

Dođtař Kelebek Mobilya
Sanayi ve Ticaret A.ř. and Its Subsidiaries
Condensed Consolidated Interim Financial
Statements As at and for the Nine-Month
Period Ended
30 September 2020

09 November 2020

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
INFORMATION AS AT 30 SEPTEMBER 2020

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

INDEX	PAGE
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1-2
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3-4
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	
Note 1 Organisation and nature of operations of the group	7-8
Note 2 Basis of presentation of consolidated financial statements	9-14
Note 3 Cash and cash equivalents	15
Note 4 Borrowings	15-17
Note 5 Due from and due to related parties	17-18
Note 6 Property, plant and equipment	19-20
Note 7 Provisions, contingent assets and liabilities	21-22
Note 8 Tax assets and liabilities	23-26
Note 9 Expenses by nature	26-27
Note 10 Operating income and expenses	27
Note 11 Financial income and expenses	28
Note 12 Financial risk management objectives and policies	28-33
Note 13 Additional disclosures that are required under TMS	34
Note 14 Earnings / (loss) per share	34
Note 15 Events after the reporting period	34

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
INFORMATION AS AT 30 SEPTEMBER 2020

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

Assets	<i>Notes</i>	Not Audited 30 September 2020	Audited 31 December 2019
Current Assets		532,207,005	434,224,410
Cash and cash equivalents	3	18,675,740	4,862,454
Trade receivables		166,588,104	146,390,726
- Trade receivables from related parties	5	2,686,400	1,573,217
- Trade receivables from third parties		163,901,704	144,817,509
Other receivables		6,149,476	8,283,318
- Other receivables from third parties		6,149,476	8,283,318
Inventories		278,143,977	241,944,621
Prepayments		41,462,146	27,427,524
Current tax assets	8	613,113	684,941
Other current assets		20,574,449	4,630,826
		532,207,005	434,224,410
Assets held for sale		--	--
Non-current assets		398,495,169	343,171,241
Other receivables		2,368,011	1,916,530
- Other receivables from third parties		2,368,011	1,916,530
Financial investments		9,469,958	9,469,958
Property, plant and equipment	6	260,345,607	258,514,240
Right-of-Use Assets		76,032,405	40,424,299
Intangible assets		21,263,547	20,630,756
Deferred Tax Assets	8	29,015,641	12,215,458
Total Assets		930,702,174	777,395,651

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
INFORMATION AS AT 30 SEPTEMBER 2020

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

Liabilities	<i>Notes</i>	Not Audited	Audited
		30 September 2020	31 December 2019
Current Liabilities		652,554,649	509,144,675
Short-term borrowings	4	70,707,654	55,005,861
Short-term portion of long term borrowings	4	230,113,768	146,764,530
Trade payables		249,915,213	159,619,471
- Trade payables to third parties		249,915,213	159,619,471
Payables related to employee benefits		15,412,424	8,426,569
Other payables		1,191,183	41,654,831
- Other payables to third parties		1,104,921	450,656
- Other payables to related parties	5	86,262	41,204,175
Deferred revenue		60,156,347	84,202,725
Short-term provisions		24,889,233	13,416,161
- Short-term employee benefits		6,340,390	4,606,796
- Other short-term provisions	7	18,548,843	8,809,365
Other current liabilities		168,827	54,527
Non-current Liabilities		303,794,500	256,262,084
Long-term borrowings	4	297,734,746	248,701,726
Other payables		1,710,553	2,810,297
- Other payables to third parties		1,710,553	2,810,297
Deferred revenue		--	--
Long-term provisions		4,349,201	4,750,061
- Long-term employee benefits	7	3,500,601	3,500,601
- Other long-term provisions	7	848,600	1,249,460
Deferred tax liabilities	8	--	--
Equity		(25,646,975)	11,988,892
Equity attributable to owners of the company		(25,646,975)	11,988,892
Share capital		269,069,767	269,069,767
Reverse merger capital differences		(159,069,767)	(159,069,767)
Share premiums		9,282,945	9,282,945
Treasury share (-)		(2,845,141)	(510,991)
Other comprehensive income / (expense) not to be reclassified to profit or loss		138,996,492	138,996,492
- Increase on revaluation of property and equipment		138,766,128	138,766,128
- Actuarial gain arising from employee benefits		230,364	230,364
Other comprehensive income / (expense) to be reclassified to profit or loss		(47,239,196)	(10,370,082)
- Hedging Gains/Losses		(47,239,196)	(10,370,082)
Legal reserves		3,441,327	1,107,177
Accumulated losses		(238,850,799)	(171,257,862)
Profit/ (loss) for the period		1,567,397	(65,258,787)
Total Liabilities and Equity		930,702,174	777,395,651

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
REVIEWED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTH
PERIOD ENDED 30 SEPTEMBER 2020

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

		Not audited	Not audited	Not audited	Not audited
		1 January - 30 September 2020	1 July-30 September 2020	1 January - 30 September 2019	1 July-30 September 2019
Profit or loss	<i>Notes</i>				
Revenue		617,242,789	272,998,845	442,025,000	139,315,558
Cost of sales (-)		(405,872,105)	(177,376,063)	(303,107,769)	(98,096,254)
Gross profit		211,370,684	95,622,782	138,917,231	41,219,304
General administrative expenses (-)	9	(20,960,272)	(7,793,365)	(18,334,419)	(5,924,959)
Selling, marketing and distribution expenses (-)	9	(121,349,786)	(47,781,717)	(84,106,077)	(31,376,934)
Research and development expenses (-)	9	(5,169,341)	(2,076,243)	(2,805,072)	(909,483)
Other income from operating income	10	73,238,947	37,056,532	38,389,628	18,522,424
Other expense from operating expenses (-)	10	(15,445,176)	(3,259,500)	(43,344,975)	(18,299,763)
Operating profit		121,685,056	71,768,489	28,716,316	3,230,589
Income from investing activities		123,765	(54,491)	454,994	125,219
Expenses from investing activities (-)		-	-	-	-
Operating profit before financial expense		121,808,821	71,713,998	29,171,310	3,355,808
Finance income	11	50,289,204	25,807,958	51,862,836	35,863,088
Finance expenses (-)	11	(176,931,830)	(79,055,206)	(111,725,052)	(44,459,196)
Profit/ (loss) before tax		(4,833,805)	18,466,750	(30,690,906)	(5,240,300)
Taxation on income		6,401,202	1,558,484		
- Current Tax Income/(Expense)		-	-	(177,348)	(177,348)
- Deferred tax benefit /(expense)	8	6,401,202	1,558,484	10,566,879	5,046,159
Profit/ (Loss) for the period		1,567,397	20,025,234	(20,301,375)	(371,489)
Earnings/(Losses) per share	14	0,0001	0,0007	(0,0008)	(0,00001)
Diluted earnings / (losses)per share	14	0,0001	0,0007	(0,0008)	(0,00001)

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
REVIEWED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR
THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

