

**TORUNLAR GAYRİMENKUL
YATIRIM ORTAKLIĞI A.Ş.
AND ITS SUBSIDIARY**

CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE INTERIM
PERIOD 1 JANUARY 2019 – 30 JUNE 2019
AND INDEPENDENT AUDITOR'S
REVIEW REPORT

(CONVENIENCE TRANSLATION OF
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH)

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

**To the Board of Directors of
Torunlar Gayrimenkul Yatırım Ortaklığı A.Ş.**

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Torunlar Gayrimenkul Yatırım Ortaklığı A.Ş. (the “Company”) and its subsidiary (together will be referred as the “Group”) as of 30 June 2019 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period then ended. The Group management is responsible for the preparation and fair presentation of this interim condensed financial information in accordance with Turkish Accounting Standards 34 “Interim Condensed Consolidated Financial Reporting” (“TAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information does not present fairly, in all material respects, in accordance with TAS 34 “Interim Financial Reporting Standard”.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU LIMITED



H. Erdem Selçuk
Partner

İstanbul, 9 August 2019

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TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR
THE INTERIM PERIOD AS OF 30 JUNE 2019**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

		(Reviewed) Current Period 30 June 2019	(Audited) Prior Period 31 December 2018
	Notes		
ASSETS			
Current Assets		1,841,821	1,670,724
Cash and Cash Equivalents	5	459,320	204,337
Trade Receivables	8	146,077	174,151
<i>Trade Receivables from Related Parties</i>	17	19,543	30,700
<i>Trade Receivables from Third Parties</i>		126,534	143,451
Other Receivables		10,557	3,105
<i>Other Receivables from Third Parties</i>		10,557	3,105
Inventories	10	1,208,896	1,261,004
Prepaid Expenses	7	12,860	14,275
Other Current Assets		4,111	13,852
Non-Current Assets		10,611,287	10,603,715
Trade Receivables	8	5,660	10,661
<i>Trade Receivables from Third Parties</i>		5,660	10,661
Other Receivables		9,388	9,293
<i>Other Receivables from Third Parties</i>		9,388	9,293
Investments Accounted by Equity Method	3	338,592	348,425
Investment Properties	9	10,168,806	10,143,533
Property, Plant and Equipment		83,986	86,740
Intangible Assets		1,012	1,060
<i>Other Intangible Assets</i>		1,012	1,060
Prepaid Expenses	7	3,843	4,003
Total Assets		12,453,108	12,274,439

The consolidated financial statements as at 30 June 2019 were authorized for issue on behalf of the Board of Directors by Deputy General Manager İsmail Kazanç and Accounting Manager Erkan Çetin on 9 August 2019.

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR
THE INTERIM PERIOD AS OF 30 JUNE 2019**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

		(Reviewed) Current Period 30 June 2019	(Audited) Prior Period 31 December 2018
	Notes		
LIABILITIES AND EQUITY			
Current Liabilities		2,531,896	2,356,846
Short-Term Borrowings	6	166,336	258,038
Short-Term Portion of Long-Term Borrowings	6	2,047,300	1,685,608
Other Payables		23,588	28,772
<i>Other Payables to Third Parties</i>		23,588	28,772
Trade Payables	8	89,563	99,246
<i>Trade Payables to Related Parties</i>	17	17,234	30,078
<i>Trade Payables to Third Parties</i>		72,329	69,168
Payables Related to Employee Benefits		1,763	1,818
Short-Term Provisions		11,417	9,807
<i>Other Short-Term Provisions</i>	7	11,417	9,807
Other Current Liabilities	7	102,239	175,973
Deferred Income	7	89,690	97,584
Non-Current Liabilities		2,505,948	2,303,875
Long-Term Borrowings	6	2,504,766	2,250,389
Long-Term Provisions		1,182	1,182
<i>Long-Term Provisions for Employee Benefits</i>		1,182	1,182
Other Non-Current Liabilities	7	-	52,304
EQUITY		7,415,264	7,613,718
Share Capital	12	1,000,000	1,000,000
Treasury Shares		(4,475)	(3,338)
Share Premium		25,770	25,770
Restricted Reserves Appropriated From Profit		74,255	74,255
- <i>Legal reserves</i>		74,255	74,255
Retained Earnings		6,517,031	5,229,827
Net (Loss)/Profit for the Period		(197,317)	1,287,204
TOTAL LIABILITIES AND EQUITY		12,453,108	12,274,439

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2019**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

		(Reviewed) 1 January- 30 June 2019	(Not reviewed) 1 April- 30 June 2019	(Reviewed) 1 January- 30 June 2018	(Not reviewed) 1 April- 30 June 2018
PROFIT OR LOSS					
Revenue	13	434,623	228,315	1,327,890	654,362
Cost of Sales (-)	13	(126,668)	(72,223)	(730,415)	(399,058)
GROSS PROFIT		307,955	156,092	597,475	255,304
Administrative Expenses (-)	14	(29,527)	(15,017)	(22,680)	(16,936)
Marketing Expenses (-)	14	(1,640)	(894)	(3,562)	(1,889)
Other Income From Operating Activities		4,607	1,454	29,859	17,588
Other Expenses From Operating Activities (-)		(4,749)	(2,354)	(7,100)	(4,518)
OPERATING PROFIT		276,646	139,281	593,992	249,549
Share of the Company on Profit/(Loss) of Investments Accounted by Equity Method	3	20,452	11,444	17,271	11,018
OPERATING PROFIT BEFORE FINANCE INCOME/(EXPENSES)					
		297,098	150,725	611,263	260,567
Finance Income	15	21,631	14,135	29,568	14,436
Finance Expenses (-)	15	(516,046)	(218,374)	(708,951)	(493,470)
LOSS BEFORE TAX		(197,317)	(53,514)	(68,120)	(218,467)
Tax Expense / Income		-	-	-	-
Tax Expense/Income for the Period		-	-	-	-
Deferred Tax Expense/Income		-	-	-	-
LOSS FOR THE PERIOD		(197,317)	(53,514)	(68,120)	(218,467)
Profit/(loss) per share from continuing operations	16	(0.20)	(0.05)	(0.07)	(0.22)
OTHER COMPREHENSIVE INCOME					
		-	-	-	-
TOTAL COMPREHENSIVE EXPENSE		(197,317)	(53,514)	(68,120)	(218,467)

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2019**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Share Capital	Treasury Shares	Share Premium	Restricted Reserves Appropriated from Profit	Retained Earnings	Net Profit/(Loss) for the Period	Equity
1 January 2018	1,000,000	(1,195)	25,770	65,153	4,833,821	455,108	6,378,657
Transfers	-	-	-	9,102	446,006	(455,108)	-
Dividends	-	-	-	-	(50,000)	-	(50,000)
Transactions with non-controlling shareholders (*)	-	(1,487)	-	-	-	-	(1,487)
Total comprehensive expense	-	-	-	-	-	(68,120)	(68,120)
30 June 2018	1,000,000	(2,682)	25,770	74,255	5,229,827	(68,120)	6,259,050
1 January 2019	1,000,000	(3,338)	25,770	74,255	5,229,827	1,287,204	7,613,718
Transfers	-	-	-	-	1,287,204	(1,287,204)	-
Transactions with non-controlling shareholders (*)	-	(1,137)	-	-	-	-	(1,137)
Total comprehensive expense	-	-	-	-	-	(197,317)	(197,317)
30 June 2019	1,000,000	(4,475)	25,770	74,255	6,517,031	(197,317)	7,415,264

(*) See: Note 3

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2019**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	(Reviewed) Current Period 1 January- 30 June 2019	(Reviewed) Prior Period 1 January- 30 June 2018
Notes		
A. CASH FLOWS FROM OPERATING ACTIVITIES	170,505	140,392
Loss for the Period	(197,317)	(68,120)
Adjustments to Reconcile Net Loss for the Period	455,684	568,248
Adjustments related to unrealized foreign exchange losses	257,904	430,561
Adjustments related to interest income and expenses	15 187,823	125,077
Adjustments related to depreciation and amortisation expenses	177	698
Adjustments related to doubtful receivable allowance expenses	8 4,539	2,138
Adjustments related to provisions	28,167	18,642
Gain on sales of investment properties	(2,474)	-
Adjustments related to fair value differences of derivative financial instruments	-	8,403
Adjustments related to undistributed profits of investments accounted by equity method	3 (20,452)	(17,271)
Changes in working capital	(80,315)	(358,197)
Adjustments related to decrease in trade receivables	28,536	7,716
Adjustments related to decrease in trade payables	(9,683)	(12,349)
Adjustments related to decrease / (increase) in inventories	17,502	(122,647)
Adjustments related to decrease in prepaid expenses	1,575	14,726
Adjustments related to decrease in deferred income	(7,894)	(514,970)
Decrease in other current/non-current assets due to operations	9,741	83,410
(Decrease) / increase in other payables due to operations	(120,092)	185,917
Cash generated from operations	178,052	141,931
Employment Termination Benefit Payments	(265)	(99)
Other payments	(7,282)	(1,440)

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2019**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Notes	(Reviewed) Current Period 1 January- 30 June 2019	(Reviewed) Prior Period 1 January- 30 June 2018
B. CASH FLOWS FROM INVESTING ACTIVITIES		5,838	(197,725)
Dividend income from associates	3	29,148	19,386
Payments for Acquisition of Property, Plant and Equipment and Intangible Assets		2,625	(464)
Payments for Acquisition of Investment Properties	9	(28,940)	(62,680)
Proceeds from Disposal of Investment Properties		3,005	-
Other Cash Inflows		-	(153,967)
C. CASH FLOWS FROM FINANCING ACTIVITIES		76,239	46,653
Interest received		21,528	32,566
Interest paid		(149,376)	(110,987)
Proceeds from borrowings		1,161,535	616,232
Repayment of borrowings		(957,448)	(441,230)
Cash inflows from derivative financial instruments		-	72
Dividend payments		-	(50,000)
Net increase/(decrease) in cash and cash equivalents before the effect of exchange rate changes		252,582	(10,680)
Effects of exchange rate changes on cash and cash equivalents		2,298	39,135
Net increase in cash and cash equivalents		254,880	28,455
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	203,140	595,219
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	458,020	623,674

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Torunlar Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (“Torunlar REIC” or the “Company”) and its subsidiary, TRN Otel İşletmeciliği ve Yatırımları A.Ş. (“TRN”) referred together as a “Group”. The Company was incorporated in 1996 with the trade name of Toray İnşaat Sanayi ve Ticaret A.Ş. in İstanbul, Turkey. With a change in the Articles of Association published on Trade Registry Gazette on 25 January 2008, the Company has been registered with the trade name of Torunlar Gayrimenkul Yatırım Ortaklığı A.Ş. on 21 January 2008.

The Company’s stocks have been traded at the Borsa İstanbul since 21 October 2010 and registered to Capital Markets Board (CMB). The Company operates in Turkey.

As of 30 June 2019, the total number of the Company’s employees is 77 (31 December 2018: 105) and the main shareholder is the Torun Family.

