

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

CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD  
1 JANUARY – 31 MARCH 2019

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

## **CONSOLIDATED FINANCIAL STATEMENTS**

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**TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE INTERIM PERIOD AS OF 31 MARCH 2019**

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

		(Unaudited) Current Period 31 March 2019	(Audited) Prior Period 31 December 2018
	Notes		
<b>ASSETS</b>			
<b>Current Assets</b>		<b>1,874,572</b>	<b>1,680,017</b>
Cash and Cash Equivalents	5	390,737	204,337
Trade Receivables	8	160,790	174,151
<i>Trade Receivables from Related Parties</i>		24,480	30,700
<i>Trade Receivables from Third Parties</i>		136,310	143,451
Other Receivables		21,872	12,398
<i>Other Receivables from Third Parties</i>		21,872	12,398
Inventories	10	1,283,580	1,261,004
Prepaid Expenses	7	13,804	14,275
Other Current Assets		3,789	13,852
<b>Non-Current Assets</b>		<b>10,603,662</b>	<b>10,594,422</b>
Trade Receivables	8	7,998	10,661
<i>Trade Receivables from Third Parties</i>		7,998	10,661
Investments Accounted by Equity Method	3	349,531	348,425
Investment Properties	9	10,154,431	10,143,533
Property, Plant and Equipment		86,759	86,740
Intangible Assets		1,099	1,060
<i>Other Intangible Assets</i>		1,099	1,060
Prepaid Expenses	7	3,844	4,003
<b>Total Assets</b>		<b>12,478,234</b>	<b>12,274,439</b>

The condensed consolidated interim financial statements as at 31 March 2019 were authorized for issue on behalf of the Board of Directors by Deputy General Manager İsmail Kazanç and Accounting Manager Erkan Çetin on 10 May 2019.

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

**TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE INTERIM PERIOD AS OF 31 MARCH 2019**

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

		(Unaudited) Current Period 31 March 2019	(Audited) Prior Period 31 December 2018
	Notes		
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>2,423,991</b>	<b>2,356,846</b>
Short-Term Borrowings	6	595,970	258,038
Short-Term Portion of Long-Term Borrowings	6	1,432,023	1,685,608
Other Payables		31,753	28,772
<i>Other Payables to Third Parties</i>		<i>31,753</i>	<i>28,772</i>
Trade Payables	8	80,128	99,246
<i>Trade Payables to Related Parties</i>		<i>20,500</i>	<i>30,078</i>
<i>Trade Payables to Third Parties</i>		<i>59,628</i>	<i>69,168</i>
Payables Related to Employee Benefits		1,880	1,818
Short-Term Provisions		17,590	9,807
<i>Other Short-Term Provisions</i>		<i>17,590</i>	<i>9,807</i>
Other Current Liabilities	7	181,639	175,973
Deferred Income	7	83,008	97,584
<b>Non-Current Liabilities</b>		<b>2,585,149</b>	<b>2,303,875</b>
Long-Term Borrowings	6	2,531,397	2,250,389
Long-Term Provisions		1,182	1,182
<i>Long-Term Provisions for Employee Benefits</i>		<i>1,182</i>	<i>1,182</i>
Other Non-Current Liabilities	7	52,570	52,304
<b>EQUITY</b>			
Share Capital	12	1,000,000	1,000,000
Tresuary Shares		(4,159)	(3,338)
Share Premium		25,770	25,770
Restricted Reserves Appropriated From Profit		74,255	74,255
- <i>Legal reserves</i>		<i>74,255</i>	<i>74,255</i>
Retained Earnings		6,517,031	5,229,827
Net Profit/(Loss) for the Period		(143,803)	1,287,204
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>12,478,234</b>	<b>12,274,439</b>

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

**TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2019**

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

	Notes	(Unaudited) 1 January- 31 March 2019	(Unaudited) 1 January- 31 March 2018
<b>PROFIT OR LOSS</b>			
Revenue	13	206,308	673,528
Cost of Sales (-)	13	(54,445)	(327,297)
<b>GROSS PROFIT</b>		<b>151,863</b>	<b>346,231</b>
Administrative Expenses (-)	14	(14,510)	(9,804)
Marketing Expenses (-)	14	(746)	(4,350)
Other Income From Operating Activities		3,153	12,271
Other Expenses From Operating Activities (-)		(2,395)	(2,582)
<b>OPERATING PROFIT</b>		<b>137,365</b>	<b>341,766</b>
Share of the Company on Profit/(Loss) of Investments Accounted by Equity Method	3	9,008	6,253
<b>OPERATING PROFIT BEFORE FINANCE INCOME/(EXPENSES)</b>		<b>146,373</b>	<b>348,019</b>
Finance Income	15	7,496	15,132
Finance Expenses (-)	15	(297,672)	(212,804)
<b>(LOSS) / PROFIT FOR THE PERIOD</b>		<b>(143,803)</b>	<b>150,347</b>
Gain/(loss) per share from continuing operations	16	(0.14)	0.15
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME</b>		<b>(143,803)</b>	<b>150,347</b>

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

**TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 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
<b>1 January 2018</b>	<b>1,000,000</b>	<b>(1,195)</b>	<b>25,770</b>	<b>65,153</b>	<b>4,833,821</b>	<b>455,108</b>	<b>6,378,657</b>
Transfers	-	-	-	-	455,108	(455,108)	-
Transactions with non-controlling shareholders (*)	-	(1,084)	-	-	-	-	(1,084)
Dividends	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	150,347	150,347
<b>31 March 2018</b>	<b>1,000,000</b>	<b>(2,279)</b>	<b>25,770</b>	<b>65,153</b>	<b>5,288,929</b>	<b>150,347</b>	<b>6,527,920</b>
<b>1 January 2019</b>	<b>1,000,000</b>	<b>(3,338)</b>	<b>25,770</b>	<b>74,255</b>	<b>5,229,827</b>	<b>1,287,204</b>	<b>7,613,718</b>
Transfers	-	-	-	-	1,287,204	(1,287,204)	-
Transactions with non-controlling shareholders (*)	-	(821)	-	-	-	-	(821)
Dividends	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(143,803)	(143,803)
<b>31 March 2019</b>	<b>1,000,000</b>	<b>(4,159)</b>	<b>25,770</b>	<b>74,255</b>	<b>6,517,031</b>	<b>(143,803)</b>	<b>7,469,094</b>