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

	Not audited 1 January - 30 September 2020	Not audited 1 July -30 September 2020	Not audited 1 January - 30 September 2019	Not audited 1 July-30 September 2019
Profit / (Loss) for the period	1,567,397	20,025,234	(20,301,375)	(371,489)
Other comprehensive income:				
Not to be reclassified in profit or loss				
Revaluation surplus of property, plant and equipment	-	-	-	-
Revaluation surplus/(decrease) of intangible assets	-	-	-	-
Re-measurement losses of the defined benefit plans	-	-	-	-
Shares not to be classified in profit/(loss) from other comprehensive revenues of investments valued by the equity method	-	-	-	-
Taxes on other comprehensive revenues not to be reclassified in profit or loss	-	-	-	-
To be reclassified in profit or loss	(36,869,114)	(20,792,385)	(20,301,375)	(371,489)
Foreign Currency Translation Differences	-	-	-	-
Revaluation and/or classification gains/losses of available-for-sale financial assets	-	-	-	-
Cash flow risk hedging gains/losses	-	-	-	-
Investment risk hedging gains/losses for business abroad	-	-	-	-
Shares to be classified in profit/loss from other comprehensive revenues of investments valued by the equity method	-	-	-	-
Hedging Gains/Losses	(47,268,095)	(26,656,904)	-	-
Deferred tax benefit or expenses that will be reclassified to profit or loss	10,398,981	5,864,519	-	-
- Current Tax Income/Expense	-	-	-	-
- Deferred Tax Income/Expense	10,398,981	5,864,519	-	-
Other comprehensive income, after tax	(36,869,114)	(20,792,385)	-	-
Total comprehensive income / (expense)	(35,301,717)	(767,151)	(20,301,375)	(371,489)

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

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

				Other comprehensive income that will not be reclassified to profit or loss		Other comprehensive income that will be reclassified to profit or loss	Accumulated profit / losses			Total equity
	Share capital	Share premiums	Treasury shares	Remeasurement differences	Revaluation reserves	Hedging Gains/Losses	Legal reserves	Accumulated Losses	Net profit / (loss) for the period	
Balance at 1 January 2019	50,000,000	282,945	(510,991)	1,197,906	115,492,865	-	1,107,177	(82,038,854)	(89,219,008)	(3,687,960)
Transfers	-	-	-	-	-	-	-	-	-	-
Depreciation Transfer	-	-	-	-	-	-	-	-	-	-
Capital Increase	60,000,000	9,000,000	-	-	-	-	-	-	-	69,000,000
Increase / decrease due to redemption of shares	-	-	-	-	-	-	-	(89,219,008)	89,219,008	-
Total comprehensive income	-	-	-	-	-	(628,778)	-	-	(20,301,375)	(20,930,153)
Balance at 30 September 2019	110,000,000	9,282,945	(510,991)	1,197,906	115,492,865	(628,778)	1,107,177	(171,257,862)	(20,301,375)	44,381,887
Balance at 1 January 2020	110,000,000	9,282,945	(510,991)	230,364	138,766,128	(10,370,082)	1,107,177	(171,257,862)	(65,258,787)	11,988,892
Transfers	-	-	-	-	-	-	2,334,150	(67,592,937)	65,258,787	-
Treasury shares	-	-	(2,334,150)	-	-	-	-	-	-	(2,334,150)
Depreciation Transfer	-	-	-	-	-	-	-	-	-	-
Capital Increase	-	-	-	-	-	-	-	-	-	-
Increase / decrease due to redemption of shares	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(36,869,114)	-	-	1,567,397	(35,301,717)
Balance at 30 September 2020	110,000,000	9,282,945	(2,845,141)	230,364	138,766,128	(47,239,196)	3,441,327	(238,850,799)	1,567,397	(25,646,975)

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

<i>Notes</i>	Not Audited 1 January - 30 September 2020	Not Audited 1 January - 30 September 2019
Profit/ (loss) for the period	1,567,397	(20,301,375)
Adjustments to reconcile net profit/ (loss) for the period	120,617,235	74,272,284
Adjustments related to amortisation and depreciation	44,503,443	23,658,234
Adjustments for impairment (cancellation)	20,156	-
Adjustments related to provision for employment termination benefits	1,733,594	17,275
Adjustments on other provisions	11,212,572	1,320,139
Adjustments related to provision for warranty	(1,873,954)	436,293
Adjustments related to tax benefit/(expense)	8 (16,800,183)	(10,566,879)
Adjustments to interest expenses	11 53,593,475	53,491,755
Adjustments to interest income and expenses	(167,905)	(1,808)
Adjustments related to unrealized currency translation difference	75,787,897	6,372,269
Hedging Gains/Losses Corrections	(47,268,095)	-
Adjustments related to (gain)/loss disposal of tangible and intangible assets	(123,765)	(454,994)
Changes in working capital:	(3,769,279)	(58,543,464)
Decrease/(increase) in trade receivables	(23,360,626)	(32,707,374)
Decrease/(increase) in other receivables related with operations	1,682,361	(3,226,283)
Increase in inventories	(36,199,356)	(21,284,031)
Decrease/(increase) in prepaid expenses	(14,034,622)	(10,907,860)
Decrease/(increase) in trade payables	90,649,811	(6,390,831)
Increase in employee benefits payables	6,985,855	1,108,186
Decrease/(increase) in other liabilities related with operations	(445,479)	(10,508,130)
Increase in deferred revenue	(24,046,378)	25,095,429
Corrections regarding other increase/(decrease) in working capital	(5,000,845)	277,430
Flows obtained from operating activities	118,415,353	(4,572,555)
Interest paid	(89,988)	-
A. Cash flows used in operating activities	118,325,365	(4,572,555)
Cash outflows from purchases of tangible and intangible assets	6 (32,878,719)	(10,385,153)
Cash inflows from sales of tangible and intangible assets	1,741,101	934,501
B. Cash outflows from investing activities	(31,137,618)	(9,450,652)
Interest paid	38,826,731	(48,232,382)
Cash from capital increase	-	60,000,000
Cash from share premiums	-	9,000,000
Cash outflows from repurchasing	(2,334,150)	-
Cash inflows from bank borrowings	4 337,034,053	113,209,069
Cash outflows due to the payments of bank borrowings	4 (400,288,166)	(122,378,560)
Cash outflows for lease payables	(5,495,016)	-
Decrease in other payables from related parties	(41,117,913)	-
C. Cash outflows from financing activities	(73,374,461)	11,598,127
Net increase/(decrease) in cash and cash equivalents (A+B+C)	13,813,286	(2,425,080)
D. Cash and cash equivalents at the beginning of the period	4,862,454	3,566,888
Cash and cash equivalents at the end of the period (A+B+C+D)	3 18,675,740	1,141,808

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

1. ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP

Kelebek Mobilya ve Kontrplak Sanayi A.Ş. was founded in Istanbul in 1935. Legal name of the Company which were Kelebek Mobilya ve Kontrplak Sanayi A.Ş. has been changed to Kelebek Mobilya Sanayi ve Ticaret A.Ş. by the decision taken in extraordinary general assembly meeting dated 12 December 2003 and registered to Trade Registry Gazette of Turkey on 29 December 2003. Doğ-taş Doğanlar Mobilya İmalat Enerji Üretim Sanayi ve Ticaret A.Ş. (“Doğtaş İmalat”),

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

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

The main operating segment is production and sale of furnitures.

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

The Company’s production facilities are located at Doğanlı Köyü 9. km Düzce and İdriskoru Köyü Hacıvenez Mevkii No: 29 Biga 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 30 September 2020, 56.9 % of its shares are open for trading

Subsidiaries

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

Doğtaş Mobilya Pazarlama Ticaret A.Ş. ("Doğtaş Pazarlama") which is a subsidiary of the Company was established in 1996 and operates in selling and marketing of furniture and sofa groups and commercial products. Doğtaş Pazarlama has no branches in Turkey as at 30 June 2020 (31 December 2019: None).