The Company is registered in İstanbul Trade Registry Office in Turkey in the below address:

Rüzgarlıbağçe Mahallesi Özalp Çıkmazı No: 4 Beykoz 34805 İstanbul/Türkiye.

The Company’s principle activity is to engage in the pre-defined objectives and areas stipulated in the Communiqué on real estate investment companies published by the Capital Markets Board of Turkey (“CMB”) such as investing in real estate, capital market instruments based on real estate, real estate projects and capital market instruments.

Torunlar REIC purchased 100% of the shares of TRN Otel İşletmeciliği ve Yatırımları A.Ş. as of 13 March 2018. Accordingly, the financial statements as of 31 March 2018 are prepared as consolidated.

The activity areas of TRN Otel İşletmeciliği ve Yatırımları A.Ş. and the Group’s participation rates in its capital are as follows:

Company	Operating country	Operating sector	2019 Participation rate %	2018 Participation rate %
TRN Otel İşletmeciliği ve Yatırımları A.Ş.	Turkey	Hotel Management	100	100

Joint Ventures

The Joint Ventures of Torunlar REIC operate in Turkey and their principal activities and joint venture partners as of 30 June 2019 are as follows:

Joint Venture	Principal Activity	Joint venture partner
TTA Gayrimenkul Yatırım Geliştirme ve Yönetim A.Ş. (“TTA”)	Shopping Mall Management	Anaterra Gayrimenkul Yatırım İnşaat ve Ticaret A.Ş.

TTA

TTA Gayrimenkul Yatırım ve Yönetim A.Ş. has been incorporated on 7 January 2010 after winning the tender related to the old cigarette factory and its auxiliary buildings which are located in Samsun, İlkadım district, 205 lot, 2, 8, 9, 10, 11, 12, 13, 14 parcels and 376 lot, 1 parcel and 377 lot, 5 parcel whose ownership is registered to Samsun Metropolitan Municipality. The project includes, by the approval of Samsun Cultural and Natural Heritage Protection Regional Committee; the renovation as shopping mall and/or hotel; constructing two stores underground car park and facilitating the right of operation to Samsun Metropolitan Municipality; operating for 30 years with a limited incorporeal right (permanent and individual usufruct right) on land registry by the same term and providing a certain share of the revenue of shopping mall and/or hotel to Samsun Metropolitan Municipality; delivering the project to Samsun Metropolitan Municipality at the end of the 30 year term.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont’d)

TTA (cont’d)

As a result of winning the tender and the agreement made with Samsun Metropolitan Municipality, the earned right as part of the financial leasing is classified as investment property within the scope of TAS 40 and is measured at fair value.

In August 2011, 450,000 shares which were previously owned by Turkmall Gayrimenkul Geliştirme Yönetim ve Yatırım A.Ş. and valued nominally as TL 450,000 and 50,000 shares which were previously owned by Ahmet Demir and valued nominally as TL 50,000 were transferred to Anaterra Gayrimenkul Yatırım İnşaat ve Ticaret A.Ş. After the transfer, the shareholding structure of TTA is 40% Torunlar REIC, 8% Torunlar Gıda Sanayi Ticaret A.Ş., 1% Aziz Torun, 1% Mehmet Torun and 50% Anaterra Gayrimenkul Yatırım İnşaat ve Ticaret A.Ş. The construction of the TTA Bulvar Samsun Mall project has been started in 2011 and the Mall started to operate in July 2012.

Torunlar Özyazıcı

Torunlar Özyazıcı has been incorporated as an ordinary partnership with a joint venture agreement on 26 January 2009. The subject of the joint venture is to conduct construction and sales of the housing development project Nishistanbul in Yenibosna İstanbul. This project includes 63 offices, 585 residences and 52 shops in 4 blocks each with 17 floors.

In accordance with the revenue sharing agreement signed between Torunlar Özyazıcı and land owner of the project, 31% of total project revenues will be distributed to the land owner and the remaining 69% portion will be shared to between the joint ventures as 60% Torunlar REIC and 40% Özyazıcı İnşaat Elektrik, Makine, Müşavirlik ve Taah. Ltd. Şti.

As of 31 December 2016, the Torunlar Özyazıcı project partnership, which is a joint venture of the Company, has completed its operations after the sale of all property belonging to the project partnership and completed the dissolution procedures on 30 May 2017. The profit from the dissolution of the project partnership has been accounted in the statement of profit or loss as of 2017.

Associates

The Associates of Torunlar REIC are incorporated in Turkey and their primary operations and nature of businesses are stated below:

Associate

Principal activity

Yeni Gimat GYO A.Ş. (“Yeni Gimat”)

Owner of ANKAmall AVM
and Crowne Plaza Hotel

Netsel Turizm Yatırımları A.Ş. (“Netsel”)

Management of Marmaris Marina

Yeni Gimat

Yeni Gimat has been incorporated by participation of 1,050 individual shareholders as founding members on 30 July 1999. The Entity owns Ankamall Shopping Mall since 2006 and Ankara Crowne Plaza Hotel since 2007. While the Group owns 14.83% of Yeni Gimat shares and Torunlar family members also own another 5% of Yeni Gimat, as a result the Group has significant influence on but no control over Yeni Gimat and is also represented in the Board of Directors. The investment in Yeni Gimat is accounted by the equity method in the condensed consolidated interim financial statements.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont’d)

Associates (cont’d)

Netsel

Netsel has been incorporated by Net Turizm Ticaret and Sanayi A.Ş. and Yüksel İnşaat A.Ş. on 6 October 1987. The coastal property operated by Netsel, has been leased from Ministry of Culture and Tourism for 49 years on 22 December 1988. Net Turizm sold its shares to Marmara Bank on 1992 and Yüksel İnşaat sold its shares to Çukurova Group in 1994. Following the liquidation process of Marmara Bank, 44.60% of Netsel was sold to Torunlar REIC in accordance with share transfer agreements on 31 May 2005 and 7 June 2005 respectively and 55% of Netsel was transferred to Tek-Art Kalamış and Fenerbahçe Marmara Turizm Tesisleri A.Ş. (a subsidiary of Koç Holding A.Ş.) in accordance with share transfer agreement on 22 August 2005 as a privatization transaction. It was accounted for by using equity method since the Group has a material importance for Netsel. The remaining 0.40% belongs to Torun family.

Subsidiary

TRN Otel İşletmeciliği A.Ş.

The Group management has decided to purchase that 100% of the shares of TRN Otel İşletmeciliği ve Yatırımları A.Ş. with a nominal value of 500,000 nominal amount and nominal value of TL 0.22 that has been valued at TL 109 as of 12 March 2018. The Group has consolidated TRN Otel İşletmeciliği A.Ş. at the rate of 100% in the interim condensed consolidated financial statements.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance in TFRS

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 was published in the Official Gazette No:28676 on 13 June 2013. The accompanying condensed consolidated interim financial statements are prepared based on the Turkish Financial Reporting Standards and interpretations (“TFRS”) 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 and disclosures have been prepared in accordance with the “Announcement on TAS Taxonomy” and the resolution of CMB about the Illustrations of Financial Statements and Application Guidance published on 15 April 2019.

The condensed consolidated interim financial statements are prepared on the basis of historical cost, with the exception of financial instruments and investment properties to be recognized by their fair value. A historical cost is a measure of value used in accounting in which the price of an asset on the balance sheet is based on its nominal or original cost when acquired by the Group.

The accompanying condensed consolidated interim financial statements for the period ended 30 June 2019 are prepared in accordance with the Turkish Accounting Standard No:34 “Interim Financial Reporting”. According to TAS 34, entities are allowed to prepare a complete or condensed consolidated set of interim financial statements. In this respect, the Group has preferred to prepare its interim consolidated financial statements for the period as of 30 June 2019 as condensed, and disclosures and notes that are required to be involved in the annual consolidated financial statements prepared according to TAS/TFRS are condensed or not included. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

The condensed consolidated interim financial statements of the Group as of 30 June 2019, have been approved by the Board of Directors on 9 August 2019. The General Assembly has the right to modify the condensed consolidated interim financial statements.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.1 Basis of Presentation (cont’d)

Summary of Significant Accounting Policies

Significant accounting policies that are used to prepare the Group’s interim condensed financial statements for the period of 30 June 2019 are prepared according to the financial statement formats and guides issued by CMB with the resolution taken in the 7 June 2013 dated and 20/670 numbered meeting, and they are in accordance with the accounting policies explained as detailed in the 31 December 2018 dated financial statements.

Functional and Presentation Currency

Items included in the interim condensed consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The Group’s functional and presentation currency is thousand TL.

Comparative Information and Restatement of Prior Period Financial Statements

Financial statements of the Group have been prepared comparatively with the prior year in order to give information about financial position and performance trends. Comparative data are reclassified whenever required and material differences are disclosed in order to comply with the presentation of the current period financial statements. In the current period, the Group has made some reclassifications in the financial statements of prior period. Nature, reason and amounts of reclassifications are disclosed below:

- In 2018, the Group has presented “Guarantees given” amounting to TL 9,293 in the statement of financial position under current assets in other receivables from third parties. In the current year, the Group management has reclassified these guarantees under “Non-current assets in other receivables from third parties”.

There is no impact of these classifications on the statement of profit or loss.

Joint Ventures

Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Group and one or more other parties. The Group exercises such joint control through the power to exercise voting rights relating to shares in the companies as a result of ownership interest directly and indirectly by itself. Joint ventures have been accounted for using the equity method in accordance with clauses of TFRS 11 “Joint Arrangements” which has been effective from 1 January 2013. Under the equity method, investments in the joint ventures are carried in the statement of financial position at cost plus post acquisition changes in the Group’s share of net assets of the joint venture and the comprehensive income reflects the share of the results of operations of the joint ventures. Where there has been a change recognized directly in the equity of the joint ventures, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. When the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method according to the Standard TAS 28.

As of 30 June 2019 and 31 December 2018, investments accounted for by the equity method and Joint Ventures which are included in the condensed consolidated interim financial statements by direct and indirect voting rights entity and effective shareholding rates (%) of Torunlar REIC are as follows:

	30 June 2019	31 December 2018
	(%)	(%)
TTA	40.00	40.00

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.1 Basis of Preparation (cont’d)

Joint Ventures (cont’d)

Interest in Joint Ventures on combined basis

	<u>30 June 2019</u>	<u>31 December 2018</u>
Current assets	1,925	2,714
Non-current assets	140,384	141,431
Total assets	142,309	144,145
Short-term liabilities	53,242	51,587
Long-term liabilities	25,812	27,804
Equity	63,255	64,754
Total liabilities and equity	142,309	144,145
Net (loss)/profit for the period	(1,499)	9,129

Associates

Investments in Associates, over which the company has significant influence, but which it does not control, are accounted for by the equity method of accounting. The Group’s share of its associates’ post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the company’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If necessary, changes may be made in the accounting policies of the subsidiaries in order to ensure integrity with the policies adopted by the Group.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Carrying amount in the date of termination of significant influence, presented with fair value if fair value after this date can be measured securely, otherwise, presented with cost value.