(\*) See: Note 3

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

**TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2019**

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

	Notes	(Unaudited) Current Year 1 January- 31 March 2019	(Unaudited) Prior Year 1 January- 31 March 2018
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
		<b>109,972</b>	<b>70,878</b>
<b>Profit/(Loss) for the Period</b>		<b>(143,803)</b>	<b>150,347</b>
<b>for the Period</b>		<b>284,241</b>	<b>168,828</b>
Adjustments related to unrealized foreign exchange differences		202,929	106,723
Adjustments related to interest income and expenses	15	82,030	49,674
Adjustments related to depreciation and amortisation expenses		93	264
Adjustments related to doubtful trade receivable provision expenses	8	352	96
Adjustments related to provisions		7,845	15,925
Adjustments related to fair value differences of derivative financial instruments		-	2,399
Adjustments related to undistributed profits of investments accounted by equity method	3	(9,008)	(6,253)
<b>Changes in working capital</b>		<b>(30,367)</b>	<b>(247,185)</b>
Adjustments related to decrease in trade receivables		15,672	12,947
Adjustments related to decrease in trade payables		(19,118)	(36,240)
Adjustments related to increase in inventories		(22,576)	178,751
Adjustments related to decrease in prepaid expenses		630	5,619
Adjustments related to increase/(decrease) in deferred income		(14,576)	(448,227)
Decrease in other current/non-current assets due to operations		10,063	40,375
Increase in other payables due to operations		8,913	(410)
Increase in other receivables due to operations		(9,375)	-
<b>Cash generated from operations</b>		<b>110,071</b>	<b>71,990</b>
Employment Termination Benefits Payment		(99)	(1,112)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
		<b>(3,968)</b>	<b>(34,469)</b>
Dividends received	3	7,081	2,324
Payments for Acquisition of Property, Plant and Equipment and Intangible Assets		(151)	(4,798)
Payments for Acquisition of Investment Properties	9	(10,898)	(31,995)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
		<b>78,776</b>	<b>(297,211)</b>
Interest received		7,580	15,060
Interest paid		(82,252)	(60,936)
Proceeds from borrowings		722,058	111,300
Repayment of borrowings		(568,610)	(362,707)
Cash inflows from derivative financial instruments		-	72
<b>Net increase/(decrease) in cash and cash equivalents before the effect of exchange rate changes</b>		<b>184,780</b>	<b>(260,802)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>1,704</b>	<b>5,063</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>186,484</b>	<b>(255,739)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	5	<b>203,140</b>	<b>595,219</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5	<b>389,624</b>	<b>339,480</b>

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

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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 31 March 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:

Rüzgarlıbahçe Mahallesi Özalp Çıkmaızı 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 31 March 2019 are as follows (Note 2):

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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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 Anatterra 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% Anatterra 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 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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 Preparation

##### Statement of Compliance in TAS

The accompanying condensed consolidated interim financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which 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 resolution of CMB dated 7 June 2013 about the “illustrations of consolidated financial statements and application guidance”.

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 31 March 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 31 March 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 31 March 2019, have been approved by the Board of Directors on 10 May 2019. The General Assembly has the right to modify the condensed consolidated interim financial statements.

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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

### 2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (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 31 March 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. Interim condensed consolidated financial statements must be assessed with the financial statements for the period ended 31 December 2018.

#### 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.

#### 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 31 March 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:

	<b>31 March 2019</b>	<b>31 December 2018</b>
	<b>(%)</b>	<b>(%)</b>
TTA	40.00	40.00

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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 Preparation (cont’d)

##### Joint Ventures (cont’d)

##### Interest in Joint Ventures on combined basis

	31 March 2019	31 December 2018
Current assets	2,145	2,714
Non-current assets	140,898	141,431
<b>Total assets</b>	<b>143,043</b>	<b>144,145</b>
Short-term liabilities	50,693	51,587
Long-term liabilities	28,403	27,804
Equity	63,947	64,754
<b>Total liabilities and equity</b>	<b>143,043</b>	<b>144,145</b>
<b>Net profit/(loss) for the period</b>	<b>(806)</b>	<b>9,129</b>

##### 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.

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.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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 Preparation (cont'd)

##### Associates (cont'd)

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

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

##### Interest in associates on combined basis (\*)

	31 March 2019	31 December 2018
Total assets	2,200,873	1,871,068
Total liabilities	39,918	41,012
Net profit for the period	64,473	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

	31 March 2019	31 December 2018
Total assets	2,167,280	1,825,053
Total liabilities	21,414	26,731
Net profit for the period	65,242	275,719

##### Interest in Netsel

	31 March 2019	31 December 2018
Total assets	33,593	46,015
Total liabilities	18,504	14,281
Net profit for the period	(769)	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.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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

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

##### 2.2. 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

New and amended Turkish Financial Reporting Standards that are effective for the current year

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

##### **TFRS 16 Leases**

##### 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.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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

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

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

New and amended Turkish Financial Reporting Standards that are effective for the current year (cont’d)

##### **TFRS 16 Leases (cont’d)**

###### Impact of the new definition of a lease

The Group made use of the practical expedient available on transition to TFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with TAS 17 and TFRS 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. TFRS 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 TFRS 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*

TFRS 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 TFRS 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.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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

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

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

New and amended Turkish Financial Reporting Standards that are effective for the current year (cont’d)

##### **IFRS 16 Leases (cont’d)**

###### Impact on Lessee Accounting (cont’d)

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under TAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 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 IFRS 16.

###### **Finance leases**

The main differences between IFRS 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. IFRS 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 IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 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.