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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

The shareholding structure of Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. as at 30 September 2020 and 31 December 2019 is as follows:

	%	30 September 2020		31 December 2019	
		TL	%	TL	
Portion trading on Borsa Istanbul	47,40	127,534,884	46.80	125,927,492	
Doğanlar Yatırım Holding A.Ş.	16.82	45,250,000	17.41	46,857,392	
Davut Doğan	5.96	16,047,503	5.96	16,047,503	
Adnan Doğan	5.96	16,047,484	5.96	16,047,484	
Şadan Doğan	5.96	16,047,474	5.96	16,047,474	
İsmail Doğan	5.96	16,047,474	5.96	16,047,474	
İlhan Doğan	5.96	16,047,474	5.96	16,047,474	
Murat Doğan	5.96	16,047,474	5.96	16,047,474	
	100.00	269,069,767	100.00	269,069,767	

As at 30 September 2020 and 31 December 2019, the paid-in share capital of the Company is TL 269,069,767. However, the portion of the capital amounting to TL 159,069,767 is attributable to Doğan Taş Doğanlar Mobilya İmalat Enerji Üretim Sanayi A.Ş. and Kelebek Mobilya Sanayi ve Ticaret A.Ş. during the merger.

The shareholding structure of Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. as at 30 September 2020 and 31 December 2019 is as follows:

Subsidiaries	Registered Country	Nature of operation	Functional currency	Proportion of effective interest of the Company(%)	
				30 September 2020	31 December 2019
Doğtaş Mobilya Pazarlama Ticaret A.Ş. (“Doğtaş Pazarlama”)	Turkey	Sales and marketing of furniture	TL	100	100
Doğtaş Bulgaria Eood (“Doğtaş Bulgaria”)	Bulgaria	Sales and marketing of furniture	Leva	100	100
Doğtaş Holland B.V. (“Doğtaş Holland”)	Nederland	Sales and marketing of furniture	EUR	100	100
Doğtaş Germany GmbH (“Doğtaş Germany”)	Germany	Sales and marketing of furniture	EUR	100	100
2K Oturma Grupları İnşaat ve Taahhüt San. ve Tic. A.Ş. (“2K”)	Turkey	Sales of sitting group	TL	100	100
3K Mobilya Dekor. San. ve Tic. A.Ş. (“3K”)	Turkey	Furniture decoration	TL	100	100

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

As at 30 September 2020, the number of employees of the Company and its subsidiaries (collectively referred to as the "Group") is 1,560 (31 December 2019: 1,330)

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

As a result of the merger between Doğ-Taş Doğanlar Mobilya İmalat Enerji Üretim Sanayi A.Ş. and Kelebek Mobilya Sanayi ve Ticaret A.Ş. in 2013, share capital reached to TL 209,069,767 and while the share capital of the Company were increased to TL 159,069,767 “Reverse Merger Differences” account was charged at the same amount, with respect to Series I, No. 31 of the Communiqué on Principles Regarding Merger Transactions. Such entries were recorded under the books prepared in accordance with Turkish Commercial Code and Capital Market.

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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

2.1 Basis of presentation of condensed consolidated interim financial statements

a) Statement of compliance with TAS

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

The Group issued the condensed consolidated interim financial statements as at September 30, 2020 in accordance with Turkey Accounting Standard No. 34 "Interim Financial Reporting".

These condensed consolidated interim financial statements do not constitute solely an indicator for the yearend figures and do not include all the information and explanations required for full annual financial statements and should be read in conjunction with the Group’s last audited annual consolidated financial statements as at and for the year ended 31 December 2019.

These condensed consolidated interim financial statements has been approved for issue by the Board of Directors on 9 December 2020. The General Assembly and the relevant regulatory authorities have right to amend the condensed consolidated interim financial statements which are prepared in accordance with the legal regulations.

b) Preparation of financial statements in hyperinflationary period

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

c) Measurement bases

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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

d) Functional and reporting currency

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

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

e) Basis of consolidation

As at 30 September 2020 consolidated financial statements include the financial statements of the Company and its subsidiaries in Note 1, which have control over the Group’s financial and operating policies.

The Group has control over an entity when:

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

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

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

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

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

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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

e) Basis of consolidation (continued)

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

f) Summary of significant accounting policies

Except as described below, the accounting policies applied in these interim condensed financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019.

g) Correction of Errors Made in the Financial Statements of the Previous Period within the Scope of the Turkish Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors

None.

h) Significant Accounting Estimates and Assumptions

Preparation of financial statements in accordance with TAS requires certain assumptions and significant accounting estimates that will affect the explanatory notes on assets and liabilities, contingent assets and liabilities and income and expense items. Although these estimates are based on the best estimates of management's current events and actions, actual results may differ from those predicted. Assumptions and estimates that require complex and further comment may have significant impact on financial statements. The assumptions and significant accounting estimates used in the preparation of the financial statements in the nine-month interim condensed consolidated financial statements as at 30 September 2020 have not changed compared to those used in the previous year.

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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

h) Significant Accounting Estimates and Assumptions (continued)

• **Determination of fair value**

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

i) Trade and other receivables

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

ii) Other non-derivative financial liabilities

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

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

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

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

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

• **Deferred tax**

The Group recognizes deferred tax asset and liability on the differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with TAS and the corresponding tax bases which is used in the computation of taxable profit. Under current circumstances, the partial or complete recoverable amounts of deferred tax assets are predicted. During the evaluation, future profit projections, current year's losses, unused losses and the expiration dates of other tax assets, and if necessary tax planning strategies are considered. Based on the data obtained, if the Group's taxable profit, which will be obtained in the future, is not enough to fulfill the deferred tax assets, a provision is provided either for the whole or for a certain part of the deferred tax asset. As at 30 September 2020 and 31 December 2019, after the necessary evaluations, the deferred tax assets are fully accounted because of expectation of taxable profit in the future.

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

• **Related parties**

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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

i) Significant Accounting Estimates and Assumptions (continued)

• **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.

• **Property, plant and equipment**

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

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

Land, land improvements and buildings and machinery and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated impairment losses. The Group can make the fair value assessments between 3 and 5 years. The Group has revised its assessment of the fair value of related tangible fixed assets as at 31 December 2019. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset, and the net amount is restated to the revalued amount of the assets.

Land, land improvements, machinery and equipment and buildings that were revalued at 31 January 2020 and 24 January 2020 by independent external valuers, were recorded on determined fair values on the consolidated financial statements. The frequency of revaluation operations is determined to ensure that the carrying amounts of the revalued tangible assets are not significantly different from their fair values at the end of the reporting period. The frequency of revaluation depends on the change in the fair value of property, plant and equipment. In cases where it is believed that the revalued amount is significantly different from the carrying amount of the revalued amount, it is necessary to repeat the revaluation and the assessment is performed for the entire asset level with revalued assets at the same date. Besides, it is not considered necessary to repeat the revaluation for tangible assets whose fair value changes are insignificant.

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

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

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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

g) Significant Accounting Estimates and Assumptions (continued)

• Intangible assets

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

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

Intangible assets include acquired rights and copyrights.