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2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.1 Basis of Preparation (cont’d)

İştirakler (devamı)

Torunlar REIC’s direct and indirect voting rights as of 30 June 2019 and 31 December 2018 are as follows (%):

	30 June 2019	31 December 2018
	(%)	(%)
Netsel	44.60	44.60
Yeni Gimat	14.83	14.83

Interest in associates on combined basis (*)

	30 June 2019	31 December 2018
Total assets	2,115,187	1,871,068
Total liabilities	44,356	41,012
Net profit for the period	130,397	297,502

(*) These combined balances represent amounts presented in the consolidated financial statements of associates which is accounted by the equity method after their classifications and adjustment entries for the equity method. The above mentioned figures represent the complete result of operations of these companies.

Interest in Yeni Gimat

	30 June 2019	31 December 2018
Total assets	2,079,897	2,109,119
Total liabilities	30,687	26,731
Net profit for the period	124,633	275,719

Interest in Netsel

	30 June 2019	31 December 2018
Total assets	35,290	46,015
Total liabilities	13,669	14,281
Net profit for the period	5,764	21,783

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Going concern

The condensed consolidated interim financial statements have been prepared on a going concern basis.

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2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.2. Changes in Accounting Policies

Material changes in accounting policies are corrected, retrospectively; by restating the prior financial statements.

2.3. Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively.

2.4. New and Revised Turkish Financial Reporting Standards

a) New and amended Turkish Financial Reporting Standards that are effective as of 2019

TFRS 16	<i>Leases</i>
TFRS Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to TAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Amendments to TAS 19	<i>Amendments to “Employee Benefits”</i>
<i>Annual Improvements to TFRS Standards</i>	<i>Amendments to TFRS 3, TFRS 11, TAS 12 and TAS</i>
<i>2015–2017 Cycle</i>	<i>23 standards</i>

TFRS 16 Kiralamalar

General impact of application of TFRS 16 Leases

TFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. TFRS 16 supersedes the current lease guidance including TAS 17 Leases and the related Interpretations for accounting periods beginning on or after 1 January 2019. The date of initial application of TFRS 16 for the Group is 1 January 2019 retrospectively taking into account the cumulative effect in the financial statements.

In contrast to lessee accounting, TFRS 16 substantially carries forward the lessor accounting requirements in TAS 17.

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2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.4. New and Revised Turkish Financial Reporting Standards (cont’d)

a) New and amended Turkish Financial Reporting Standards that are effective as of 2019 (cont’d)

IFRS 16 Leases (cont’d)

Impact of the new definition of a lease

The Group made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with TAS 17 and IFRS Interpretation 4 continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on Lessee Accounting

Operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under TAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Group has:

- a) Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

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2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.4. New and Revised Turkish Financial Reporting Standards (cont’d)

a) New and amended Turkish Financial Reporting Standards that are effective as of 2019 (cont’d)

TFRS 16 Leases (cont’d)

Impact on Lessee Accounting (cont’d)

Operating leases (cont’d)

Under TFRS 16, right-of-use assets are tested for impairment in accordance with TAS 36 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group opted to recognise a lease expense on a straight-line basis as permitted by TFRS 16.

TFRS 16 has had no material impact on the consolidated financial statements of the Group.

Finance leases

The main differences between TFRS 16 and TAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. TFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by TAS 17.

Impact on Lessor Accounting

Under TFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, TFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under the rules of TFRS 16, there are no two separate contracts for main lease and sublease under lessor under sublease, and it has no impact on the leased parts.

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2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.4. New and Revised Turkish Financial Reporting Standards (cont’d)

a) New and amended Turkish Financial Reporting Standards that are effective as of 2019 (cont’d)

TFRS Interpretation 23 Uncertainty over Income Tax Treatments

This Interpretation addresses the application of recognition and measurement provisions under TAS 12 when there is uncertainty over income tax treatments.

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

This amendment clarifies that an entity applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Amendments to TAS 19 Employee Benefits

The Amendments to TAS 19 Employee Benefits address the impact of the changes in defined benefit plans (one of the two benefits provided after employment relationship is ended: defined benefit plans and defined contribution plans) to the recognition of the defined benefit plans, and TAS 19 has been amended.

Annual Improvements to TFRS Standards 2015–2017 Cycle

Annual Improvements to TFRS Standards 2015–2017 Cycle include amendments to TFRS 3 *Business Combinations* and TFRS 11 *Joint Arrangements* in when a party that participates in, but does not have joint control of, TAS 12 *Income Taxes*; income tax consequences of dividends in profit or loss, and TAS 23 *Borrowing Costs* in capitalized borrowing costs.

Other than TFRS 16, these standards, amendments and improvements have no impact on the consolidated financial position and performance of the Group.

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2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.4. New and Revised Turkish Financial Reporting Standards (cont’d)

b) New and revised TFRSs in issue but not yet effective

At the date of authorisation of these consolidated financial statements, The Group has not applied the following new and revised TFRSs that have been issued but are not yet effective:

TFRS 17	<i>Insurance Contracts</i>
Amendments to TFRS 3	<i>Business Combinations</i>
Amendments to TAS 1	<i>Presentation of Financial Statements</i>
Amendments to TAS 8	<i>Accounting Policies, Changes and Errors in Accounting Estimates</i>

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2021.

Amendments to TFRS 3 *Business Combinations*

The definition of “business” is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of “business” in TFRS 3 Business Combinations standart has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

Amendments to TAS 1 *Presentation of Financial Statements* and TAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*

The amendments in Definition of Material (Amendments to TAS 1 and TAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

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2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.5 Critical Accounting Estimates, Assumptions and Judgements

Critical judgments in applying the Group’s accounting policies

In the process of applying the Group’s accounting policies, management has made the following judgments that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements (apart from those involving estimations, which are dealt with below):

The preparation of condensed consolidated interim financial statements requires the use of assumptions and estimates that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues expenses which are reported throughout the period. Even though, these assumptions and estimates rely on the best estimates of the Group management; the actual results might differ from them. The assumptions and critical accounting estimates used in order to prepare the condensed consolidated interim financial statement as of 30 June 2019 have no change in comparison with the prior year. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below:

Fair values of investment properties:

In the consolidated financial statements, valuation method as basic assumptions of valuation reports, discount rates, annual rent increase rate, terminal value growth rates, capitalization rates and comparable m² values that are used in order to find fair value of properties classified as investment property are presented in the following pages.

In 2018, fair values of the investment properties are determined by independent valuation expert; Lotus Gayrimenkul Danışmanlık ve Değerleme A.Ş. The Group assumes that expenditure amount on investment property has an equivalent effect on fair value of related real estate. Since the valuation reports are performed once a year, the fair values of the investment properties determined by the valuation reports are 2018 used for 30 June 2019 condensed consolidated interim financial statements. As the revaluation is performed once a year, the values adopted as a result of the valuation performed in 2018 are used in the interim condensed consolidated financial statements prepared as of 30 June 2019. As of 30 June 2019, no adverse effects were observed when compared to the predicted revenues for 2019 and the 6-month realizations,.

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2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.5 Critical Accounting Estimates, Assumptions and Judgements (cont’d)

Fair values of investment properties (cont’d)

Significant estimates and assumptions disclosed in the consolidated financial statements as of 30 June 2019 and 31 December 2018 are as follows:

	Valuation report date	Valuation method	Discount rate (*)	Rent increase rate p.a	End period growth rate	Comparable m² prices in full TL
Antalya Deepo Shopping Mall	8 January 2019	Discounted cash flow	16-25%	8-15%	8%	-
Mall of Antalya	8 January 2019	Discounted cash flow	16-25%	8-15%	8%	-
Antalya Kepez lands	8 January 2019	Sale comparison	-	-	-	263-1.858
Bursa Korupark Shopping Mall	8 January 2019	Discounted cash flow	16-25%	8-15%	8%	-
Torium Shopping Mall	8 January 2019	Discounted cash flow	16-25%	8-15%	8%	-
Bursa Zafer Plaza Shopping Mall	8 January 2019	Discounted cash flow	16-25%	8-15%	8%	-
Mall of İstanbul Shopping Mall	8 January 2019	Discounted cash flow	16-25%	8-15%	8%	-
Torun Tower	8 January 2019	Sale comparison	-	-	-	23,085
Paşabahçe project İstanbul İkitelli	8 January 2019	Discounted cash flow	16-25%	8-15%	8%	-
Kayabaşı land	8 January 2019	Sale comparison	-	-	-	1065
İstanbul Beyoğlu Kemankuş building	8 January 2019	Sale comparison	-	-	-	41,700
Bursa Korupark independent areas	8 January 2019	Sale comparison	-	-	-	500 - 4.790
Mall of İstanbul residents and offices	8 January 2019	Sale comparison	-	-	-	5.556-10.870
Mall of İstanbul hotel convention center and residence project	8 January 2019	Discounted cash flow	16-25%	8-15%	8%	-
Torun Center	8 January 2019	Sale comparison	-	-	-	19.565 - 27.397

(*) Within the scope of the decree numbered 32 on 16 November 2018, rents of shopping malls are denominated in TL. Accordingly, the future discount rates of TL cash flows are calculated in TL based on TL rental income in prospective projections.

If all the variables in the valuations of the real estates with the fair value of TL 6,986,844 valued using the income approach as of 31 December 2018 were fixed and the discount rate used was more than 0.5% and less than 0.5%, the fair values would have been TL 34,934 lower and TL 34,934 higher.

- i. The Antalya Deepo Shopping Center and Mall of Antalya, which were established on an area of 84,503.61 m² on the territory of Antalya Province, Merkez District, Koyunlar Village, which the Group classified under investment properties as of 30 June 2019 and 31 December 2018. It was opened in April 2017. Leasing and management of shopping center is conducted by Torun Alışveriş Merkezleri Yatırım ve Yönetim A.Ş..

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, as at 8 January 2019 with the report number 2018-409 the aforementioned property’s fair value is TL 900,000 as at 31 December 2018.

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2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.5 Critical Accounting Estimates, Assumptions and Judgements (cont’d)

Fair values of investment properties (cont’d)

- ii. The Group has 57,680 m² of land in the province of Antalya, Merkez District, Koyunlar Village, which is classified under investment properties as of 30 June 2019 and 31 December 2018.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, as at 8 January 2019 with the report number 2018-408 the aforementioned property’s fair value is TL 62,235 as at 31 December 2018.

- iii. The Bursa Korupark Shopping Center, which was established on the area of 53,185.61 m² in Bursa Province, Osmangazi District, Emek Village, which is classified under investment properties as of 30 June 2019 and 31 December 2018, has been put into service on May 2007. The Management of Shopping Center is conducted by Torun Alışveriş Merkezleri Yatırım ve Yönetim A.Ş.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report with the number 2018-398, Capital Markets Board’s Serie: IV No:1 Communiqué, dated 8 January 2019, at 31 December 2018, the aforementioned property’s fair value is TL 1,540,000.