## **TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

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

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

New and amended Turkish Financial Reporting Standards that are effective for the current year (cont’d)

##### **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.

##### **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 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.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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

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

##### 2.5 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 31 March 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 m<sup>2</sup> 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 31 March 2019 condensed consolidated interim financial statements. As of 31 March 2019, the Group management has evaluated the effects on the fair values of the related real estates, and a negative impact has not been determined in relation to the foreseen income for 2019 and actual results for 3 months period as a result of this evaluation.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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

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

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

#### *Fair values of investment properties (cont'd)*

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

	Valuation report date	Valuation method	Discount rate (*)	Rent increase rate p.a	Capitalization rate	Comparable m <sup>2</sup> 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	-	-	-	12,000-45,850
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 Kemankeş 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, monthly rent prices of shopping malls are determined as 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 March 2019 and 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.

- The Antalya Deepo Shopping Center and Mall of Antalya, which were established on an area of 84,503.61 m<sup>2</sup> on the territory of Antalya Province, Merkez District, Koyunlar Village, which the Group classified under investment properties as of 31 March 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.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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

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

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

*Fair values of investment properties (cont'd)*

- ii. The Group has 57,680 m<sup>2</sup> of land in the province of Antalya, Merkez District, Koyunlar Village, which is classified under investment properties as of 31 March 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 m<sup>2</sup> in Bursa Province, Osmangazi District, Emek Village, which is classified under investment properties as of 31 March 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 m<sup>2</sup> in İstanbul Province, Başakşehir District, İkitelli – 2 Neighborhood, which is classified under investment properties as of 31 March 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 31 March 2019 and 31 December 2018, the Group has completed the Torium Shopping Center project on an area of 44,571 m<sup>2</sup> in Istanbul 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 31 March 2019 and 31 December 2018, the Group has an area of 70,644 m<sup>2</sup> in the Istanbul Province, Beykoz District which is classified as investment property and has 49 years of usage rights for a 3,935 m<sup>2</sup> 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.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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

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

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

*Fair values of investment properties (cont'd):*

- vii. On the 11,099 m<sup>2</sup> land located in İstanbul - Şişli 2nd District - which is classified under investment property as of 31 March 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 m<sup>2</sup> 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 m<sup>2</sup> land in Bursa - Osmangazi Şehreküstü District - which is classified under investment property as of 31 March 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 m<sup>2</sup> land located in İstanbul - Küçükçekmece Kayabaşı District - which is classified under investment property as of 31 March 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 m<sup>2</sup> land in İstanbul - Beyoğlu Kemankeş District - which is classified under investment property as of 31 March 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.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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

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

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

*Fair values of investment properties (cont’d):*

- xi. As at 31 March 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 m<sup>2</sup> land located in İstanbul-Başakşehir district which is classified under investment properties as of 31 March 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 m<sup>2</sup> which is located in Istanbul Province, Başakşehir-İkitelli-2 District and is classified under investment properties as of 31 March 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. The Group, as of 31 March 2019 and 31 December 2018, with the final decision that has been given in the context of Group’s business plan, plans to lease in 2018 the rentable area of 68,673 m<sup>2</sup> which consists of workplaces, offices and commercial units.

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.

**TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

**3. INTERESTS IN OTHER ENTITIES**

		<b>31 March 2019</b>		<b>31 December 2018</b>	
	(%)	TL	(%)	TL	
Yeni Gimat	14.83%	317,428	14.83%	308,370	
TTA	40.00%	25,374	40.00%	25,902	
Netsel	44.60%	6,729	44.60%	14,153	
		<b>349,531</b>		<b>348,425</b>	

  

	<b>1 January - 31 March 2019</b>	<b>1 January - 31 March 2018</b>
At the beginning of the period	348,425	315,593
Income and expenses from associates, (net)	9,332	6,936
Dividends received from associates	(7,081)	(2,324)
Treasury shares (*)	(821)	(1,084)
Profit or losses from joint ventures, (net)	(324)	(683)
<b>At the End of the Period</b>	<b>349,531</b>	<b>318,438</b>

(\*) The Company's associate of Yeni Gimat GYO, is a 100% subsidiary of the Anadolu Gayrimenkul Yönetimi A.Ş. As a result of the merger in 2017 the repurchase transaction which is held by the subsidiary, the shares are classified as treasury shares amounting to TL 821 in the consolidated financial statements.

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

	<b>1 January - 31 March 2019</b>	<b>1 January - 31 March 2018</b>
Yeni Gimat	9,675	5,581
Netsel	(343)	1,355
TTA	(324)	(683)
<b>Total</b>	<b>9,008</b>	<b>6,253</b>

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

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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

### 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 31 March 2019 is as follows;

	Total revenue from departments	Gross profit	Operating profit/(loss)	Income / (expense) from subsidiaries	Finance expenses, net	Profit/(loss) from operations before tax	Investment expenditures (*)
<b>Offices and shopping malls for rent</b>							
Mall of İstanbul Shopping Mall	66,588	53,610	50,826	-	-	50,826	790
Korupark Shopping Mall	36,110	29,850	29,632	-	-	29,632	917
Torun Tower	21,750	21,733	22,228	-	-	22,228	-
Torium Shopping Mall	17,520	8,103	7,511	-	-	7,511	166
Zafer Plaza Shopping Mall	9,350	7,888	7,830	-	-	7,830	-
Antalya Deepo Shopping Mall	10,150	7,841	7,712	-	-	7,712	-
Mall of Antalya Shopping Mall	12,791	9,176	9,183	-	-	9,183	367
Mall of İstanbul	-	-	-	-	-	-	-
Residences and Offices	629	512	512	-	-	512	-
Korupark independent areas	181	143	77	-	-	77	-
Torun Center	1,770	1,114	701	-	-	701	33
5. Levent trading areas	673	502	502	-	-	502	-
<b>Subtotal</b>	<b>177,512</b>	<b>140,472</b>	<b>136,714</b>	<b>-</b>	<b>-</b>	<b>136,714</b>	<b>2,273</b>
<b>Residences and office projects</b>							
Torun Center	1,586	806	806	-	-	806	-
Korupark 3rd phase residences	-	76	46	-	-	46	-
Mall of İstanbul	-	-	-	-	-	-	-
Torium residences	-	-	-	-	-	-	-
Nishistanbul Project	43	43	17	-	-	17	-
5. Levent Project (**)	27,167	10,466	5,428	-	-	5,428	32,092
<b>Subtotal</b>	<b>28,796</b>	<b>11,391</b>	<b>6,297</b>	<b>-</b>	<b>-</b>	<b>6,297</b>	<b>32,092</b>
<b>Projects under construction</b>							
Paşabahçe project	-	-	-	-	-	-	1,210
Mall of İstanbul hotel convention center and residence project	-	-	-	-	-	-	4,696
<b>Properties held for new projects</b>							
Mall of İstanbul 3rd Phase (Note 9)	-	-	-	-	-	-	-
Kayabaşı land	-	-	-	-	-	-	-
Kemankes building	-	-	-	-	-	-	672
<b>Associates</b>							
ANKA mall and Hotel (Yeni Gimat)	-	-	-	9,675	-	9,675	-
Netsel	-	-	-	(343)	-	(343)	-
TTA	-	-	-	(324)	-	(324)	-
Unallocated	-	-	(5,646)	-	(290,176)	(295,822)	-
<b>Total</b>	<b>206,308</b>	<b>151,863</b>	<b>137,365</b>	<b>9,008</b>	<b>(290,176)</b>	<b>(143,803)</b>	<b>40,943</b>