Kelebek brand value

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

2.2 New and Revised International Financial Reporting Standards (TFRS)

The accounting policies adopted for the preparation of the financial statements related to the accounting period ending as of September 30, 2020, are consistent with those of the previous year, with the exception of new and revised TFRS standards effective January 1, 2020 and Turkey Financial Reporting Interpretations Committee (TFRIC) remarks, as summarized below. The effects of these standards and interpretations on the Company’s financial status and performance are described in the relevant paragraphs.

i) *New standards, amendments and interpretations effective as of January 1, 2020*

- Definition of the corporation (Amendments to TFRS 3)
- Amendments to TFRS 9, TAS 39 and TFRS 7 – Benchmark Interest Rate Reform
- Definition of Importance (Amendments to TAS 1 and TAS 8)

The Company assessed the impacts of the new standards, amendments and interpretations on financial statements and concluded that no substantial effect exists.

ii) *Standards that have been published but have not yet entered effect or not been subject to earlier implementation*

The new standards, interpretations and amendments that were published following the approval of financial statements but which have not taken effect for the current reporting period and were not implemented earlier by the Company are given below. Unless otherwise specified, the company shall make the amendments related to the impacts of the new standards and interpretations on its financial statements and footnotes.

- TFRS 10 and TAS 28: Investor’s Asset Sales or Contributions to Affiliates or Joint Ventures – Amendment
- TFRS 17 – Updated Standards for Insurance Contracts
- Amendments to IAS 1 – Classification of liabilities as short- and long-term

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

3. CASH AND CASH EQUIVALENTS

	30 September 2020	31 December 2019
Cash on hand	107,159	11,246
Cash at banks – Demand deposit	17,581,609	4,365,072
Banks (Time Deposit with Maturity Up to Three Months)		-
Other cash and cash equivalents (*)	986,972	486,136
	18,675,740	4,862,454

(*) As at 30 September 2020 and 31 December 2019 other cash and cash equivalents comprised of credit card POS receivables.

4. BORROWINGS

	30 September 2020		
	Weighted average effective interest rate %	Original currency	TL Equivalent
Short-term borrowings:			
EUR denominated bank borrowings	-		
TL denominated bank borrowings	%9.50 - %11.41	57,990,933	57,590,933
Short-term lease payables		13,025,217	13,025,217
Payables from Financial Leasing transactions		8,842	8,842
Short term borrowings			70,624,992
Short-term portion of long-term borrowings:			
EUR denominated bank borrowings	%0.75 - %6.60	11,039,390	100,768,658
USD denominated bank borrowings	%6.00	859,832	6,713,570
TL denominated bank borrowings	%7.50 - %21.00	122,631,540	122,631,540
Short-term portion of long-term borrowings			230,113,768
Total short-term borrowings			300,738,760
Long-term bank borrowings:			
EUR denominated bank borrowings	%0.75 - %6.60	11,683,445	106,647,652
USD denominated bank borrowings	%6	1,305,587	10,194,023
TL denominated bank borrowings	%7.50 - %21.00	108,103,383	108,103,383
Long-term lease payables		72,780,847	72,780,847
Payables from Financial Leasing transactions		91,503	91,503
Long-term bank borrowings			297,817,408
Total bank borrowings			598,556,168

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

4. BORROWINGS (continued)

		31 December 2019	
		Original	TL
		currency	Equivalent
Short-term borrowings:			
EUR denominated bank borrowings	%1.75 - %6.08	2,600,000	17,291,300
USD denominated bank borrowings	%4.90-%7	3,000,000	17,820,600
TL denominated bank borrowings	%10.55 - %24.50	13,216,362	13,216,362
Short-term lease payables		6,677,599	6,677,599
Short term borrowings		55,005,861	
Short-term portion of long-term borrowings:			
EUR denominated bank borrowings	%1.75 - %6.08	12,850,794	85,465,489
USD denominated bank borrowings	%4.90-%7	701,977	4,169,881
TL denominated bank borrowings	%10.55 - %24.50	57,129,160	57,129,160
Short-term portion of long-term borrowings		146,764,530	
Total short-term borrowings		201,770,391	
EUR denominated bank borrowings	%1.75 - %6.08	18,652,642	124,051,261
USD denominated bank borrowings	%4.90-%7	1,875,248	11,139,350
TL denominated bank borrowings	%10.55 - %24.50	80,459,282	80,459,282
EUR denominated bank borrowings		33,051,833	33,051,833
Long-term bank borrowings		248,701,726	
Total bank borrowings		450,472,117	

As at 30 September 2020 and 31 December 2019, all borrowings are guaranteed and there is a mortgage on the property, plant and equipment of the Group.

The reconciliation of the Group’s obligations arising from its financial activities as at 30 September 2020 and 31 December 2019 is as follows:

	30 September 2020	31 December 2019
1 January 2020 borrowings	410,742,685	376,254,496
Proceed form borrowings	337,034,053	955,432,118
Repayment of borrowings	(400,288,166)	(969,205,432)
Interest accruals	89,373,290	22,258,050
Effects of change in foreign exchange	75,787,897	26,003,453
30 June 2020 borrowings	512,649,759	410,742,685

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

4. BORROWINGS (continued)

The details of the lease payables are as follows:

Lease payables

Present value of the minimum lease payments	30.09.2020	31.12.2019
Within one year	13,025,217	6,677,599
Minus: future financial expenses	-	-
Present value of the lease liability	13,025,217	6,677,599
Two years or more	72,780,847	33,051,833
Minus: future financial expenses	-	-
Present value of the lease liability	72,780,847	33,051,833
Total Lease Liability	85,806,064	39,729,432

The Company’s lease liabilities means the present value of the future payables of the liabilities for stores, vehicles and buildings leased from third parties during the useful life of the asset.

The redemption schedule of borrowings as at 30 September 2020 and 31 December 2019 is as follows:

	30 September 2020	31 December 2019
Up to 3 months	104,809,497	78,871,437
3-12 months	196,011,926	122,898,955
1-5 yıl arası	297,734,745	248,701,725
	598,556,168	450,472,117

5. DUE FROM AND DUE TO RELATED PARTIES

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

- a) Trade receivables and payables due from related parties as at 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Due from related parties		
Doğtaş Germany GmbH	561,095	408,806
Doğanlar Yatırım Holding	458,508	-
Doğtaş Bulgaria Eood	94,306	68,710
Doğtaş Holland B.V.	9,128	6,651
Biotrend Çevre ve Enerji Yatırımları	20,000	-
Real person shareholders	1,543,363	1,089,050
	2,686,400	1,573,217
Due to related parties		
Doğanlar Yatırım Holding A.Ş.	3,893	41,203,153
Korad Gayrimenkul Yatırım İnş. A.Ş.	54,155	-
Other	28,214	1,022
	86,26	41,204,175

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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

- b) Rendered of goods and services to related parties and financial income from related parties for the year ended 30 June 2020 and 30 June 2019 are as follows:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Services rendered				
Doğanlar Yatırım Holding A.Ş.	8,956	-	42,410	7,344
Biotrend Çevre ve Enerji Yatırımları	25,424	-	-	-
Other	147,381	59,968	16,033	7,952
	181,761	59,968	58,443	15,296

- c) Purchase and of goods and services to related parties for the year ended 30 September 2020 and 30 September 2019 are as follows:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Sales and services purchased				
Doğanlar Yatırım Holding A.Ş.	563,716	446,071	138,935	86,552
Korad Gayrimenkul Yatırım İnş. A.Ş.	36,040	10,825	42,748	15,468
Other	-	-	-	-
	599,756	456,896	181,683	102,020

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Interest received from related parties				
Doğanlar Yatırım Holding A.Ş.	621,962	49,716	-	-
	621,962	49,716	-	-

- d) Key management compensation for the year ended 30 June 2020 and 2019 are as follows :

	30 September 2020	30 September 2019
Short term compensation and other rights	4,955,044	3,613,430
	4,955,044	3,613,430

The remunerations which are provided to Board of Directors and key management personnel (The Group has determined key management personnel as the chairman, members of the Board of Directors and general manager of the Company) during the periods ending 30 September 2020 and 30 September 2019 are short-term compensation and include salary, bonus, post-employment benefits and other payments. There are no post-employment benefits, other long-term benefits and share-based payments during the periods ended 30 September 2020 and 2019.