- iv. The Mall of İstanbul Shopping Center, which was established on the rentable area of 181,295 m² in İstanbul Province, Başakşehir District, İkitelli – 2 Neighborhood, which is classified under investment properties as of 30 June 2019 and 31 December 2018, has been put into service on 23 May 2014. The management of Shopping Center is conducted by Torun Alışveriş Merkezleri Yatırım ve Yönetim A.Ş.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 8 January 2019 with the report number 2018-391, the aforementioned property’s fair value is TL 2,590,000 as at 31 December 2018.

- v. As of 30 June 2019 and 31 December 2018, the Group has completed the Torium Shopping Center project on an area of 44,571 m² in İstanbul Province, Büyükçekmece District, Esenyurt Village which is classified under investment properties. The Torium AVM project has been completed and the shopping mall was opened on 30 October 2010.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 8 January 2019 with the report number 2018-400, the aforementioned property’s fair value is TL 490,000 as at 31 December 2018.

- vi. As of 30 June 2019 and 31 December 2018, the Group has an area of 70,644 m² in the İstanbul Province, Beykoz District which is classified as investment property and has 49 years of usage rights for a 3,935 m² pier and dock. It is planned to make a 5 star Hotel and Apart Hotel project on the land. Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 8 January 2019 with the report number 2018-404, the aforementioned property’s fair value is TL 801,100 as at 31 December 2018.

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2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.5 Critical Accounting Estimates, Assumptions and Judgements (cont’d)

Fair values of investment properties (cont’d)

- vii. On the 11,099 m² land located in İstanbul - Şişli 2nd District - which is classified under investment property as of 30 June 2019 and 31 December 2018, the Group completed Torun Tower Project in 2014. The project has been completed in 2014 and a rent agreement has been signed with Denizbank A.Ş. for 60,023 m² of area (30 floors) on 6 February 2014.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 8 January 2019 with the report number 2018-402, the aforementioned property’s fair value is TL 1,724,000 as at 31 December 2018.

- viii. Bursa Zafer Plaza located on the 9,622 m² land in Bursa - Osmangazi Şehreküstü District - which is classified under investment property as of 30 June 2019 and 31 December 2018 has been opened in October 1999. Rental procedures and management of the Mall is conducted by Zafer Plaza İşletmecilik A.Ş.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report, dated 8 January 2019 with the report number 2018-397, the aforementioned property’s fair value is TL 352,400 as at 31 December 2018.

- ix. The Group owns 60,833 m² land located in İstanbul - Küçükçekmece Kayabaşı District - which is classified under investment property as of 30 June 2019 and 31 December 2018. The usage of this land has not been determined by the management as of balance sheet date and the land is retained for capital appreciation.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 8 January 2019 with the report number 2017-569 the aforementioned property’s fair value is TL 64,785 as at 31 December 2018.

- x. The Group owns a building located on 1,501 m² land in İstanbul - Beyoğlu Kemankeş District - which is classified under investment property as of 30 June 2019 and 31 December 2018. The building is planned to be renovated as a hotel.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 8 January 2019 with the report number 2018-406 the aforementioned property’s fair value is TL 61,660 as at 31 December 2018.

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2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.5 Critical Accounting Estimates, Assumptions and Judgements (cont’d)

Fair values of investment properties (cont’d)

- xi. As at 30 June 2019 and 31 December 2018 separate unit of Bursa Korupark Shopping Mall located in Bursa - Osmangazi Emek district which is classified under investment properties includes a dolphin pool, social recreation areas, office and depots.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 8 January 2019 with the report number 2018-399 the aforementioned property’s fair value is TL 22,433 as at 31 December 2018.

- xii. The Group has started to Mall of Istanbul Hotel, Convention Center and Office Project on 18,209 m² land located in İstanbul-Başakşehir district which is classified under investment properties as of 30 June 2019 and 31 December 2018.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 8 January 2019 with the report number 2018-394 the aforementioned property’s fair value is TL 313,344 as at 31 December 2018.

- xiii. The Group has rented 22 units consisting of 20 offices and 2 residents with a rentable area of 2,177 m² which is located in İstanbul Province, Başakşehir-İkitelli-2 District and is classified under investment properties as of 30 June 2019 and 31 December 2018.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 8 January 2019 with the report number 2018-392, the aforementioned property’s fair value is TL 13,550 as at 31 December 2018.

- xiv. As of 30 June 2019 and 31 December 2018, the Group leased a rentable area of 68,673 m², classified under investment properties, consisting of workplaces, offices and commercial units under the Torun Center project in İstanbul Province, Şişli District, Dikilitaş Quarter in 2018.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 8 January 2019 with the report number 2018-403 the aforementioned property’s fair value is TL 1,086,976 as at 31 December 2018.

2.6 Compliance with the portfolio limitations

Presented information in Additional Note: control of compliance with the portfolio limitations are the condensed information which comprised of Serial: II, No: 14.1 “Financial Reporting in Capital Markets” Amendment No: 16 and prepared in accordance with Capital Markets Board’s Communiqué Serial: III, No: 48.1 “Real Estate Investment Company” published in the Official Gazette dated 28 May 2013 numbered 28660 Capital Markets Board’s Communiqué Serial: III, No: 48.1 a “Amendment on Real Estate Investment Company” published in the Official Gazette dated 23 January 2014 numbered 28891.

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3. INTERESTS IN OTHER ENTITIES

	30 June 2019		31 December 2018	
	(%)	TL	(%)	TL
Yeni Gimat	14.83%	303,647	14.83%	308,370
TTA	40.00%	25,302	40.00%	25,902
Netsel	44.60%	9,643	44.60%	14,153
		338,592		348,425
	1 January - 30 June 2019	1 April- 30 June 2019	1 January - 30 June 2018	1 April- 30 June 2018
At the beginning of the period	348,425	349,531	315,593	318,438
Income and expenses from associates, (net)	21,052	11,720	18,857	11,921
Dividends received from associates	(29,148)	(22,067)	(19,386)	(17,062)
Treasury shares (*)	(1,137)	(316)	(1,487)	(403)
Profit or losses from joint ventures, (net)	(600)	(276)	(1,586)	(903)
At the End of the Period	338,592	338,592	311,991	311,991

(*) The Company’s associate of Yeni Gimat GYO, is a 100% subsidiary of the Anadolu Gayrimenkul Yönetimi A.Ş. in 2017. As a result of the merger, the repurchase transaction in 2019 which is held by the subsidiary, the shares are classified as treasury shares amounting to TL 1,137 in the consolidated financial statements.

Profit or losses from investments accounted for by the equity method:

	1 January - 30 June 2019	1 April- 30 June 2019	1 January - 30 June 2018	1 April- 30 June 2018
Yeni Gimat	18,483	8,808	15,049	9,468
Netsel	2,569	2,912	3,808	2,453
TTA	(600)	(276)	(1,586)	(903)
Total	20,452	11,444	17,271	11,018

The Group’s associates and joint ventures are accounted for by the equity method in the condensed consolidated interim financial statements.

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4. SEGMENT REPORTING

The reportable segments of Torunlar REIC have been organized by the management as a portfolio on a project-by-project basis and makes decisions about resources to be allocated to the properties on the same basis. Accounting policies applied by each operational segment of Torunlar REIC are the same as those are applied in Torunlar REIC’s financial statements which are prepared in accordance with TFRS. The information about each segment is presented below. Management follows and evaluates the performance of its segments in the statement of profit or loss until the operating profit before the financing income/expense. Since all of the loans and deposits which are constituted the financing activities of the Group can not be matched with the projects and are generally related to mixed projects, the Management does not make an assessment by distributing the financing activities according to the departments. In addition, the Management does not make an assessment by distributing its total assets and liabilities according to the divisions.

a) The segment information for the reportable segments as of and for the period ended 30 June 2019 is as follows;

	Total revenue from departments	Gross profit	Operating profit/(loss)	Income / (expense) from subsidiaries	Finance expenses, net	Profit/(loss) from before tax	Investment expenditures (*)
Offices and shopping malls for rent							
Mall of İstanbul Shopping Mall	136,699	106,728	101,041	-	-	101,041	1,558
Korupark Shopping Mall	75,799	62,585	62,110	-	-	62,110	2,662
Torun Tower	43,500	43,410	42,448	-	-	42,448	307
Torium Shopping Mall	35,086	15,370	14,105	-	-	14,105	431
Zafer Plaza Shopping Mall	17,560	13,316	13,199	-	-	13,199	-
Antalya Deepo Shopping Mall	21,226	16,195	16,036	-	-	16,036	2,049
Mall of Antalya Shopping Mall	27,680	19,745	19,584	-	-	19,584	1,083
Mall of İstanbul							
Residences and Offices	1,258	994	994	-	-	994	-
Korupark independent areas	362	263	80	-	-	80	-
Torun Center	2,630	3,431	(340)	-	-	(340)	80
5. Levent trading areas	1,359	783	784	-	-	784	-
Subtotal	363,159	282,820	270,041	-	-	270,041	8,170
Residences and office projects							
Torun Center	9,278	4,049	3,713	-	-	3,713	-
Korupark 3rd phase residences	743	478	489	-	-	489	-
Mall of İstanbul	794	-	-	-	-	-	-
Torium residences	-	-	-	-	-	-	-
Nishistanbul Project	86	82	29	-	-	29	-
5. Levent Project (**)	60,563	20,526	16,092	-	-	16,092	94,532
Subtotal	71,464	25,135	20,323	-	-	20,323	94,532
Projects under construction							
Paşabahçe project	-	-	-	-	-	-	2,753
Mall of İstanbul hotel convention center and residence project	-	-	-	-	-	-	17,278
Properties held for new projects							
Mall of İstanbul 3rd Phase (Note 9)	-	-	-	-	-	-	-
Kayabaşı land	-	-	-	-	-	-	-
Kemankeş building	-	-	-	-	-	-	739
Associates							
ANKAmall and Hotel (Yeni Gimat)	-	-	-	18,483	-	18,483	-
Netsel	-	-	-	2,569	-	2,569	-
TTA	-	-	-	(600)	-	(600)	-
Unallocated	-	-	(13,718)	-	(494,415)	(508,133)	-
Total	434,623	307,955	276,646	20,452	(494,415)	(197,317)	123,472

(*) Investment expenditures include investments for items classified as inventory in financial statements and shopping malls classified as investment properties in the consolidated financial statements.

(**) Investment expenditures related to the 5. Levent project, consist of direct costs, indirect costs and other cost items that the Group management classified as related to the project.