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

(\*\*) 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 31 March 2018 is as follows:

	Total revenue from departments	Gross profit	Operating profit/(loss)	Income / (expense) from subsidiaries	Finance expenses, net	Profit/(loss) from operations before tax	Investment expenditures (*)
<b>Offices and shopping malls for rent</b>							
Mall of İstanbul Shopping Mall	51,715	42,994	37,541	-	-	37,541	465
Korupark Shopping Mall	30,003	24,583	24,583	-	-	24,583	1,048
Torun Tower	20,220	17,719	17,718	-	-	17,718	-
Torium Shopping Mall	13,009	5,397	5,397	-	-	5,397	13,444
Zafer Plaza Shopping Mall	8,100	5,907	5,907	-	-	5,907	-
Antalya Deepo Shopping Mall	7,017	5,017	5,017	-	-	5,017	-
Mall of Antalya	8,007	5,753	5,753	-	-	5,753	8,424
Antalya Kepez Lands	57	57	57	-	-	57	-
Korupark independent areas	156	(117)	(117)	-	-	(117)	-
Torun Center	156	156	156	-	-	156	836
<b>Subtotal</b>	<b>138,440</b>	<b>107,466</b>	<b>102,012</b>	<b>-</b>	<b>-</b>	<b>102,012</b>	<b>24,217</b>
<b>Residences and office projects</b>							
Torun Center	937	861	418	-	-	418	4,947
Korupark 3rd phase residences	1,985	1,365	990	-	-	990	-
Mall of İstanbul	-	-	-	-	-	-	-
Torium residences	-	-	-	-	-	-	-
Nishistanbul Project	-	(9)	(37)	-	-	(37)	-
<b>Subtotal</b>	<b>2,922</b>	<b>2,217</b>	<b>1,371</b>	<b>-</b>	<b>-</b>	<b>1,371</b>	<b>4,947</b>
<b>Projects under construction</b>							
5. Levent Project (**)	531,796	236,684	233,824	-	-	233,824	98,502
Torun Center	-	-	-	-	-	-	-
Paşabahçe project	-	(110)	(110)	-	-	(110)	901
Mall of İstanbul hotel convention center and residence project	-	-	-	-	-	-	6,862
<b>Properties held for new projects</b>							
Kayabaşı land	-	-	-	-	-	-	-
Kemankeş building	-	(26)	(26)	-	-	(26)	-
<b>Associates</b>							
ANKA mall and Hotel (Yeni Gimat)	-	-	-	5,581	-	5,581	-
Netsel	-	-	-	1,355	-	1,355	-
TTA	-	-	-	(683)	-	(683)	-
Unallocated	370	-	4,695	-	(197,672)	(192,977)	-
<b>Total</b>	<b>673,528</b>	<b>346,231</b>	<b>341,766</b>	<b>6,253</b>	<b>(197,672)</b>	<b>150,347</b>	<b>135,429</b>

(\*) Investment expenditures include investments for items classified as inventory in financial statements and shopping malls classified as 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**

	<b>31 March 2019</b>	<b>31 December 2018</b>
Cash on hand	2	-
Cash at banks	390,571	203,925
<i>Demand deposits</i>	1,917	2,928
<i>Time deposits up to 3 months maturity</i>	388,654	200,997
Other cash equivalents	164	412
	<b>390,737</b>	<b>204,337</b>

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

	<b>31 March 2019</b>	<b>31 December 2018</b>
Cash and cash equivalents	390,737	204,337
Less: Interest accrual of time deposits	(1,113)	(1,197)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>389,624</b>	<b>203,140</b>

Maturities of cash and cash equivalents are as follows:

	<b>31 March 2019</b>	<b>31 December 2018</b>
Up to 30 days	313,825	204,337
30 - 90 days	76,912	-
	<b>390,737</b>	<b>204,337</b>

As of 31 March 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:

	<b>31 March 2019</b>		<b>31 December 2018</b>	
	<b>Original Amount</b>	<b>TL Equivalent</b>	<b>Original Amount</b>	<b>TL Equivalent</b>
US Dollar	12,210	68,723	20,195	106,243
Euro	-	-	6,502	39,194
Other	1	9	1	8
		<b>68,732</b>		<b>145,445</b>

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

	<b>31 March 2019</b>	<b>31 December 2018</b>
	(%)	(%)
US Dollar	3.75%	6.39%
Euro	-	3.80%
Turkish Lira	20.73%	23.43%

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**6. FINANCIAL LIABILITIES**

**Financial Liabilities**

	<b>31 March 2019</b>	<b>31 December 2018</b>
<b>Financial borrowings</b>		
Bank borrowings	595,970	258,038
<b>Short-term financial borrowings</b>	<b>595,970</b>	<b>258,038</b>
Current portion of long-term borrowings	1,402,078	1,652,764
Finance leases	29,945	32,844
<b>Short-term portions of long-term borrowings</b>	<b>1,432,023</b>	<b>1,685,608</b>
Bank borrowings	2,467,581	2,187,695
Finance leases	63,816	62,694
<b>Long-term borrowings</b>	<b>2,531,397</b>	<b>2,250,389</b>
<b>Total borrowings</b>	<b>4,559,390</b>	<b>4,194,035</b>

As of 31 March 2019, there are mortgages amounting to TL 7,811,559 (31 December 2018: TL 7,372,063) given to the banks regarding the financial liabilities amounting to TL 2,021,362 (31 December 2018: TL 2,240,185) on the investment properties.