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

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

6. PROPERTY, PLANT AND EQUIPMENT

	Lands	Land improvements and buildings	Machinery, plant and equipment	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost								
Opening balance, 1 January 2020	66,275,300	107,811,645	123,306,399	1,487,830	68,703,817	62,304,139	144,211	430,033,341
Additions	217,789	321,355	1,535,445	411,933	6,175,992	22,979,409	81,781	31,723,704
Disposals	--	(13,915)	(122,104)	(270,000)	(874,402)	(1,786,038)	--	(3,066,459)
Closing balance, 30 September 2020	66,493,089	108,119,085	124,719,740	1,629,763	74,005,407	83,497,510	225,992	458,690,586
Accumulated depreciation								
Opening balance, 1 January 2020	--	(26,204,445)	(61,159,667)	(1,148,586)	(47,543,727)	(35,462,676)	--	(171,519,101)
Charge of the year	--	(6,146,986)	(8,255,574)	(37,221)	(6,300,916)	(7,534,304)	--	(28,275,001)
Disposals	--	13,915	118,791	17,310	618,423	680,684	--	1,449,123
Closing balance, 30 September 2020	--	(32,337,516)	(69,296,450)	(1,168,497)	(53,226,220)	(42,316,296)	--	(198,344,979)
Net book value, 30 September 2020	66,493,089	75,781,569	55,423,290	461,266	20,779,187	41,181,214	225,992	260,345,607

Regarding to borrowings for financing activities, there is a mortgage on property, plant and equipment of the Group amounting to EUR 70,000,000 and TL 83,500,000.

As of September 30, 2020, the Group’s insurance amount on its tangible assets and inventories is 150,289,000 Turkish lira and 126,620,000 Turkish lira, respectively (December 31, 2019: 140,814,000 Turkish lira and 131,000,000 Turkish lira).

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Lands	Land improvements and buildings	Machinery, plant and equipment	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost								
Opening balance, 1 January 2019	54,091,340	91,883,824	121,662,927	1,113,794	63,010,871	54,127,437	-	385,890,192
Additions	-	443,448	1,060,887	374,036	3,224,138	5,213,392	69,251	10,385,153
Transfers	-	(60,000)	60,000					
Disposals	-	(140,864)	-	-	(358,430)	(435,208)	-	(934,501)
Closing balance, 30 September 2019	54,091,340	92,126,408	122,783,814	1,487,830	65,876,579	58,905,621	69,251	395,340,843
Accumulated depreciation								
Opening balance, 1 January 2019	-	(22,918,874)	(47,617,180)	(1,113,794)	(40,208,285)	(24,968,906)	-	(136,827,039)
Charge of the year	-	(2,255,283)	(773,013)	(17,475)	(4,162,813)	(8,373,918)	-	(15,582,501)
Disposals	-	1,409	-	-	232,244	97,522	-	331,175
Closing balance, 30 September 2019	-	(25,172,748)	(48,390,192)	(1,131,269)	(44,138,854)	(33,245,301)	-	(152,078,365)
Net book value, 30 September 2019	54,091,340	66,953,660	74,393,621	356,561	21,737,725	25,660,320	69,251	243,262,478

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

7. PROVISIONS, CONTINGENT AND CONTRACTED ASSETS AND LIABILITIES

Short-term provisions

As at 30 September 2020 and 31 December 2019 the details of short term provisions are as follows:

	30 September 2020	31 December 2019
Provision for warranty expenses	2,572,607	4,045,700
Provision for litigations	5,084,038	4,763,665
Other	10,892,198	-
Provisions for leave allowance	6,340,390	4,606,796
	24,889,233	13,416,161

Long-term provisions

	30 September 2020	31 December 2019
Provision for warranty expenses	848,600	1,249,460
Provisions for severance pay	3,500,601	3,500,601
	4,349,201	4,750,061

Contingent assets and liabilities:

As at 30 September 2020 and 31 December 2019, the details of the guarantees received and given are as follows:

Guarantees given

	30 September 2020	31 December 2019
Mortgagee given (*)	722,467,000	549,042,000
Letters of guarantee given to official institutions (**)	153,625,456	173,882,798
Letter of guarantees given to buyers	1,327,318	1,218,991
Letter of guarantees given to sellers	467,287	296,697
	877,887,061	724,440,486

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

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

Guarantees received

	30 September 2020	31 December 2019
Letters of guarantee from dealers	80,392,089	65,312,243
Mortgages from domestic dealers	20,182,680	15,495,000
Mortgages from foreign dealers	8,423,340	6,814,549
	108,998,109	87,621,792

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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

As at 30 September 2020 and 31 December 2019, the tables of the Group's guarantees, pledges and mortgages (GPMs) are as follows:

GPMs issued by the Company	30 September 2020	31 December 2019
A Total amount of GPM's given on behalf of own legal entity.	877,887,061	724,440,486
B. Total amount of GPMs given in favor of the subsidiaries included in the scope of consolidation	-	-
C. Total amount of GPM's given to third parties for the purpose of carrying out ordinary commercial activities	-	-
D. Total amount of other GPM	-	-
i. Total amount of GPM's given in favor of main shareholder	-	-
ii. Total amount of GPM given in favor of other group companies not in the scope of Article B and C	-	-
iii. Total amount of GPM's given in favor of third parties not covered by Article C.	-	-
Total	877,887,061	724,440,486

The total number of ordinary shares of Dođtař Kelebek Mobilya Sanayi ve Ticaret A.ř. is 10,453,488,300 with a par value of TL 0,01 and all was pledged due to the Group’s borrowings as at 30 September 2020. (The total number of ordinary shares of Dođtař Kelebek Mobilya Sanayi ve Ticaret A.ř. is 10,453,488,300 with a par value of TL 0,01 and all was pledged due to the Group’s borrowings as at 31 December 2019)

As at 30 September 2020, the Group has net off cheques amounting to TL 36,724,131 TL by deducting from its debts (31 December 2019: TL 109,875,219)

As at 30 September 2020 total insurance on property, plant and equipment and inventories is TL 150,289,000 and TL 126,620,000 respectively (31 December 2019: TL 140,814,000 and TL 131,144,000 respectively)

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

8. TAX ASSETS AND LIABILITIES

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

	30 September 2020	31 December 2019
Corporate tax calculated	-	-
Prepaid taxes (-)	613,113	684,941
Current income tax assets	613,113	684,941

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

	30 September 2020	30 September 2019
Deferred tax benefit/ (expense)	6,401,202	10,566,879
Tax benefit/ (expense)	6,401,202	10,566,879

Corporate tax

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

In Turkey, corporate tax rate is 22% as at 31 March 2020. Corporate income tax is calculated on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes (carryforward losses, if any, and if utilized exemptions for investment incentives).

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

Advance taxes are calculated and accrued quarterly in Turkey. Losses may be carried over for no longer than five (5) 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 fixed and definite reconciliation procedure in place for tax assessment in Turkey. Companies prepare their tax returns from April 1 to April 30 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 (5) years.