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4. SEGMENT REPORTING (cont’d)

b) The segment information for the reportable segments as of and for the period ended 30 June 2018 is as follows:

	Total revenue from departments	Gross profit	Operating profit/(loss)	Income / (expense) from subsidiaries	Finance expenses, net	Profit/(loss) from before tax	Investment expenditures (*)
Offices and shopping malls for rent							
Mall of İstanbul Shopping Mall	107,425	80,662	76,193	-	-	76,193	1,386
Korupark Shopping Mall	61,587	49,891	49,561	-	-	49,561	1,135
Torun Tower	41,093	42,196	42,360	-	-	42,360	-
Torium Shopping Mall	26,661	12,084	11,061	-	-	11,061	27,682
Zafer Plaza Shopping Mall	16,200	11,815	11,710	-	-	11,710	-
Antalya Deepo Shopping Mall	16,549	12,283	12,281	-	-	12,281	-
Mall of Antalya	18,225	10,898	8,637	-	-	8,637	11,936
Antalya Kepez Lands	-	-	-	-	-	-	-
Korupark independent areas	309	309	(239)	-	-	(239)	-
Torun Center	1,068	366	366	-	-	366	842
Subtotal	289,117	220,504	211,930	-	-	211,930	42,981
Residences and office projects							
Torun Center	1,545	1,241	(2,438)	-	-	(2,438)	8,789
Korupark 3rd phase residences	1,985	1,021	1,217	-	-	1,217	-
Mall of İstanbul	-	-	-	-	-	-	3
Torium residences	-	-	-	-	-	-	-
Nishistanbul Project	-	-	(56)	-	-	(56)	-
Subtotal	3,530	2,262	(1,277)	-	-	(1,277)	8,792
Projects under construction							
5. Levent Project (**)	1,035,243	374,980	368,613	-	-	368,613	204,258
Torun Center	-	-	-	-	-	-	-
Paşabahçe project	-	-	-	-	-	-	2,544
Mall of İstanbul hotel convention center and residence project	-	-	-	-	-	-	17,130
Properties held for new projects							
Kayabaşı land	-	-	-	-	-	-	-
Kemankeş building	-	-	-	-	-	-	-
Associates							
ANKA mall and Hotel (Yeni Gimat)	-	-	-	15,049	-	-	-
Netsel	-	-	-	3,808	-	-	-
TTA	-	-	-	(1,586)	-	-	-
Unallocated	-	(271)	14,726	-	(679,383)	(647,386)	-
Total	1,327,890	597,475	593,992	17,271	(679,383)	(68,120)	275,705

(*) Increase/decrease in value due to investment properties.

(**) Capital expenditures include investments for items classified as inventory in financial statements and shopping malls classified as investment properties.

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5. CASH AND CASH EQUIVALENTS

	30 June 2019	31 December 2018
Cash at banks	459,182	203,925
<i>Demand deposits</i>	1,102	2,928
<i>Time deposits up to 3 months maturity</i>	458,080	200,997
Other cash equivalents	138	412
	459,320	204,337

As of 30 June 2019 and 31 December 2018, cash and cash equivalents in the statement of cash flows are as follows.

	30 June 2019	31 December 2018
Cash and cash equivalents	459,320	204,337
Less: Interest accrual of time deposits	(1,300)	(1,197)
Cash and cash equivalents in the statement of cash flows	458,020	203,140

Maturities of cash and cash equivalents are as follows:

	30 June 2019	31 December 2018
Up to 30 days	194,365	204,337
30 - 90 days	264,955	-
	459,320	204,337

As of 30 June 2019, the Group does not have 90 days or more time deposits classified as financial investments. (31 December 2018: None).

The breakdown of foreign currency denominated cash and cash equivalents in terms of TL is as follows:

	30 June 2019		31 December 2018	
	Original Amount	TL Equivalent	Original Amount	TL Equivalent
US Dollar	21,776	125,323	20,195	106,243
Euro	28,793	188,614	6,502	39,194
Other	1	9	1	8
		313,946		145,445

Weighted average effective interest rate for time deposits (%):

	30 June 2019 (%)	31 December 2018 (%)
US Dollar	3.75%	6.39%
Euro	1.50%	3.80%
Turkish Lira	23.95%	23.43%

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6. FINANCIAL LIABILITIES

Financial Liabilities

	30 June 2019	31 December 2018
Financial borrowings		
Bank borrowings	166,336	258,038
Short-term financial borrowings	166,336	258,038
Current portion of long-term borrowings	2,016,121	1,652,764
Finance leases	31,179	32,844
Short-term portions of long-term borrowings	2,047,300	1,685,608
Bank borrowings	2,472,013	2,187,695
Finance leases	32,753	62,694
Long-term borrowings	2,504,766	2,250,389
Total borrowings	4,718,402	4,194,035

As of 30 June 2019, there are mortgages amounting to TL 8,384,814 (31 December 2018: TL 7,372,065) given to the banks regarding the financial liabilities amounting to TL 2,478,612 (31 December 2018: TL 2,240,185) on the investment properties.

a) Bank borrowings

	30 June 2019	31 December 2018
Short-term bank borrowings	166,336	258,038
Current portion of long-term borrowings	2,016,121	1,652,764
Long-term bank borrowings	2,472,013	2,187,695
Total borrowings	4,654,470	4,098,497

30 June 2019	Weighted average effective interest (*) (%)	Currency	Original amount	TL equivalent
Short-term bank borrowings	24.34	TL	166,336	166,336
Current portion of long-term borrowings	22.81	TL	441,624	441,624
	5.72	US Dollar	198,373	1,141,656
	4.04	Euro	66,075	432,841
Long-term bank borrowings	19.79	TL	416,666	416,666
	6.75	US Dollar	190,667	1,097,307
	4.51	Euro	146,250	958,040
Total bank borrowings				4,654,470

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6. FINANCIAL LIABILITIES (cont’d)

a) Bank loans (cont’d)

31 December 2018	Weighted average effective interest (*) (%)	Currency	Original amount	TL equivalent
Short-term bank borrowings	19.34	TL	86,554	86,554
	4.90	US Dollar	16,172	85,079
	3.00	Euro	14,334	86,405
Current portion of long-term borrowings	19.21	TL	194,817	194,817
	6.61	US Dollar	246,680	1,297,759
	4.46	Euro	26,574	160,188
Long-term bank borrowings	22.01	TL	285,031	285,031
	5.76	US Dollar	197,989	1,041,606
	3.93	Euro	142,843	861,058
Total bank borrowings				4,098,497

(*) Weighted average effective interest rates consists of weighted average rate of fixed and floating loans.

The repayment schedule for long-term bank borrowings as of 30 June 2019 and 31 December 2018 is as follows:

	30 June 2019	31 December 2018
2020	808,015	703,497
2021	276,667	190,334
2021 and beyond	1,387,331	1,293,864
	2,472,013	2,187,695

b) Payables from finance leases

The breakdown of the lease obligations by maturity is as follows:

	30 June 2019	31 December 2018
Up to 1 year	31,179	32,844
1 years - 5 years	32,753	62,694
	63,932	95,538

Finance leases consist of US Dollar and EUR. The Group has a finance leases obligation of 3.56% interest rate with original currency of EUR 10,190 and interest rate of 4.95% with original currency US Dollar 241 (31 December 2018: US Dollar 827 and EUR 1,527) as of 30 June 2019.

As of 30 June 2019, a significant part of the finance leases consists of financial lease obligations related to the shopping malls which are sold to Ak Finansal Kiralama A.Ş. regarding the sell and leaseback agreement that was made on 27 May 2016 and which are represented as the investment properties.

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7. PREPAID EXPENSES, DEFERRED INCOME AND OTHER SHORT-TERM AND LONG-TERM LIABILITIES AND SHORT-TERM PROVISIONS

Short-Term Prepaid Expenses	30 June 2019	31 December 2018
Advances given	8,797	8,748
Prepaid expenses	4,063	5,527
	12,860	14,275

Long-Term Prepaid Expenses	30 June 2019	31 December 2018
Advances given	970	970
Prepaid expenses	2,873	3,033
	3,843	4,003

Short-Term Deferred Income	30 June 2019	31 December 2018
Advances received (*)	85,296	97,584
Deferred income	4,394	
	89,690	97,584

(*) As of 30 June 2019, advances received amounting to TL 56,640 consist of the sales commitments regarding the offices and residential units of 5. Levent Project, TL 2,502 for Korupark 3rd Phase, TL 18,196 for Mall of İstanbul, TL 6,258 for Torun Center and the remaining TL 1,430 consist of other advances (31 December 2018: TL 85,881 for 5. Levent Project, TL 4,270 for Mall of İstanbul project, 2,143 TL for Korupark 3rd Phase and remaining TL 5,190 for other advances).

Other Short-Term Liabilities	30 June 2019	31 December 2018
Short-term liabilities for project costs (*)	100,035	171,213
Taxes and funds payable	2,154	4,591
Expense accruals	50	169
	102,239	175,973

Other Long-Term Liabilities	30 June 2019	31 December 2018
Long-term liabilities for project costs (*)	-	52,304
	-	52,304

(*) It comprises cost liabilities regarding 5. Levent project land share.

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7. PREPAID EXPENSES, DEFERRED INCOME AND OTHER SHORT-TERM AND LONG-TERM LIABILITIES AND SHORT-TERM PROVISIONS (cont’d)

Short-term provisions	30 June 2019	31 December 2018
Provisions for legal claims (*)	11,417	9,807
	11,417	9,807

(*) As of 30 June 2019, as of 30 June 2019, provision for legal case amounting to TL 11,417 has been made according the opinions of the Group's lawyers (31 December 2018: TL 9,807). As of 30 June 2019, there are 35 pecuniary and non-pecuniary damage lawsuits, 186 business lawsuits and 45 other miscellaneous lawsuits filed against the Group. The risk arising from the total possible cash outflow is TL 11,417 and the lawsuits are ongoing. (As of 31 December 2018, there are 29 pecuniary and non-pecuniary damage lawsuits, 158 business lawsuits and 29 other miscellaneous lawsuits filed against the Group. The risk arising from the total possible cash outflow is TL 9,807 and the lawsuits are ongoing). According to the opinions of the Group's lawyers, no liability is expected to arise except for the provision amount. There are no lawsuits against the shareholders of the Group.

8. TRADE RECEIVABLES AND PAYABLES

Current trade receivables	30 June 2019	31 December 2018
Trade receivables	81,087	75,589
Notes receivables (*)	63,748	81,624
Trade receivables from related parties (Note 17)	19,543	30,700
Less: Allowance for doubtful receivables	(18,301)	(13,762)
	146,077	174,151

Non-current trade receivables	30 June 2019	31 December 2018
Notes receivables (*)	5,660	10,661
	5,660	10,661

(*) As of 30 June 2019, TL 41,074 of long term and short term notes receivable are related to 5. Levent project, TL 9,667 of Mall of Istanbul Project, TL 5,580 of Korupark 3. Phase resident project, TL 1,176 of Mall of Antalya, TL 1,185 of Torium project and the remaining TL 10,726 consists of other notes receivables (31 December 2018: 5.Levent Project TL 55,369, Mall of İstanbul TL 11,054, Korupark 3. Phase TL 6,471, Mall of Antalya tl 3,081, Torium TL 2.079 and other TL 14,231).