**a) Bank borrowings**

	<b>31 March 2019</b>	<b>31 December 2018</b>
Short-term bank borrowings	595,970	258,038
Current portion of long-term borrowings	1,402,078	1,652,764
Long-term bank borrowings	2,467,581	2,187,695
<b>Total borrowings</b>	<b>4,465,629</b>	<b>4,098,497</b>

<b>31 March 2019</b>	<b>Weighted avg. effective interest (*) (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL equivalent</b>
Short-term bank borrowings	23.03	TL	503,876	503,876
	4.90	USD	16,362	92,094
Current portion of long-term borrowings	17.22	TL	138,766	138,766
	5.83	USD	194,320	1,093,710
	4.12	Euro	26,841	169,602
Long-term bank borrowings	19.59	TL	374,644	374,644
	6.78	USD	206,263	1,160,928
	4.43	Euro	147,498	932,009
<b>Total bank borrowings</b>				<b>4,465,629</b>

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**6. FINANCIAL LIABILITIES (cont’d)**

<b>31 December 2018</b>	<b>Weighted avg. effective interest (*) (%)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TL equivalent</b>
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	861,068
<b>Total bank borrowings</b>				<b>4,098,507</b>

(\*) 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 31 March 2019 and 31 December 2018 is as follows:

	<b>31 March 2019</b>	<b>31 December 2018</b>
2020	655,991	703,497
2021	400,920	190,334
2021 and beyond	1,410,670	1,293,864
	<b>2,467,581</b>	<b>2,187,695</b>

**b) Payables from finance leases**

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

	<b>31 March 2019</b>	<b>31 December 2018</b>
Up to 1 year	29,945	32,844
1 years - 5 years	63,816	62,694
	<b>93,761</b>	<b>95,538</b>

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 14,560 and interest rate of 4.95% with original currency US Dollar 312 (31 December 2018: US Dollar 827 and EUR 1,527) as of 31 March 2019.

As of 31 March 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 (Note 2).

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

<b>Short-Term Prepaid Expenses</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Advances given	9,081	8,748
Prepaid expenses	4,723	5,527
	<b>13,804</b>	<b>14,275</b>

<b>Long-Term Prepaid Expenses</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Advances given	970	970
Prepaid expenses	2,874	3,033
	<b>3,844</b>	<b>4,003</b>

<b>Short-Term Deferred Income</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Advances received (*)	83,008	97,584
	<b>83,008</b>	<b>97,584</b>

(\*) As of 31 March 2019, advances received amounting to TL 70,309 consist of the sales commitments regarding the offices and residential units of 5. Levent Project, TL 6,202 for Korupark 3<sup>rd</sup> Phase, TL 3,764 for Mall of İstanbul and the remaining TL 2,733 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 3<sup>rd</sup> Phase and remaining TL 5,190 for other advances).

<b>Other Short-Term Liabilities</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Short-term liabilities for project costs (*)	172,067	171,213
Taxes and funds payable	9,572	4,591
Expense accruals	-	169
	<b>181,639</b>	<b>175,973</b>

<b>Other Long-Term Liabilities</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Long-term liabilities for project costs (*)	52,570	52,304
	<b>52,570</b>	<b>52,304</b>

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

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**8. TRADE RECEIVABLES AND PAYABLES**

<b>Current trade receivables</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Trade receivables	77,637	75,589
Notes receivables (*)	72,777	81,011
Trade receivables from related parties	24,480	30,700
Checks received	10	613
Less: Allowance for doubtful receivables	(14,114)	(13,762)
	<b>160,790</b>	<b>174,151</b>

  

<b>Non-current trade receivables</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Notes receivables (*)	7,998	10,661
	<b>7,998</b>	<b>10,661</b>

(\*) As of 31 March 2019, TL 42,550 of long term and short term notes receivable are related to 5. Levent project, TL 11,630 of Mall of Istanbul Project, TL 7,458 of Korupark 3. Phase resident project, TL 2,925 of Mall of Antalya, TL 2,033 of Torium project and the remaining TL 14,179 consist 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 13,618).

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

<b>Movement of provision for doubtful receivables</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
<b>Opening balance</b>	<b>(13,762)</b>	<b>(10,244)</b>
Provision provided during the period	(352)	(3,864)
Provisions no longer required	-	346
<b>Closing balance</b>	<b>(14,114)</b>	<b>(13,762)</b>

Aging of provision for doubtful receivables is as follows:

	<b>31 March 2019</b>	<b>31 December 2018</b>
3 to 6 months	(352)	(262)
Over 6 months	(13,762)	(13,500)
	<b>(14,114)</b>	<b>(13,762)</b>

<b>Short-term trade payables</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Trade payables	59,398	68,518
Trade payables to related parties	20,500	30,078
Notes payable	230	650
	<b>80,128</b>	<b>99,246</b>

As of 31 March 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 31 March 2019 and 31 December 2018:

	<b>1 January 2019</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Change in fair value</b>	<b>31 March 2019</b>
<b>Shopping Malls and Offices</b>						
MOI Shopping Mall	2,590,000	790	-	-	-	2,590,790
Torun Tower	1,724,000	-	-	-	-	1,724,000
Bursa Korupark Shopping	1,540,000	917	-	-	-	1,540,917
Torun Center	1,086,976	33	-	-	-	1,087,009
Torium Shopping Mall	490,000	166	-	-	-	490,166
Antalya Deepo Shopping Mall	410,000	2,047	-	-	-	412,047
Mall of Antalya	490,000	367	-	-	-	490,367
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
<b>Investment properties under construction</b>						
Paşabahçe land (*)	801,100	1,210	-	-	-	802,310
Mall of İstanbul hotel congress center and office Project	313,344	4,696	-	-	-	318,040
<b>Properties held for new-projects</b>						
Antalya Kepez Lands	62,235	-	-	-	-	62,235
Kemankeş building	61,660	672	-	-	-	62,332
Kayabaşı land	64,785	-	-	-	-	64,785
Mall of İstanbul 3rd Phase	68,120	-	-	-	-	68,120
	<b>10,143,533</b>	<b>10,898</b>	-	-	-	<b>10,154,431</b>

(\*) 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 m<sup>2</sup>; Block 209, Lot 3 as 16,212 m<sup>2</sup>; Block 200, lot 3 in Paşabahçe neighborhood, Beykoz district and İstanbul city as 827 m<sup>2</sup> 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 building license for the project was received on 7 September 2017. The management of the hotel and apart hotel planned will be performed by TRN, the subsidiary of the Group.

