instruments						
Borrowings	290,974,420	341,852,509	22,875,037	186,872,337	132,105,135	--
Trade payables	197,588,798	197,588,796	122,041,959	75,546,837	--	--
Other payables (*)	10,248,558	10,835,154	209,462	10,163,819	597,494	--
Total	**498,811,776**	**550,276,459**	**145,126,458**	**272,582,993**	**132,567,008**	**--**

Payment terms under the contract as of December 31, 2017	Book value	Total cash outflows under the contract (I+II+III+IV)	less than three months (I)	three to twelve months (II)	one to five years (III)	more than five years (IV)
Non-derivate instruments						
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 (*)	13,177,377	13,799,282	282,033	12,895,355	621,894	--
Other payables (*)	**496,471,744**	**534,252,065**	**202,027,871**	**185,997,910**	**146,226,284**	**--**

(*) Debts to the affiliated parties and non-affiliated parties were included in other debts.

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

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest Rate Risk

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

Interest rate positions are as follows:

	31 March 2018	31 December 2017
Financial instruments with fixed interest rates		
Financial liabilities	143,839,814	119,773,354
Financial instruments with floating interest rates		
Financial liabilities	140,019,088	129,334,350

Foreign Exchange Risk

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

Foreign currency denominated assets and liabilities as of 31 March 2018 and 31 December 2017 is set out in the table below:

	31 March 2018	31 December 2017
USD	3.9489	3.7719
Euro	4.8673	4.5155

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

Foreign currency position

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

	31 March 2018	31 December 2017
Assets	38,924,694	38,638,737
Liabilities	(167,142,340)	(181,719,143)
Net foreign currency position	**(128,217,646)**	**(143,080,406)**

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

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk

Foreign currency position

	31 March 2018				31 December 2017			
	TL equivalent	**USD**	**EUR**	**Other**	**TL equivalent**	**USD**	**EUR**	**Other**
1 Trade receivables	38,895,531	1,970,271	6,392,687	--	38,621,879	1,973,989	6,904,261	--
2a. Monetary financial assets, (cash and banks account included)	29,163	1,018	5,166	--	16,858	1,030	2,873	--
2b. Non-Monetary financial assets	--	--	--	--	--	--	--	--
3. Other	--	--	--	--	--	--	--	--
4. Current assets (1+2+3)	**38,924,694**	**1,971,289**	**6,397,853**	**--**	**38,638,737**	**1,975,019**	**6,907,134**	**--**
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)	**38,924,694**	**1,971,289**	**6,397,853**	**--**	**38,638,737**	**1,975,019**	**6,907,134**	**--**
10. Trade payables	(9,128,507)	--	(1,875,477)	--	(11,028,784)	--	(2,442,428)	--
11.Financial liabilities	(78,917,606)	--	(16,213,836)	--	(81,932,430)	--	(18,144,708)	--
12a. Other monetary liabilities	--	--	--	--	--	--	--	--
12b. Other non-monetary liabilities	--	--	--	--	--	--	--	--
13. Current Liabilities (10+11+12)	**(88,046,113)**	--	**(18,089,313)**	**--**	**(92,961,214)**	**--**	**(20,587,136)**	**--**
14. Trade payables		--		--	--	--	--	--
15. Financial Liabilities	(79,096,227)	--	(16,250,535)	--	(88,757,929)	--	(19,656,279)	--
16 a. Other monetary liabilities	--	--	--	--	--	--	--	--
16 b. Other non-monetary liabilities	--	--	--	--	--	--	--	--
17. Non-current liabilities (14+15+16)	**(79,096,227)**	--	**(16,250,535)**	**--**	**(88,757,929)**	**--**	**(19,656,279)**	**--**
18. Total liabilities (13+17)	**(167,142,340)**	--	**(34,339,848)**	**--**	**(181,719,143)**	**--**	**(40,243,415)**	**--**
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)	(128,217,646)	1,971,289	(27,941,994)	--	(143,080,406)	1,975,019	(33,336,281)	--
21. Net foreign currency asset / (liability) /(position of monetary items (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(128,217,646)	1,971,289	(27,941,994)	--	(143,080,406)	1,975,019	(33,336,281)	--
22. Fair value of derivative instruments used in foreign currency hedge	--	--	--	--	–	–	–	--
23. Export	**11,630,278**	**1,293,860**	**1,339,748**	**--**	**57,137,288**	**5,766,344**	**7,836,832**	**--**
24. Import	**2,312,542**	**--**	**475,118**	**--**	**18,085,036**	**869,207**	**3,279,033**	**--**

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk (Continued)

Foreign currency position

The Group's foreign exchange position is primarily made up of the debts to banks and trade debts. Foreign exchange-denominated loans are given in the Footnote 5.

The table below indicates the sensitivity of the Group's pretax profit to fluctuations in the U.S. dollar and Euro exchange rates (due to the changes in monetary assets and liabilities):

31 March 2018	**Profit / (loss)**	
	Valuation of foreign currency	**Devaluation of foreign currency**
In the case of USD gaining 10% value against TL		
1- USD net asset / (liability)	778,442	(778,442)
2- Portion hedged against USD risk (-)	--	--
3- USD net effect (1+2)	**778,442**	**(778,442)**
In the case of EUR gaining 10% value against TL		
4- Euro net asset / (liability)	(13,600,207)	13,600,207
5- Portion hedged against Euro risk (-)	--	--
6- Euro net effect (4+5)	**(13,600,207)**	**13,600,207**
Total (3+6)	**(12,821,765)**	**12,821,765**

31 December 2017	**Profit / (loss)**	
	Valuation of foreign currency	**Devaluation of foreign currency**
In the case of USD gaining 10% value against TL		
1- USD net asset / (liability)	744,957	(744,957)
2- Portion hedged against USD risk (-)	--	--
3- USD net effect (1+2)	**744,957**	**(744,957)**
In the case of EUR gaining 10% value against TL		
4- Euro net asset / (liability)	(15,052,998)	15,052,998
5- Portion hedged against Euro risk (-)	--	--
6- Euro net effect (4+5)	**(15,052,998)**	**15,052,998**
Total (3+6)	**(14,308,041)**	**14,308,041**

14. ADDITIONAL DISCLOSURES THAT ARE NOT REQUIRED UNDER TAS

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

	31 Mach 2018	**31 March 2017**
Net loss / profit for the period	(13,952,031)	(1,183,747)
Tax	(3,624,445)	384,512
Financial income	(6,633,686)	(21,478,128)
Financial expense	30,098,612	40,122,415
Amortization	4,481,359	3,319,581
Provision for employee benefit	589,918	524,659
Provision for unused vacation	(116,941)	(361,280)
EBITDA	**10,842,786**	**21,328,012**

15. EVENTS AFTER THE BALANCE SHEET DATE

Not Available