Movement of the provision for the doubtful receivables is as follows:

Movement of provision for doubtful receivables	30 June 2019	31 December 2018
Opening balance	(13,762)	(10,244)
Provision provided during the period (Note 14)	(4,539)	(2,138)
Closing balance	(18,301)	(12,382)

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8. TRADE RECEIVABLES AND PAYABLES (cont’d)

Aging of provision for doubtful receivables is as follows:

	30 June 2019	31 December 2018
3 to 6 months	(2,921)	(2,138)
Over 6 months	(15,380)	(10,244)
	(18,301)	(12,382)

Short-term trade payables	30 June 2019	31 December 2018
Trade payables	67,099	68,518
Trade payables to related parties (Note 17)	17,234	30,078
Notes payable	5,230	650
	89,563	99,246

As of 30 June 2019 and 31 December 2018, majority of trade payables consist of payables to subcontractors relating to projects in progress.

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9. INVESTMENT PROPERTIES

Movement schedule of investment properties as of 30 June 2019 and 31 December 2018:

	1 January 2019	Additions	Disposals	Transfers	Change in fair value	30 June 2019
Shopping Malls and Offices						
MOI Shopping Mall	2,590,000	1,558	-	-	-	2,591,558
Torun Tower	1,724,000	307	-	-	-	1,724,307
Bursa Korupark Shopping Mall	1,540,000	2,662	-	-	-	1,542,662
Torun Center	1,086,976	80	(3,667)	-	-	1,083,389
Torium Shopping Mall	490,000	431	-	-	-	490,431
Antalya Deepo Shopping Mall	410,000	2,049	-	-	-	412,049
Mall of Antalya	490,000	1,083	-	-	-	491,083
Bursa Zafer Plaza Shopping Mall	352,400	-	-	-	-	352,400
Mall of İstanbul Residences and Offices	13,550	-	-	-	-	13,550
Korupark independent areas	22,433	-	-	-	-	22,433
5. Levent (**)	52,930	-	-	-	-	52,930
Investment properties under construction						
Paşabahçe land (*)	801,100	2,753	-	-	-	803,853
Mall of İstanbul hotel congress center and office Project (***)	313,344	17,278	-	-	-	330,622
Properties held for new-projects						
Antalya Kepez Lands	62,235	-	-	-	-	62,235
Kemankeş building	61,660	739	-	-	-	62,399
Kayabaşı land	64,785	-	-	-	-	64,785
Mall of İstanbul 3rd Phase	68,120	-	-	-	-	68,120
	10,143,533	28,940	(3,667)	-	-	10,168,806

(*) The Group has purchased a real estate after a successful tender at a price of TL 355 million from R.T. Prime Ministry Privatization Administration. The aforementioned purchase contains real estates as follows: Block 195, Lot 7 as 54,870 m²; Block 209, Lot 3 as 16,212 m²; Block 200, lot 3 in Paşabahçe neighborhood, Beykoz district and İstanbul city as 827 m² and buildings on these real estates. Title deed processes of real estates have been completed as of 20 September 2012. A project which will include a five-star hotel and apart hotel on the land purchased was developed and the construction works has started.

(**) Investment expenditures related to the 5th Levent project consist of direct and indirect expenses and incurred by the Group management during the period, and other cost items associated with the project.

(***) The Hilton brand was agreed with for the hotel section in the Mall of İstanbul Phase 2 project that is in the portfolio of Torunlar REIC and comprises Hotel, Convention Center and Residence. It is estimated that the Hotel will start to operate in the summer of 2020.

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9. INVESTMENT PROPERTIES (cont’d)

	1 January 2018	Additions	Disposals	Transfers	Change in fair value	30 June 2018
Shopping Malls and Offices						
MOI Shopping Mall	1,860,000	1,386	-	-	-	1,861,386
Torun Tower	1,532,000	-	-	-	-	1,532,000
Bursa Korupark Shopping Mall	1,293,000	1,135	-	-	-	1,294,135
Torun Center	1,022,687	842	-	-	-	1,023,529
Torium Shopping Mall	465,200	27,682	-	-	-	492,882
Antalya Deepo Shopping Mall and Mall of Antalya	578,000	11,938	-	-	-	589,938
Bursa Zafer Plaza Shopping Mall	291,600	-	-	-	-	291,600
Mall of İstanbul Residences and Offices	19,080	-	-	-	-	19,080
Korupark independent areas	20,613	-	-	-	-	20,613
Investment properties under construction						
Paşabahçe land (*)	754,600	2,544	-	-	-	757,144
Mall of İstanbul hotel congress center and office Project	256,339	17,133	-	-	-	273,472
Properties held for new-projects						
Antalya Kepez Lands	78,010	-	-	-	-	78,010
Kemankeş building	58,170	20	-	-	-	58,190
Kayabaşı land	53,230	-	-	-	-	53,230
Mall of İstanbul 3rd Phase	-	75,100	-	-	-	75,100
	8,282,529	137,780	-	-	-	8,420,309

(*) The Group has purchased a real estate after a successful tender at a price of TL 355 million from R.T. Prime Ministry Privatization Administration. The aforementioned purchase contains real estates as follows: Block 195, Lot 7 as 54,870 m²; Block 209, Lot 3 as 16,212 m²; Block 200, lot 3 in Paşabahçe neighborhood, Beykoz district and İstanbul city as 827 m² and buildings on these real estates. Title deed processes of real estates have been completed as of 20 September 2012. Torunlar REIC is planning to develop a project on this land which will include a five-star hotel and apart hotel. The management of the hotel and apart hotel planned will be performed by TRN, the subsidiary of the Group.

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9. INVESTMENT PROPERTIES (cont’d)

Mortgages on investment properties regarding bank borrowings as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	31 December 2018		30 June 2019	31 December 2018
	Original Amount	Original Amount	Currency type		
Torun Tower	390,000	390,000	US Dollar	2,244,489	2,051,751
Paşabahçe project	375,000	375,000	US Dollar	2,158,163	1,972,838
Mall of İstanbul AVM	150,000	150,000	US Dollar	863,265	789,135
Mall of İstanbul AVM	406,399	406,399	TL	406,399	406,399
Bursa Korupark AVM	225,000	225,000	Euro	1,473,908	1,356,301
Antalya Deepo AVM and Mall of Antalya	130,000	130,000	Euro	851,591	783,641
Mall of İstanbul 2nd Phase	387,000	12,000	TL	387,000	12,000
				8,384,815	7,372,065

10. INVENTORIES

	30 June 2019	31 December 2018
Short-term inventories		
Residences and office projects		
Completed Projects		
- Torun Center project (*)	439,882	560,563
- Mall of İstanbul project (**)	24,505	25,965
- Nishistanbul (***)	12,495	12,088
- Korupark 3rd phase (****)	2,419	2,673
- Torium (*****)	438	438
Non-Completed Projects		
- 5.Levent project (*****)	729,157	659,277
	1,208,896	1,261,004

Impairment provision amounting to TL 67 has been recognised for Torium Residences (31 December 2018: TL 67); TL 1,398 (31 December 2018: 1,398) for Nishistanbul total of TL 1,465 (31 December 2018: TL 1,465) as of 30 June 2019.

(*) The Torun Center Project consists of sellable area with a total of 175,408 m², segregated as 45,776 m² Office Tower, 36,382 m² Horizontal Office, 77,988 m² Residence and 15,312 m² Commercial Area. The delivery of Office Tower and Horizontal Office has started as of 31 December 2017. 89 residences, 47 offices and 40 Horizontal offices have been delivered in this context the Group has recognised revenue amounting to TL 582,799 as of 30 June 2019 (31 December 2018: 87 residences, 46 offices and 39 horizontal offices and in this context the Group has collected revenue TL 573,522). As of 30 June 2019, the Group did not capitalized any financial expense for Torun Center Project (31 December 2018: None).

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10. INVENTORIES (cont’d)

(**) Construction license of Mall of İstanbul Project was taken on 18 March 2011. The Project with 656,528 m² construction area comprising 129,186 m² shopping mall, 97,700 m² residence, 8,433 m² office and 421,209 m² is mixed-use project. Project construction has started in March 2011. Residence and office transfers started on 24 December 2013 and the shopping mall opened its door to the visitors on 23 May 2014. Based on the valuation report numbered 2011/TGYO/10 and dated 31 March 2011, which was prepared by Prime Gayrimenkul Değerleme ve Danışmanlık A.Ş., the fair value of land including 146,039 m² sellable residences and offices was determined as TL 203,233 and the value of land belonging to residences and offices to be sold after Project completion has been transferred to inventories. The Group has started to deliver the projects on 24 December 2013 and has delivered 1,079 residences, 133 offices and 21 horizontal offices and in this context the Group has recognised revenue amounting TL 985,698 as of 30 June 2019. (31 December 2018: 1,078 residences, 133 offices and 21 horizontal offices and in this context the Group has recognised revenue amounting TL 984,897).

(***) There are 1 office (gross 260 m²) and 7 retail units (gross 1,718 m²) registered in Nishistanbul project in İstanbul, Yenibosna, plate 243DS3A, Block 338, and Lot 1.

(****) In the context of 3rd phase of the Korupark project, there are 17 blocks, 678 residences and 2 offices where on 20 March 2011 construction and on 30 April 2011 pre-sales started. As of 30 June 2019, 668 residences were sold with 100,392 m² and transferred to buyers (31 December 2018: 100,204 m² 667 residences).

(*****) As of 30 June 2019, in Torium project, 53 residences (gross 5.723 m²), from the total 51 sellable units (gross 5.534 m²) have been sold and 2 residential units have been remained with gross 189 m² in the Group inventories. There was no delivered real estate in the first 6 months of 2019.

(***** As of 30 June 2019, 1,850 residences were sold and transferred to buyers in the 5th Levent project. (31 December 2018: 1,799)

11. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities are as follows:

	30 June 2019	31 December 2018
Collaterals received	211,655	217,344

Collaterals received usually consist of letters of guarantee received from subcontractors for projects which are developed by the Group.

In consideration with the present contract terms, the totals of expected minimum operational lease revenues as of 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	31 December 2018
Between 0-1 years	702,992	634,089
Between 1-5 years	4,677,993	3,613,637
Between 5-10 years	5,847,491	5,315,000

The minimum operational lease revenue represents lease revenue from Mall of İstanbul, Torun Tower, Mall of Antalya, Torun Center, Korupark Shopping Mall, Torium Shopping Mall, Zafer Plaza Shopping Mall and Deepo Shopping Mall and the lease revenues from ANKAmall, Crowne Plaza Otel and Netsel Marina that are owned by Yeni Gimat-associate of the Group and Bulvar Samsun shopping mall that is owned by joint ventures are not included in minimum operational lease revenue.

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11. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

Below are the amounts of collaterals, pledges and mortgages of the Group as of 30 June 2019 and 31 December 2018:

	30 June 2019	31 December 2018
Collaterals, Pledges, Mortgages ("CPM") given by the Company		
A.CPM's Given for Its Own Legal Personality	8,585,757	7,574,196
B.CPM's Given on Behalf of Fully Consolidated Companies	-	-
C. CPM's Given for Continuation of its Economic Activities on Behalf of Third Parties	-	-
D. Total Amount of Other CPM's		
i. Total Amount of CPM's Given on Behalf of the Majority Shareholder	-	-
ii. Total Amount of CPM's Given to on Behalf of Other Group Companies hich are not in Scope of B and C	-	-
iii. Total Amount of CPM's Given on Behalf of Third Parties which are not in Scope of C	-	-
	8,585,757	7,574,196

The ratio of the other CPMs issued by the Entity to the Group's equity is 0% as of 30 June 2019 (31 December 2018: 0%).