(\*\*) Investment expenditures related to the 5<sup>th</sup> 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.

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**9. INVESTMENT PROPERTIES (cont’d)**

	1 January 2018	Additions	Disposals	Transfers	Change in fair value	31 December 2018
<b>Shopping Malls and Offices</b>						
MOI Shopping Mall	1,860,000	4,600	-	-	725,400	2,590,000
Torun Tower	1,532,000	-	-	-	192,000	1,724,000
Bursa Korupark Shopping Mall	1,293,000	1,483	-	-	245,517	1,540,000
Torun Center	1,022,687	3,258	-	-	61,031	1,086,976
Torium Shopping Mall	465,200	5,202	-	(19,290)	38,888	490,000
Antalya Deepo Shopping Mall and Mall of Antalya (*)	299,600 278,400	105 12,740	-	-	110,295 198,860	410,000 490,000
Bursa Zafer Plaza Shopping Mall	291,600	-	-	-	60,800	352,400
Mall of İstanbul Residences and Offices	19,080	60	-	-	(5,590)	13,550
Korupark independent areas	20,613	11	-	-	1,809	22,433
5. Levent (***)	-	-	-	38,246	14,684	52,930
<b>Investment properties under construction</b>						
Paşabahçe land (**)	754,600	4,855	-	-	41,645	801,100
Mall of İstanbul hotel congress center and office Project	256,339	39,811	-	-	17,194	313,344
<b>Properties held for new-projects</b>						
Antalya Kepez Lands	78,010	-	-	-	(15,775)	62,235
Kemankeş building	58,170	252	-	-	3,238	61,660
Kayabaşı land	53,230	-	-	-	11,555	64,785
Mall of İstanbul 3rd Phase	-	75,100	-	-	(6,980)	68,120
	<b>8,282,529</b>	<b>147,477</b>	<b>-</b>	<b>18,956</b>	<b>1,694,571</b>	<b>10,143,533</b>

(\*) Mall of Antalya started operations on 28 April 2017.

(\*\*) 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 m<sup>2</sup>; Block 209, Lot 3 as 16,212 m<sup>2</sup>; Block 200, lot 3 in Paşabahçe neighborhood, Beykoz district and İstanbul city as 827 m<sup>2</sup> 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 building license for the project was received on 7 September 2017. The management of the hotel and apart hotel planned will be performed by TRN, the subsidiary of the Group.

(\*\*\*) Investment expenditures related to the 5<sup>th</sup> 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.



**TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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**9. INVESTMENT PROPERTIES (cont’d)**

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

	<b>31 March 2019</b>	<b>31 December 2018</b>		<b>31 March 2019</b>	<b>31 December 2018</b>
	<b>Original Amount</b>	<b>Original Amount</b>	<b>Currency type</b>		
Torun Tower	390,000	390,000	USD	2,195,076	2,051,751
Paşabahçe project	375,000	375,000	USD	2,110,650	1,972,838
Mall of İstanbul Shopping Mall	150,000	150,000	USD	844,260	789,135
Mall of İstanbul Shopping Mall	406,399	406,399	TL	406,399	406,399
Bursa Korupark Shopping Mall	225,000	225,000	Euro	1,421,730	1,356,301
Antalya Deepo Shopping Mall and Mall of Antalya	130,000	130,000	Euro	821,444	783,641
Mall of İstanbul 2nd Phase	12,000	12,000	TL	12,000	12,000
				<b>7,811,559</b>	<b>7,372,065</b>

**10. INVENTORIES**

	<b>31 March 2019</b>	<b>31 December 2018</b>
<b>Short-term inventories</b>		
<b>Residences and office projects</b>		
Completed Projects		
- Torun Center project (*)	561,313	560,563
- Mall of İstanbul project (**)	26,588	25,965
- Nishistanbul (***)	12,088	12,088
- Korupark 3rd phase (****)	2,673	2,673
- Torium (*****)	438	438
Non-Completed Projects		
- 5.Levent project (*****)	680,480	659,277
	<b>1,283,580</b>	<b>1,261,004</b>

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 31 March 2019.

(\*) The Torun Center Project consists of sellable area with a total of 175,408 m<sup>2</sup>, segregated as 45,776 m<sup>2</sup> Office Tower, 36,382 m<sup>2</sup> Horizontal Office, 77,988 m<sup>2</sup> Residence and 15,312 m<sup>2</sup> Commercial Area. The delivery of Office Tower and Horizontal Office has started as of 31 December 2017. 88 residences, 46 offices and 39 Horizontal offices have been delivered in this context the Group has recognised revenue amounting to TL 575,105 as of 31 March 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 31 March 2019, the Group did not capitalized any financial expense for Torun Center Project (31 December 2018: None).

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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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 m<sup>2</sup> construction area comprising 129,186 m<sup>2</sup> shopping mall, 97,700 m<sup>2</sup> residence, 8,433 m<sup>2</sup> office and 421,209 m<sup>2</sup> 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 m<sup>2</sup> 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 1,078 residences, 133 offices and 21 horizontal offices and in this context the Group has recognised revenue amounting TL 984,897 as of 31 March 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 offices (gross 260 m<sup>2</sup>) and 7 retail units (gross 1,718 m<sup>2</sup>) 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 31 March 2019, 667 residences were sold with 100,204 m<sup>2</sup> and transferred to buyers (31 December 2018: 100,204 m<sup>2</sup> 667residences).