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

8. TAX ASSETS AND LIABILITIES (continued)

Corporate tax (continued)

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 (e.g. affiliate earnings exemption) and other deductions (such as R&D deduction). No further tax is paid if the profit is not distributed.

Dividends (premiums) that are paid to limited taxpayer corporations earning income through a business or their permanent representative in Turkey, or to resident corporations in Turkey are not subject to withholding tax. Other dividend payments to persons and corporations are subject to a 15-percent withholding tax. Addition of profit to capital is not counted as a dividend distribution.

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:

The law no. 5479 dated March 30, 2006, ended the investment allowance exemption, which had been implemented for many years and calculated as 40 percent of the purchases of fixed assets exceeding a certain amount by the last taxpayers. However, in accordance with the aforementioned law and the provisional Article 69 added to the Income Tax Law, the income and corporate taxpayers can deduct the amounts of investment allowance exemption available as of December 31, 2005, which they were unable to deduct from their 2005 earnings, and the following investments and amounts from their earnings only for the years 2006, 2007 and 2008 under the provisions of the legislation at the date concerned (including provisions on tax rate):

- a) The investments to be made after January 1, 2006, under the document for investments initiated under Articles 1–6 of the Income Tax Law No. 193 before being repealed by Law No. 4842 dated April 9, 2003, within the scope of investment incentive certificates issued for the applications made before April 24, 2003,
- b) Under the abrogated Article 19 of the Income Tax Law No. 193, regarding the investments initiated before January 1, 2006, the investment allowance exception amounts to be calculated in accordance with the provisions of the regulations in force as of December 31, 2005, due to investments made after this date, which form an economic and technical integrity with the investment.

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

8. TAX ASSETS AND LIABILITIES (continued)

Deferred tax :

The Group calculates the income tax assets and liabilities taking into consideration the effects of the temporary differences arising from the differences of assessing the financial statement items by TAS preparation principles for financial statements and legal financial statements. Such temporary differences usually result in the recognition of income and expenses in different reporting periods as per the relevant tax laws and the preparation principles of financial statements set out in TAS.

As at 30 June 2020 and 31 December 2019 the breakdown of cumulative temporary differences and the resulting deferred income tax assets/liabilities provided using enacted tax rates are as follows :

	Temporary Differences		Deferred income tax assets / (liabilities)	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Deferred tax assets:				
Carryforward tax losses	189,239,915	160,916,207	37,847,983	32,183,241
Investment incentives	14,965,000	14,965,000	2,993,000	2,993,000
Provision for doubtful receivables	13,848,357	13,650,759	3,046,639	3,003,167
Provision for unused vacation	6,340,390	4,606,796	1,394,886	1,013,495
Provision for warranty	3,309,995	5,183,949	661,999	1,036,790
Provision for employment	3,500,601	2,291,174	700,120	458,235
Provision for litigations	5,084,038	4,763,665	1,016,808	952,733
Hedging Gains/Losses	47,268,095	13,294,977	10,398,981	2,924,895
Other	648,312	6,390,824	432,516	1,649,374
			58,492,932	46,214,930
Deferred tax liabilities:				
Tangible and intangible assets	142,798,432	152,904,514	(28,945,768)	(31,366,984)
Cut-off effect	21,963,332	11,965,853	(531,523)	(2,632,488)
			(29,477,291)	(33,999,472)
Deferred tax asset/ (liabilities), net			29,015,641	12,215,458

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. If tax advantage is probable, deferred tax asset is calculated from unused past year financial losses and investment allowance exceptions.

As at 30 September 2020, the Group has recognized deferred income tax assets amounting to TL 189.239.915 (31 December 2019: TL 160,916,207) over the carry forward tax losses amounting to TL 37.847.983 (31 December 2019: TL 32,183,241) in the consolidated financial statements

Movements in deferred income taxes are as follows:

	30 September 2020	31 December 2019
2021	20,688,902	20,688,902
2023	92,307,775	92,307,775
2024	48,041,217	47,919,530
2025	28,202,021	-
	189,239,915	160,916,207

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

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

8. TAX ASSETS AND LIABILITIES (continued)

Deferred tax (continued)

Movements in deferred income taxes are as follows:

	30.09.2020	30.09.2019
Deferred Tax Asset/(Liability) at the Beginning of the Period	12,215,458	(3,792,728)
Deferred Tax Income/(Expense)	6,401,202	10,566,879
Hedging Gains/Losses	10,398,981	-
Deferred Tax Asset/(Liability) at the end of the Period	29,015,641	6,774,151

9. EXPENSES BY NATURE

Expenditures nine the nine-month interim accounting periods that ended on September 30, 2019, and September 30, 2020, by their nature, are as follows:

Selling, Marketing and Distribution Expenses	1 January – 30 September 2020	1 July –30 September 2020	1 January – 30 September 2019	1 July –30 September 2019
Depreciation and amortization expenses	(33,274,023)	(10,933,646)	(19,848,016)	(7,196,341)
Transportation expenses	(24,677,398)	(10,767,986)	(18,419,706)	(6,780,734)
Personnel expenses	(19,605,723)	(8,288,674)	(14,120,553)	(5,020,299)
Advertising expenses	(20,785,332)	(9,318,226)	(13,649,650)	(4,752,248)
Rent expenses	(2,882,353)	(1,211,132)	(2,989,239)	(1,253,401)
Outsourced Benefits and Services	(5,912,935)	(2,136,077)	(4,895,447)	(1,948,744)
Energy, water and fuel expenses	(1,824,560)	(723,079)	(1,244,466)	(447,725)
Consultancy expenses	(2,011,577)	(819,170)	(1,004,243)	(291,922)
Travel expenses	(786,576)	(246,936)	(942,324)	(383,090)
Maintenance and repair expenses	(384,576)	(127,645)	(426,370)	(122,883)
Representation expenses	(141,418)	(50,248)	(91,924)	(35,458)
Other	(9,063,315)	(3,158,898)	(6,474,139)	(3,144,089)
	(121,349,786)	(47,781,717)	(84,106,077)	(31,376,934)

General and Administrative Expenses	1 January – 30 September 2020	1 July –30 September 2020	1 January –30 September 2019	1 July – 30 September 2019
Personnel expenses	(7,061,051)	(2,553,857)	(7,905,012)	(2,443,522)
Depreciation and amortization expenses	(4,822,346)	(1,457,628)	(1,856,300)	(569,683)
Other	(1,851,786)	(703,532)	(1,571,764)	(610,497)
Financial Advisory and Consultancy Expenses	(4,248,992)	(1,912,330)	(3,463,765)	(1,152,195)
Rent expenses	(1,196,360)	(463,573)	(1,255,719)	(415,170)
Energy, water and fuel expenses	(467,095)	(183,653)	(604,185)	(177,066)
Travel expenses	(443,992)	(184,411)	(598,908)	(185,126)
Food expenses	(366,997)	(143,783)	(401,201)	(119,048)
Office expenses	(188,311)	(86,077)	(379,398)	(157,874)
Contribution expenses	(71,625)	(18,571)	(137,290)	(28,955)
Representation expenses	(241,717)	(85,950)	(160,877)	(65,823)
	(20,960,272)	(7,793,365)	(18,334,419)	(5,924,959)