As of 30 June 2019 mortgages on investment properties of the Group is TL 8,384,814 (31 December 2018: TL 7,372,065).

	30 June 2019		31 December 2018	
	Foreign currency	TL equivalent	Foreign currency	TL equivalent
US Dollar	915,000	5,265,917	915,000	4,813,724
Euro	355,000	2,325,499	355,000	2,139,942
TL	793,399	793,399	418,399	418,399
		8,384,815		7,372,065

The lease revenues from Korupark Shopping Mall, Mall of Istanbul and Torun Tower are pledged against borrowings.

The Group also stands as the guarantor of the borrowings that will be used by the buyers of the residences until the completion of residences and transfer of deeds to the contracting parties in relation to sale of residences through loans.

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12. EQUITY

The Company increased its issued capital from TL 176,100,000 to TL 224,000,000 through public offering. A total TL 56,352,942 nominal value of shares were offered to the public, consisting of TL 47,900,000 to be issued from the capital increase and additional shares TL 8,452,942 owned by current shareholders. The compulsory prospectus of the public offering was registered by the İstanbul Trade Registry Office on 7 October 2010 and announced in the Trade Registry no: 7669 on 14 October 2010 pages between 641-735 totally 95 pages. The Company’s quoted shares are traded in the İstanbul Stock Exchange as from 21 October 2010.

The board of directors decided in its meeting dated 10 May 2012 to increase its paid-up capital of TL 224,000,000 to TL 500,000,000 within the cap of TL 1,000,000,000 registered capital, through a bonus issue by adding TL 276,000,000 out of a total of TL 301,770,000 share premium, transactions related to capital increase was completed on 16 August 2012.

Legal reserves were provided from the net profit in 2017 and TL 50,000 of the profit was divided as the first dividend, and the remaining amount was transferred to extraordinary shares as per the Communiqué on Principles of Financial Reporting in Capital Markets of CMB (II-14.1), Tax Procedure Law, and Communiqué on Dividends of CMB (II-19.1).

The Company has increased its capital that is increased to TL 500,004 to TL 1,000,000 by providing all of it from the Extraordinary Shares within TL 1,000,000 registered equity ceiling, with capital increase through bonus issues by TL 499,996 on 22 December 2017.

The Company’s shareholders and capital structure as of 30 June 2019 and 31 December 2018 as below:

Shareholders	(%)	A Group (thousand)	B Group (thousand)	C Group (thousand)	30 June 2019
Aziz Torun	37.41	200,328	-	173,740	374,068
Mehmet Torun	37.40	-	200,312	173,740	374,052
Torunlar Gıda San. ve Tic. A.Ş.	0.02	142	142	-	284
Mahmut Karabiyik	less than 0.01	-	16	-	16
Other shareholders	less than 0.01	-	-	8	8
Other (Public quotation)	25.16	-	-	251,572	251,572
Nominal capital		200,470	200,470	599,060	1,000,000
Shareholders	(%)	A Group (thousand)	B Group (thousand)	C Group (thousand)	31 December 2018
Aziz Torun	37.41	200,328	-	173,740	374,068
Mehmet Torun	37.40	-	200,312	173,740	374,052
Torunlar Gıda San. ve Tic. A.Ş.	0.02	142	142	-	284
Mahmut Karabiyik	less than 0.01	-	16	-	16
Other shareholders	less than 0.01	-	-	8	8
Other (Public quotation)	25.16	-	-	251,572	251,572
Nominal capital		200,470	200,470	599,060	1,000,000

The A and B group shares have nomination privilege to the Board of Directors according to Article 13 of association. The members of the Board of Directors are elected by the General Assembly among the two candidates nominated by the shareholders of Group B, two candidates nominated by the shareholders of the Group A and the other three members among the candidates nominated by the general assembly. The nomination and election of the independent board members, the regulations regarding the independent members of the Capital Markets Board are taken as basis.

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12. EQUITY (cont’d)

Companies whose shares are quoted in Borsa İstanbul are subject to profit distribution rules of Capital Market Board as follows:

Dividend is distributed according to Communiqué Serial: IV, No: 27 on “Principles Regarding Distribution of Dividends for the quoted entities subjected to Capital Market Board Law”, principles determined in the Articles of Association and dividend distribution policy which is declared by the Companies to the market.

In addition, the decision also allows companies to compute their distributable profit amounts by considering the net profit for the period presented in the publicly disclosed consolidated financial statements prepared in accordance with the Communiqué Serial: XI, No: 29, if such distributable profits could be fully recovered from resources subject to profit distribution in the statutory records.

13. REVENUE AND COST OF SALES

	1 January - 30 June 2019	1 April- 30 June 2019	1 January - 30 June 2018	1 April- 30 June 2018
Sales income				
Rent income	297,694	152,339	237,699	122,828
Residence and office sales income	71,464	42,668	1,038,773	505,020
Common area income	63,893	32,777	49,378	25,809
Other	1,572	531	2,040	705
	434,623	228,315	1,327,890	654,362
Cost of sales				
Cost of residence and office sales	(46,329)	(28,819)	(663,793)	(367,649)
Common area expenses	(72,535)	(40,312)	(58,275)	(27,200)
Rent expenses and management fees of shopping malls	(6,136)	(2,360)	(8,298)	(4,160)
Other	(1,668)	(732)	(49)	(49)
	(126,668)	(72,223)	(730,415)	(399,058)
Gross profit	307,955	156,092	597,475	255,304

Operational lease revenues mainly consist of rent income from shopping malls and Torun Tower and Torun Center office building. Shopping malls in operation are Mall of İstanbul, Ankara ANKAmall, Bursa Korupark, Bursa Zafer Plaza, Antalya Deepo, Antalya Mall of Antalya, İstanbul Torium and Samsun Bulvar Samsun Shopping Mall. Bulvar Samsun Shopping Mall started to operate on July 2012. Ankamall, is owned by the Group’s associate Yeni Gimat; Samsun Bulvar Shopping Mall, is owned by the Group’s joint venture TTA. Mall of İstanbul, İstanbul Torium, Bursa Korupark and Antalya Deepo, Antalya Mall of Antalya is managed by the related party Torun AVM Yatırım ve Yönetim A.Ş. (“Torun Shopping Mall”), the management of Bursa Zafer Plaza is conducted by Zafer Plaza İşletmeciliği A.Ş..

Common area expenses consist of electricity, water, security, cleaning, advertising and other common area expenses of the shopping malls. Common area income consists of expenses of the common area expenses charged to tenants.

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14. MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

General Administrative Expenses

	1 January - 30 June 2019	1 April- 30 June 2019	1 January - 30 June 2018	1 April- 30 June 2018
Taxes and funds	(12,120)	(4,306)	(11,744)	(11,705)
Provisions for doubtful receivables (net) (Note 8)	(4,539)	(4,403)	(2,138)	(1,708)
Personnel expenses	(3,453)	(1,830)	(3,732)	(1,903)
Donations	(1,175)	(7)	(1,791)	(338)
Property expenses	(5,396)	(3,440)	(1,557)	(398)
Consultancy expenses	(592)	(321)	(327)	(162)
Depreciation expenses	(177)	(84)	(698)	(434)
Transportation and travel expenses	(462)	(250)	(65)	(18)
BIST expenses	(234)	(22)	(217)	(31)
Other	(1,379)	(354)	(411)	(239)
	(29,527)	(15,017)	(22,680)	(16,936)

Marketing Expenses

	1 January - 30 June 2019	1 April- 30 June 2019	1 January - 30 June 2018	1 April- 30 June 2018
Advertising expenses	(157)	(77)	(1,734)	(983)
Personnel expenses	(792)	(404)	(926)	(401)
Depreciation expenses	(335)	(188)	(358)	(195)
Consultancy expenses	-	-	(60)	(60)
Other	(356)	(225)	(484)	(250)
	(1,640)	(894)	(3,562)	(1,889)

15. FINANCE INCOME / EXPENSES

	1 January - 30 June 2019	1 April- 30 June 2019	1 January - 30 June 2018	1 April- 30 June 2018
Financial income				
Interest income on time deposits	21,631	14,135	29,568	14,436
	21,631	14,135	29,568	14,436
Financial expenses				
Foreign exchange losses, net (*)	(306,592)	(98,446)	(541,771)	(396,101)
Interest expense	(209,454)	(119,928)	(154,645)	(89,839)
Losses on derivative financial instruments	-	-	(8,332)	(6,004)
Commission expense	-	-	(4,203)	(1,526)
	(516,046)	(218,374)	(708,951)	(493,470)

(*) Foreign exchange gains are disclosed after being offset with foreign exchange losses since the Group discloses the foreign exchange gains and losses as net balance.

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16. (LOSS) / EARNINGS PER SHARE

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“Bonus Shares”) to existing shareholders from retained earnings and revaluation surplus. The issue of such shares is treated as the issuance of ordinary shares in the calculation of earnings per share.

Earnings per share disclosed in the income statement is determined by dividing net income attributable to ordinary shareholders by the weighted average number of shares existing during the period concerned.

	1 January - 30 June 2019	1 April- 30 June 2019	1 January - 30 June 2018	1 April- 30 June 2018
Net profit/(loss) of shareholders	(197,317)	(53,514)	(68,120)	(218,467)
Weighted average number of ordinary shares (Full TL)	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Earnings/(loss) per share (Full TL)	(0.20)	(0.05)	(0.07)	(0.22)

As stated in Note 2.6, the Group’s weighted average number of shares are calculated by including retrospective effects of capital increase by bonus issue.

17. RELATED PARTY DISCLOSURES

As of 30 June 2019 and 31 December 2018, the balances with related parties are as follows:

Receivables from related parties	30 June 2019	31 December 2018
Torun Shopping Mall (*)	15,451	27,076
Zafer Plaza İşletmeciliği A.Ş.	4,039	3,591
Other	53	33
	19,543	30,700
Payables to related parties	30 June 2019	31 December 2018
Torun Yapı San. Ve Tic. A.Ş. (***)	9,478	17,981
Torun Shopping Mall (*)	-	4,011
Torunlar Gıda	23	24
Torun Family (**)	7,733	8,062
	17,234	30,078

(*) Torun Shopping Mall operates Mall of Istanbul, Mall of Antalya, Deepo Shopping Mall, İstanbul Torium Shopping Mall and Bursa Korupark Shopping Mall that the Company owns. In accordance with the administration contract signed for the shopping malls, 2% administration fee is paid to the shopping malls on total rental price invoices (VAT excluded) to the lessees. It is also regarded as lessee in cinemas and other entertainment sections of shopping malls. Balances of payable and receivables of Torun Mall is presented by netting off.