(\*\*\*\*\*) As of 31 March 2019, in Torium project, 53 residences (gross 5.723 m<sup>2</sup>), from the total 51 sellable units (gross 5.534 m<sup>2</sup>) have been sold and 2 residential units have been remained with gross 189 m<sup>2</sup> in the Group inventories. There was no delivered real estate in the first 3 months of 2019.

(\*\*\*\*\*) As of 31 March 2019, 1,822 residences were sold and transferred to buyers in the 5<sup>th</sup> Levent project. (31 December 2018: 1,799)

#### 11. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities are as follows:

	31 March 2019	31 December 2018
Collaterals received	221,304	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 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019	31 December 2018
Between 0-1 years	671,038	634,089
Between 1-5 years	3,794,319	3,613,637
Between 5-10 years	5,581,696	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 31 March 2019 and 31 December 2018:

	<b>31 March 2019</b>	<b>31 December 2018</b>
<b>CPM's given by the company</b>		
<b>Collaterals, Pledges, Mortgages ("GPM")</b>		
A.CPM's Given for Its Own Legal Personality	8,013,139	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	-	-
	<b>8,013,139</b>	<b>7,574,196</b>

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

As of 31 March 2019 mortgages on investment properties of the Group is TL 7,811,559 (31 December 2018: TL 7,372,065).

	<b>31 March 2019</b>		<b>31 December 2018</b>	
	<b>Foreign currency</b>	<b>TL equivalent</b>	<b>Foreign currency</b>	<b>TL equivalent</b>
US Dollar	915,000	5,149,986	915,000	4,813,724
Euro	355,000	2,243,174	355,000	2,139,942
TL	418,399	418,399	418,399	418,399
		<b>7,811,559</b>		<b>7,372,065</b>

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.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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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.

Company's shareholders and capital structure as of 31 March 2019 and 31 December 2018 as below:

<b>Shareholders</b>	<b>(%)</b>	<b>A Group (thousand)</b>	<b>B Group (thousand)</b>	<b>C Group (thousand)</b>	<b>31 March 2019</b>
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 Karabıyık	less than 0.01	-	16	-	16
Other shareholders	less than 0.01	-	-	8	8
Other (Public quotation)	25.16	-	-	251,572	251,572
<b>Nominal capital</b>		<b>200,470</b>	<b>200,470</b>	<b>599,060</b>	<b>1,000,000</b>

<b>Shareholders</b>	<b>(%)</b>	<b>A Group (thousand)</b>	<b>B Group (thousand)</b>	<b>C Group (thousand)</b>	<b>31 December 2018</b>
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 Karabıyık	less than 0.01	-	16	-	16
Other shareholders	less than 0.01	-	-	8	8
Other (Public quotation)	25.16	-	-	251,572	251,572
<b>Nominal capital</b>		<b>200,470</b>	<b>200,470</b>	<b>599,060</b>	<b>1,000,000</b>

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.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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

#### 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

	<b>1 January - 31 March 2019</b>	<b>1 January - 31 March 2018</b>
<b>Sales income</b>		
Rent income	145,355	114,871
Residence and office sales income	28,796	533,753
Common area income	31,116	23,569
Other	1,041	1,335
	<b>206,308</b>	<b>673,528</b>
<b>Cost of sales</b>		
Cost of residence and office sales	(17,510)	(296,167)
Common area expenses	(32,223)	(29,994)
Rent expenses and management fees of shopping malls	(3,776)	(1,136)
Other	(936)	-
	<b>(54,445)</b>	<b>(327,297)</b>
<b>Gross profit</b>	<b>151,863</b>	<b>346,231</b>

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 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.

**TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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**14. MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES****General Administrative Expenses**

	<b>1 January - 31 March 2019</b>	<b>1 January - 31 March 2018</b>
Taxes and funds	(7,814)	(4,099)
Provisions for doubtful receivables (net)	(136)	(430)
Personnel expenses	(1,623)	(1,829)
Donations	(1,168)	(1,453)
Property expenses	(1,956)	(685)
Consultancy expenses	(271)	(165)
Depreciation expenses	(93)	(264)
Transportation and travel expenses	(212)	(47)
BIST expenses	(212)	(186)
Other	(1,025)	(646)
	<b>(14,510)</b>	<b>(9,804)</b>

**Marketing Expenses**

	<b>1 January - 31 March 2019</b>	<b>1 January - 31 March 2018</b>
Advertising expenses (*)	(80)	(751)
Personnel expenses	(388)	(525)
Residence sales marketing expenses	(19)	(2,677)
Depreciation expenses	(147)	(163)
Other	(112)	(234)
	<b>(746)</b>	<b>(4,350)</b>

(\*) As of 31 March 2019; TL 54 (31 March 2018: TL 613) of the advertising expenses are related to 5. Levent project, TL 0 (31 March 2018: TL 91) of it related to Mall of İstanbul, TL 10 (31 March 2018: TL 12) of it related to the advertising expenses of Torun Center project, TL 16 (31 March 2018: TL 31) of it related to the advertising expenses of Korupark and the rest of it related to the Group’s publicity expenses.

**TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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**15. FINANCIAL INCOME / EXPENSES**

	<b>1 January - 31 March 2019</b>	<b>1 January - 31 March 2018</b>
<b>Financial income</b>		
Interest income on time deposits	7,496	15,132
	<b>7,496</b>	<b>15,132</b>
<b>Financial expenses</b>		
Foreign exchange losses, net (*)	(208,146)	(145,670)
Interest expense	(89,526)	(64,806)
Losses on derivative financial instruments	-	(2,328)
	<b>(297,672)</b>	<b>(212,804)</b>

(\*) 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.