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

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

9. EXPENSES BY NATURE (continued)

Research and Development Expenses	1 January -30 September 2020	1 July -30 September 2020	1 January -30 September 2019	1 July -30 September 2019
Personnel expenses	(4,233,827)	(1,834,958)	(2,079,869)	(723,311)
Other	(244,673)	(74,176)	(324,038)	(52,430)
Material expenses	(235,171)	(58,789)	(121,158)	(42,078)
Depreciation and amortization expenses	(222,902)	(32,818)	(170,300)	(53,764)
Rent expenses	(232,768)	(75,502)	(109,707)	(37,900)
	(5,169,341)	(2,076,243)	(2,805,072)	(909,483)

The functional classification of personnel expenses is as follows:

Personnel expenses	1 January -30 September 2020	1 July -30 September 2020	1 January -30 September 2019	1 July -30 September 2019
Cost of sales	(52.211.308)	(20.188.607)	(40.668.528)	(14.396.027)
Selling, Marketing and Distribution Expenses	(19.605.723)	(8.288.674)	(14.120.553)	(5.020.299)
General and Administrative Expenses	(7.061.051)	(2.553.857)	(7.905.012)	(2.443.523)
Research and Development Expenses	(4.233.827)	(1.834.958)	(2.079.869)	(723.311)
	(83.111.909)	(32.866.096)	(64.773.962)	(22.583.160)

10. OTHER OPERATING INCOME / (EXPENSES)

Other real operating income and expenditures for the six-month interim accounting periods that ended on September 30, 2019, and September 30, 2020, are as follows :

	1 January -30 September 2020	1 July -30 September 2020	1 January -30 September 2019	1 July -30 September 2019
Foreign exchange income	70,417,253	36,234,247	32,356,122	14,693,668
Rediscount income	264,081	264,081	0	0
Other	1,596,259	507,823	5,491,345	3,827,777
Provisions no longer required	961,354	50,381	542,161	979
Other operating income	73,238,947	37,056,532	38,389,628	18,522,424
Foreign exchange losses	(6,806,541)	-	(31,744,418)	(23,570,098)
Rediscount expenses	(3,143,092)	-	(6,659,339)	(1,238,978)
Provision expenses for doubtful receivables	(981,510)	-	(1,963,618)	-
Provision expenses for litigation costs	(403,135)	-	-	-
Late interest and price difference expenses	(89,988)	(30,559)	-	-
Provisions for leave allowance	(1,733,594)	(941,625)	-	-
Other	(2,287,316)	(2,287,316)	(2,977,600)	6,509,313
Other operating expenses	(15,445,176)	(3,259,500)	(43,344,975)	(18,299,763)

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

11. FINANCE INCOME/ (EXPENSES)

Expenditures for the six-mont interim accounting periods that ended on September 30, 2019, and September 30, 2020, are as follows:

	1 January -30 September 2020	1 July 30 September 2020	1 January -30 September 2019	1 July -30 September 2019
Foreign exchange income	50,121,299	25,737,553	51,861,028	35,863,088
Interest income	167,905	70,405	1,808	-
Finance income	50,289,204	25,807,958	51,862,836	35,863,088
Foreign exchange losses	(126,217,366)	(63,214,867)	(58,223,297)	(23,679,986)
Interest expenses	(50,714,464)	(15,840,339)	(53,491,755)	(20,779,373)
Other	-	-	-	163
Finance expense	(176,931,830)	(79,055,206)	(111,715,052)	(44,459,196)
Finance expense, net	(126,642,626)	(53,247,248)	(59,852,216)	(8,596,108)

12. FINANCIAL RISK MANAGEMENT

Credit risk

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

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

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

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

12. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

	Receivables					
	Trade receivables			Other receivables		
	Related parties	Third parties	Related parties	Third parties	Cash and cash equivalents and credit card receivables	Other
30 September 2020						
Maximum credit risk exposure at reporting date (A+B+C+D+E)	2,686,400	163,901,704	--	8,517,487	18,568,581	--
- Portion of maximum risk covered by Guarantees	--	--	--	--	--	--
A. Carrying value of financial assets that are neither past due nor impaired	--	112,766,793	--	8,517,487	18,568,581	--
B. Carrying value of financial assets that the terms renegotiated, otherwise past due or impaired	--	--	--	--	--	--
C. Carrying value of financial assets that are past due but not impaired	2,686,400	51,134,911	--	--	--	--
-Portion under guarantee with	--	--	--	--	--	--
D. Carrying value of impaired assets	--	--	--	--	--	--
-Past due (gross carrying amount)	--	26,755,033	--	595,289	--	--
-Impairment (-)	--	(26,755,033)	--	(595,289)	--	--
E. Off-balance sheet items with credit risk	--	--	--	--	--	--

	Receivables					
	Trade receivables			Other receivables		
	Related parties	Third parties	Related parties	Third parties	Cash and cash equivalents and credit card receivables	Other
31 December 2019						
Maximum credit risk exposure at reporting date (A+B+C+D+E)	1,573,217	144,817,509	--	10,199,848	4,851,208	--
- Portion of maximum risk covered by Guarantees	--	--	--	--	--	--
A. Carrying value of financial assets that are neither past due nor impaired	--	95,323,196	--	10,199,848	4,851,208	--
B. Carrying value of financial assets that the terms renegotiated, otherwise past due or impaired	--	--	--	--	--	--
C. Carrying value of financial assets that are past due but not impaired	1,573,217	49,494,313	--	--	--	--
-Portion under guarantee with	--	--	--	--	--	--
D. Carrying value of impaired assets	--	--	--	--	--	--
-Past due (gross carrying amount)	--	26,464,960	--	732,444	--	--
-Impairment (-)	--	(26,464,960)	--	(732,444)	--	--
E. Off-balance sheet items with credit risk	--	--	--	--	--	--

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

12. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

As at 30 September 2020 and 31 December 2019 aging analysis of past due but not impaired related and third party trade receivables are as follows.

	30 September 2020	31 December 2019
Less than 30 days	5,257,083	2,530,018
30 - 119 days	8,426,959	8,790,638
120 - 179 days	3,145,470	4,288,228
180 days and over	34,305,399	33,885,429
	51,134,911	49,494,313

Liquidity risk

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

Contractual cash flows of the financial liabilities of the Group as at 30 September 2020 and 31 December 2019 are as follows:

30 September 2020	Carrying amount	Contractual cash flows (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Borrowings	512,649,759	520,180,065	98,812,120	173,608,555	247,759,390	-
Trade payables	249,915,213	257,897,927	257,897,927	-	-	-
Other payables (*)	2,901,736	2,901,736	1,191,183	-	1,710,553	-
Lease payables	85,806,064	85,806,063	3,638,339	9,386,878	68,219,293	4,561,553
Total	851,272,772	866,785,791	361,539,569	182,995,433	317,689,236	4,561,553
30 September 2019	Carrying amount	Contractual cash flows (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Borrowings	410,742,685	487,656,086	91,811,726	124,150,357	271,694,003	--
Trade payables	159,619,471	171,616,271	171,616,271	--	--	--
Diğer borçlar (*)	44,465,128	44,465,128	41,654,831	--	2,810,297	--
Lease payables	39,729,432	61,308,423	3,320,703	9,698,481	48,289,239	--
Total	654,556,716	765,045,908	308,403,531	133,848,838	322,793,539	--

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

12. FINANCIAL RISK MANAGEMENT (continued)

Currency Risk

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

Foreign currency denominated assets and liabilities as at 30 September 2020 and 31 December 2019 is set out in the table below:

	30 September 2020	31 December 2019
ABD Doları	7.8080	5.9402
EUR	9.1281	6.6506

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

Currency position

As at 30 September 2020 and 31 December 2019 assets and liabilities denominated in foreign currency held by the Group are as follows:

	30 September 2020	31 December 2019
Assets	83,944,395	38,638,737
Liabilities	(227,058,879)	(181,719,143)
Net foreign currency position	(143,114,484)	(143,080,406)

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NİNE MONTH PERIOD
ENDED 30 SEPTEMBER 2020

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

12. FINANCIAL RISK MANAGEMENT (continued)

Market risk

Currency position

	30 September 2020				31 December 2019			
	TL equivalent	USD	EUR	Other	TL equivalent	USD	EUR	Other
1. Trade receivables	68,795,717	2,470,274	5,423,671	--	52,622,043	3,097,246	5,143,046	2,500
2a. Monetary financial assets, (cash and banks account included)	15,148,678	65,540	1,603,504	--	544,138	67,834	21,230	--
2b. Non-monetary financial assets	--	--	--	--	--	--	--	--
3. Other	--	--	--	--	--	--	--	--
4. Current assets (1+2+3)	83,944,395	2,535,814	7,027,175	--	53,166,181	3,165,080	5,164,276	2,500
5. Trade receivables	--	--	--	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--	--	--
7. Other	--	--	--	--	--	--	--	--
8. Non-current assets (5+6+7)	--	--	--	--	--	--	--	--
9. Total assets (4+8)	83,944,395	2,535,814	7,027,175	--	53,166,181	3,165,080	5,164,276	2,500
10. Trade payables	(6,833,066)	(108,127)	(656,085)	--	(3,991,420)	(336,474)	(299,627)	--
11. Financial liabilities	(100,072,364)	(769,231)	(10,305,125)	--	(124,747,530)	(3,701,977)	(15,450,794)	--
12a. Other monetary liabilities	(2,995,027)	(195,343)	(161,018)	--	(2,855,365)	(337,330)	(128,042)	--
12b. Other non-monetary liabilities	--	--	--	--	--	--	--	--
13. Current liabilities (10+11+12)	(109,900,458)	(1,072,701)	(11,122,228)	--	(131,594,315)	(4,375,781)	(15,878,463)	--
14. Trade payables	--	--	--	--	--	--	--	--
15. Financial liabilities	(117,158,422)	(1,346,154)	(11,683,444)	--	(135,190,611)	(1,875,248)	(18,652,642)	--
16 a. Other monetary liabilities	--	--	--	--	--	--	--	--
16 b. Other non-monetary liabilities	--	--	--	--	--	--	--	--
17. Long-term liabilities (14+15+16)	(117,158,422)	(1,346,154)	(11,683,444)	--	(135,190,611)	(1,875,248)	(18,652,642)	--
18. Total liabilities (13+17)	(227,058,879)	(2,418,855)	(22,805,672)	--	(266,784,926)	(6,251,029)	(34,531,105)	--
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 monetary assets/(liabilities) position (9+18+19)	(143,114,484)	116,959	(15,778,497)	--	(213,618,745)	(3,085,949)	(29,366,829)	2,500
21. Net foreign currency asset / (liability) position of monetary items (=1+2a+3+5+6a+10+11+12a+14+15+16a)	(143,114,484)	116,959	(15,778,497)	--	(213,618,745)	(3,085,949)	(29,366,829)	2,500
22. Fair value of derivative instruments used in foreign currency hedge	--	--	--	--	--	--	--	--
23. Export	91,822,397	6,878,229	4,175,807	--	110,456,663	12,781,045	5,858,838	--
24. Import	1,489,583	30,525	137,076	--	847,442	--	133,439	--

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

12. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Currency risk (continued)

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

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

30 September 2020	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL:		
1- Net USD asset / liability	91,322	(91,322)
2- USD risk averse portion (-)	-	-
3- USD net effect (1+2)	91,322	(91,322)
Assumption of devaluation/appreciation by 10% of EUR against TL:		
4- Net EUR asset / liability	(14,402,770)	14,402,770
5- EUR risk averse portion (-)	-	-
6- EUR net effect (4+5)	(14,402,770)	14,402,770
Total (3+6)	(14,311,448)	14,311,448
<hr/>		
31 December 2019	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL:		
1- Net USD asset / liability	(1,833,115)	1,833,115
2- USD risk averse portion (-)	-	-
3- USD net effect (1+2)	(1,833,115)	1,833,115
Assumption of devaluation/appreciation by 10% of EUR against TL		
4- Net EUR asset / liability	(19,530,703)	19,530,703
5- EUR risk averse portion (-)	-	-
6- EUR net effect (4+5)	(19,530,703)	19,530,703
Assumption of devaluation/appreciation by 10% of GBP against TL		
7- Net GBP asset / liability	1,944	(1,944)
8- GBP risk averse portion (-)	-	-
9- GBP net effect (7+8)	1,944	(1,944)
Total (3+6+9)	(21,361,874)	21,361,874

DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
NOTES TO THE REVIEWED CONDENCED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

13. ADDITIONAL DISCLOSURES THAT ARE REQUIRED UNDER TFRS

EBITDA, are not defined by TFRS. 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 TFRS are disclosed by the Group management separately for a better understanding and measurement of the sustainable performance of the Group.

	30 September 2020	30 September 2019
Net profit / (loss) for the period	1,567,397	(20,301,375)
Tax income / expense	(6,401,202)	(10,566,879)
Financial income	(50,289,204)	(51,862,836)
Financial expense	176,931,830	111,725,052
Depreciation and amortization expenses	42,503,443	23,995,648
Provision for unused vacation liabilities	1,733,594	
EBITDA	166,045,858	52,989,610

14. EARNINGS / (LOSS) PER SHARE

	1 January - 30 September 2020	1 January - 30 September 2019
Weighted average number of shares in issue	26,906,976,700	26,906,976,700
Net income or (loss) attributable to the owners of the parent	1,567,397	(20,301,375)
Earnings / (Losses) per share	0.0001	(0.0008)

15. EVENTS AFTER THE REPORTING PERIOD

As of the date of the report, the World Health Organization had declared COVID-19 a pandemic. This situation is expected to have a negative impact on the financial markets of our country, as on global markets. Efforts are underway to minimize losses through the control and protection measures implemented and the support provided or to be provided by the state authorities. Although the current situation is expected to cause a serious economic contraction in the short term, its impact on the activities and continuity of enterprises remains uncertain. It is expected that the Group will meet its targets for the year 2020 and the activity items budgeted for 2020 will not be affected by the COVID-19 pandemic.

The company’s budget projections have been positively revised to reflect the impact that the low-interest loans and installment opportunities of up to 60 months introduced as part of the relaxation of anti-COVID-19 restrictions will play in easing the hold on purchases.

The group held the 2019 Shareholders’ General Assembly Meeting at the company’s headquarters on October 30, 2020. The amendments made to the Articles of Association and approved by the Capital Markets Board of Turkey (CMB) and the Ministry of Customs and Trade General Directorate of Domestic Trade were submitted to and approved by the General Assembly, increasing the Authorized Capital of the company from 350,000,000 Turkish lira to 500,000,000 Turkish lira.

As stated in the material disclosure announced on the Public Disclosure Platform (PDP) on October 21, 2020, a resolution was passed by the Board of Directors to file an application with the CMB to increase the group’s Issued Capital from 269,069,767 Turkish lira to 350,000,000 Turkish lira.