(**) Payables to Torun Family comprise order advances received related to the apartment and office sales.

(***) Torun Yapı undertakes the Group’s construction works.

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17. RELATED PARTY DISCLOSURES (cont’d)

As of 30 June 2019 and 2018, sales to related parties and commission paid to them and service expenses are as follows:

	1 January - 30 June 2019	1 April- 30 June 2019	1 January - 30 June 2018	1 April- 30 June 2018
Sales to related parties				
Torun Shopping Mall	14,841	7,182	15,656	9,383
Zafer Plaza İşletmeciliği A.Ş.	17,716	8,299	16,207	8,107
Other	1,275	593	269	153
	33,832	16,074	32,132	17,643

Zafer Plaza İşletmeciliği A.Ş. operates Zafer Plaza Shopping Mall owned by the Company. In accordance with the administration contract signed for Zafer Plaza Shopping Mall, Torunlar REIC had rental income amounting to TL 17,716 for the period 30 June 2019 and TL 16,207 for the period 30 June 2018.

	1 January - 30 June 2019	1 April- 30 June 2019	1 January - 30 June 2018	1 April- 30 June 2018
Purchases from related parties				
Torun Shopping Mall	41,921	20,857	41,446	21,021
Torun Yapı San. Ve Tic. A.Ş. (*)	25,801	17,060	13,805	11,556
Torunlar Gıda	803	301	718	379
PRN Parakende Mağazacılık ve Tic. A.Ş.	115	58	106	85
Other	8	8	6	6
	68,648	38,284	56,081	33,047

(*) Torun Yapı undertakes the Group’s construction works.

As of 30 June 2019 and 2018, the interest income from and interest expenses to the related parties are as follows:

	1 January - 30 June 2019	1 April- 30 June 2019	1 January - 30 June 2018	1 April- 30 June 2018
Interest income:				
Torun Shopping Mall	562	20	-	-
Other	122	77	-	-
	684	97	-	-

	1 January - 30 June 2019	1 April- 30 June 2019	1 January - 30 June 2018	1 April- 30 June 2018
Interest expenses:				
Torun Shopping Mall	-	-	454	85
Torun Yapı	509	206	-	-
Torunlar Gıda	250	69	1	-
	759	275	455	85

	1 January - 30 June 2019	1 April- 30 June 2019	1 January - 30 June 2018	1 April- 30 June 2018
Salaries and Premium	1,318	694	1,186	628
	1,318	694	1,186	628

The remuneration of top management consists of short-term salaries and other short-term benefits and free from long-term benefits.

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18. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Foreign currency position

Foreign currency denominated assets, liabilities and off-balance sheet accounts give rise to foreign exchange exposure.

The Group does not have any export or import activity in 30 June 2019 and 31 December 2018.

The original currency amounts of assets and liabilities denominated in foreign currencies are as follows:

	30 June 2019	31 December 2018
Assets	323,382	156,175
Liabilities	(3,819,009)	(3,657,437)
Net Balance Sheet Position	(3,495,627)	(3,501,262)

The table below summaries foreign currency position risk of the Group as of 30 June 2019. The original currency amounts of assets and liabilities denominated in foreign currencies and the total TL equivalent are as follows:

	Euro	US Dollar	TL equivalent
Current assets			
Monetary financial assets	28,793	21,776	313,937
Other assets	290	882	6,976
Trade receivables	-	429	2,469
Total assets	29,083	23,087	323,382
Short-term liabilities			
Trade payables	(976)	(1,384)	(14,359)
Financial liabilities	(71,265)	(198,614)	(1,609,879)
Oter short-term liabilities	(3,595)	(14,443)	(106,671)
Long-term liabilities			
Financial liabilities	(151,250)	(190,667)	(2,088,100)
Total liabilities	(227,086)	(405,108)	(3,819,009)
Net balance sheet position	(198,003)	(382,021)	(3,495,627)
Assets from off-balance sheet derivative instruments	-	-	-
Liabilities from off-balance sheet derivative instruments	-	-	-
Foreign currency balance sheet net position of derivatives	-	-	-
Net foreign currency liability position	(198,003)	(382,021)	(3,495,627)

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18. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Foreign currency position (cont’d)

Effect of the 20% fluctuation in foreign currency rate against TL is as follows:

Against Euro	(259,412)
Against US Dollar	(439,714)
Net foreign currency position	(699,126)

The table below summaries foreign currency position risk of the Group as of 31 December 2018. The original currency amounts of assets and liabilities denominated in foreign currencies and the total TL equivalent are as follows:

	Euro	US Dollar	TL equivalent
Current assets			
Monetary financial assets	6,502	20,195	145,438
Other assets	873	497	7,877
Trade receivables	100	429	2,860
Total assets	7,475	21,121	156,175
Short term liabilities			
Trade payables	(2,013)	(1,661)	(20,873)
Financial liabilities	(40,250)	(262,852)	(1,589,854)
Other short-term liabilities	(2,954)	(11,026)	(75,813)
Long term liabilities			
Financial liabilities	(142,843)	(197,989)	(1,970,897)
Total liabilities	(188,060)	(473,528)	(3,657,437)
Net balance sheet position	(180,585)	(452,407)	(3,501,262)
Assets from off-balance sheet derivative instruments	-	-	-
Liabilities from off-balance sheet derivative instruments	-	-	-
Net foreign currency liability position	(180,585)	(452,407)	(3,501,262)

Effect of the %20 fluctuation in foreign currency rate against TL is as follows:

Against Euro	(217,713)
Against US Dollar	(476,014)
Net foreign currency position	(693,727)

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

19. SUBSEQUENT EVENTS

The share of 401/60000 (121.70 sqm) of the property with 18,208.90 sqm that is registered on Block 858 and Plot 1 in İstanbul Province, Başakşehir District was purchased from Yaşar Aslan at the cost of TL 1,150,000 + VAT on 26.07.2019. The valuation firm has valued the property at TL 994,814 + VAT in the real property valuation report dated 1 August 2019 and numbered 2019/961.

The property purchased at the cost of TL 1,150,000 + VAT on 26 July 2019 is located next to the Mall of İstanbul Phase 2 (Hotel, residence and convention center) project that is in the Group’s portfolio. The new property was purchased for a price higher than the fair value determined by the real property valuation firm since it was estimated that it would add value to the concept developed with the Mall Of İstanbul project. As a result of this transaction, the share of Torunlar Gayrimenkul Yatırım Ortaklığı on the real estate has reached 100%. This will be explained to the shareholders at the first general meeting and necessary information will be provided.

20. ADDITIONAL NOTES: CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS

The information below are the condensed information from the interim condensed consolidated financial statements and prepared within the scope of the provisions related to control of compliance with the portfolio limitations of Serial: II, No: 14.1 “Financial Reporting in Capital Markets” Amendment No: 16 and prepared in accordance with Capital Markets Board’s Communiqué Serial: III, No: 48.1 “Real Estate Investment Company” published in the Official Gazette dated 28 May 2013 numbered 28660 Capital Markets Board’s Communiqué Serial: III, No: 48.1 a “Amendment on Real Estate Investment Company” published in the Official Gazette dated 23 January 2014 numbered 28891.

Financial Statements Main Account Items	Related Regulations	30 June 2019	31 December 2018
A Money and capital markets instruments	Series:III, No:48.1a, Art.24/(b)	459,179	204,337
B Properties, projects based on properties and rights based on properties	Series:III, No:48.1a, Art.24/(a)	11,377,702	11,404,537
C Associates	Series:III, No:48.1a, Art.24/(b)	339,076	348,425
Due from related parties (non-trade)	Series:III, No:48.1a, Art.23/(f)	-	-
Other assets		276,789	317,140
D Total assets (total assets)	Series:III, No:48.1a, Art.3/(p)	12,452,746	12,274,439
E Financial liabilities	Series:III, No:48.1a, Art.31	4,654,470	4,098,497
F Other financial liabilities	Series:III, No:48.1a, Art.31	-	-
G Finance leases	Series:III, No:48.1a, Art.31	63,932	95,538
H Due to related parties (non-trade)	Series:III, No:48.1a, Art.23/(f)	-	-
I Shareholders Equity	Series:III, No:48.1a, Art.31	7,415,996	7,613,718
Other liabilities		318,348	466,686
D Total liabilities	Series:III, No:48.1a, Art.3/(p)	12,452,746	12,274,439

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

20. ADDITIONAL NOTES: CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS (cont’d)

Financial Information	Related Regulations	30 June 2019	31 December 2018
A1 The portion of money and capital market instruments held for payment of properties for the following 3 years	Series:III, No:48.1a, Art.24/(b)	459,179	204,337
A2 TL and foreign currency time and demand deposits	Series:III, No:48.1a, Art.24/(b)	459,179	204,337
A3 Foreign capital market instruments	Series:III, No:48.1a, Art.24/(d)	-	-
B1 Foreign properties, projects based on properties and rights based on properties	Series:III, No:48.1a, Art.24/(d)	-	-
B2 Idle lands	Series:III, No:48.1a, Art.24/(c)	-	-
C1 Foreign associates	Series:III, No:48.1a, Art.24/(d)	-	-
C2 Investments in affiliated operating companies	Series:III, No:48.1a, Art.28/1(a)	-	-
J Non-cash loans	Series:III, No:48.1a, Art.31	200,942	202,131
K Mortgage amount on non-owned land to be developed	Series:III, No:48.1a, Art.28(e)	-	-
L Total investments for money and capital market instruments in a single entity	Series:III, No:48.1a, Art.22/(1)	-	-

Portfolio Restrictions	Related Regulations	30 June 2019	31 December 2018	Maximum/Minimum Rate
1 Mortgage amount on non-owed land to be developed (K/D)	Series:III, No:48.1a, Art.22/(e)	0%	0%	<10%
2 Properties, projects based on properties and rights based on properties (B+A1)/D)	Series:III, No:48.1a, Art.24/(a),(b)	95%	95%	>50%
3 Money and capital market instruments and affiliates (A+C-A1)/D)	Series:III, No:48.1a, Art.24/(b)	3%	3%	>50%
4 Foreign Properties, Projects Based on Properties Rights Based on Properties Affiliates Capital, Market Instruments (A3+B1+C1/D)	Series:III, No:48.1a, Art.24/(d)	0%	0%	<49%
5 Idle Lands (B2/D)	Series:III, No:48.1a, Art.24/(c)	0%	0%	<20%
6 Investment in Affiliated Operating Companies (C2/D)	Series:III, No:48.1a, Art.28/1(a)	0%	0%	<10%
7 Borrowing Limit (E+F+G+H+J)/I	Series:III, No:48.1, Art.31	66%	58%	<500%
8 TL and Foreign Currency Time and Demand Deposits (A2-A1)/D)	Series:III, No:48.1, Art.24/(b)	0%	0%	<10%
9 Total Investments for Money and Capital Market Instruments in a Single Entity	Series:III, No:48.1, Art.22/(1)	0%	0%	<10%

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