**16. EARNINGS / (LOSS) 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.

	<b>1 January - 31 March 2019</b>	<b>1 January - 31 March 2018</b>
Net profit/(loss) of shareholders	(143,803)	150,347
Weighted average number of ordinary shares (Full TL)	1,000,000,000	1,000,000,000
<b>Earnings/(loss) per share (Full TL)</b>	<b>(0.14)</b>	<b>0.15</b>

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. BENEFITS PROVIDED FOR MEMBER OF KEY MANAGEMENT**

	<b>1 January - 31 March 2019</b>	<b>1 January - 31 March 2018</b>
Salaries and Premium	624	558
	<b>624</b>	<b>558</b>

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

**TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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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 31 March 2019 and 31 December 2018.

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

	<b>31 March 2019</b>	<b>31 December 2018</b>
Assets	80,110	156,175
Liabilities	(3,674,330)	(3,657,437)
<b>Net Balance Sheet Position</b>	<b>(3,594,220)</b>	<b>(3,501,262)</b>

The table below summaries foreign currency position risk of the Group as of 31 March 2019. The original currency amounts of assets and liabilities denominated in foreign currencies and the total TL equivalent are as follows:

	<b>Euro</b>	<b>US Dollar</b>	<b>TL equivalent</b>
<b>Current assets</b>			
Monetary financial assets	-	12,210	68,723
Other Assets	644	871	8,972
Trade Receivables	-	429	2,415
<b>Total assets</b>	<b>644</b>	<b>13,510</b>	<b>80,110</b>
<b>Short-term liabilities</b>			
Trade payables	(1,448)	(1,756)	(19,033)
Financial liabilities	(26,841)	(210,682)	(1,355,405)
Oter short-term liabilities	(4,216)	(11,961)	(93,961)
<b>Long-term liabilities</b>			
Financial liabilities	(165,083)	(206,596)	(2,205,931)
<b>Total liabilities</b>	<b>(197,588)</b>	<b>(430,995)</b>	<b>(3,674,330)</b>
<b>Net balance sheet position</b>	<b>(196,944)</b>	<b>(417,485)</b>	<b>(3,594,220)</b>
Assets from off-balance sheet derivative instruments	-	-	-
Liabilities from off-balance sheet derivative instruments	-	-	-
Foreign currency balance sheet net position of derivatives	-	-	-
<b>Net foreign currency liability position</b>	<b>(196,944)</b>	<b>(417,485)</b>	<b>(3,594,220)</b>



**TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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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	(248,890)
Against US Dollar	(469,955)
<b>Net foreign currency position</b>	<b>(718,843)</b>

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:

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

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

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

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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#### 19. SUBSEQUENT EVENTS

An agreement is made with the Hilton brand for the hotel part of Torunlar REIC's portfolio of Hotel, Congress Centers and Residence is located in the Mall of İstanbul 2nd Stage project. Hilton Mall of İstanbul Hotel is planned to welcome its guests during the summer of 2020 and it consists of total 180 rooms, 19 of which are suites and 161 of which are standard rooms. Social facilities such as congress center, restaurant, executive lounge, spa, fitness center and pool, as well as store areas are also available. Hilton Mall of İstanbul will be operated by the franchise agreement model by the 100% associate of Torunlar GYO, TRN Otel İşletmeciliği ve Yatırımları A.Ş.. An investment cost of USD 71 million is foreseen except for the land.

#### 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.

<b>Financial Statements Main Account Items</b>	<b>Related Regulations</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
A Money and capital markets instruments	Series:III, No:48.1, Art.24/(b)	390,737	204,337
B Properties, projects based on properties and rights based on properties	Series:III, No:48.1, Art.24/(a)	11,438,011	11,404,537
C Subsidiaries	Series:III, No:48.1, Art.24/(b)	349,531	348,425
Due to related parties (non trade)	Series:III, No:48.1, Art.23/(f)	-	-
<b>Other assets</b>		<b>299,955</b>	<b>317,140</b>
<b>D Total assets</b>	Series:III, No:48.1, Art.3/(p)	<b>12,478,234</b>	<b>12,274,439</b>
E Financial liabilities	Series:III, No:48.1.1, Art.31	4,465,629	4,098,497
F Other financial liabilities	Series:III, No:48.1.1, Art.31	-	-
G Finance leases	Series:III, No:48.1.1, Art.31	93,761	95,538
H Due from related parties (non trade)	Series:III, No:48.1, Art.23(f)	-	-
I Shareholders Equity	Series:III, No:48.1, Art.31	7,469,094	7,613,718
<b>Other liabilities</b>		<b>449,750</b>	<b>466,686</b>
<b>D Total liabilities</b>	Series:III, No:48.1, Art.3/(p)	<b>12,478,234</b>	<b>12,274,439</b>

**TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

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

<b>Financial Information</b>	<b>Related Regulations</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
A1 The portion of money and capital market instruments held for payment of properties for the following 3 years	Series:III, No:48.1, Art.24/(b)	390,737	204,337
A2 TL and foreign currency time and demand	Series:III, No:48.1, Art.24/(b)	390,737	204,337
A3 Foreign capital market instruments	Series:III, No:48.1, Art.24/(d)	-	-
B1 Foreign properties, projects based on properties and rights based on properties	Series:III, No:48.1, Art.24/(d)	-	-
B2 Idle lands	Series:III, No:48.1, Art.24/(c)	-	-
C1 Foreign affiliates	Series:III, No:48.1, Art.24/(d)	-	-
C2 Investments in affiliated operating compa	Series:III, No:48.1, Art.28/1(a)	-	-
J Non-cash loans	Series:III, No:48.1, Art.31	201,580	202,131
K Mortgage amount on non-owned land to be developed	Series:III, No:48.1, Art.28(e)	-	-
L Total investments for money and capital market instruments in a single entity	Series:III, No:48.1, Art.22(i)	-	-

<b>Portfolio Restrictions</b>	<b>Related Regulations</b>	<b>31 March 2019</b>	<b>31 December 2018</b>	<b>Maximum/ Minimum Rate</b>
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%	93%	>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	64%	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%

<b>Associate</b>	<b>Participation rate (%)</b>	<b>Participation amount</b>	
		<b>31 March 2019</b>	<b>31 December 2018</b>
Yeni Gimat	14.83	317,428	308,370
TTA	40.00	25,374	25,902
Netsel	44.60	6,729	14,153
		<b>349,531</b>	<b>348,425</b>