

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

CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED  
31 MARCH 2018

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

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**TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION  
AS OF 31 MARCH 2018**

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

		<b>Unaudited</b>	<b>Audited</b>
		<b>Current Year</b>	<b>Prior Year</b>
		<b>31 March</b>	<b>31 December</b>
	<b>Notes</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	341.630	602.432
Trade receivables	8	162.021	172.631
Trade receivables from related parties		5.804	3.882
Trade receivables from third parties		156.217	168.749
Other receivables		2.754	1.642
Other receivables from third parties		2.754	1.642
Inventories	10	1.444.733	1.624.998
Prepaid expenses	7	60.517	52.555
Other current assets		106.851	147.226
<b>Total Current Assets</b>		<b>2.118.506</b>	<b>2.601.484</b>
<b>Non-Current Assets</b>			
Trade receivables	8	31.065	33.498
Trade receivables from third parties		31.065	33.498
Investments accounted by equity method	3	318.438	315.593
Investment properties	9	8.389.624	8.282.529
Property, plant and equipment		14.205	9.416
Intangible assets		40	295
Other intangible assets		40	295
Prepaid expenses	7	4.321	93.002
<b>Total Non-Current Assets</b>		<b>8.757.693</b>	<b>8.734.333</b>
<b>TOTAL ASSETS</b>		<b>10.876.199</b>	<b>11.335.817</b>

Condensed consolidated interim financial statements as at 31 March 2018 were authorized for issue on behalf of the Board of Directors by Deputy General Manager İsmail Kazanç and Accounting Manager Erkan Çetin on 9 May 2018.

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

**TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION  
AS OF 31 MARCH 2018**

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

		<b>Unaudited</b>	<b>Audited</b>
		<b>Current Year</b>	<b>Prior Year</b>
		<b>31 March</b>	<b>31 December</b>
	<b>Notes</b>	<b>2018</b>	<b>2017</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Short-term borrowings	6	476.791	469.671
Short-term portion of long-term borrowings	6	622.376	396.372
Other payables		36.210	35.278
Other payables to third parties		36.210	35.278
Derivative financial instruments		2.676	277
Trade payables	8	82.984	119.224
Trade payables to related parties		8.608	11.171
Trade payables to third parties		74.376	108.053
Payables related to employee benefits		2.499	2.496
Short-term provisions		24.834	10.527
Other short-term provisions		24.834	10.527
Other current liabilities		3.830	5.172
Deferred income	7	728.283	1.176.510
<b>Total Current Liabilities</b>		<b>1.980.483</b>	<b>2.215.527</b>
<b>Non-Current Liabilities</b>			
Long-term borrowings	6	2.366.495	2.740.433
Long-term provisions		1.301	1.200
Long-term provisions for employee benefits		1.301	1.200
<b>Total Non-Current Liabilities</b>		<b>2.367.796</b>	<b>2.741.633</b>
<b>EQUITY</b>			
<b>Equity Attributable to Owners of the Company</b>			
Share Capital	12	1.000.000	1.000.000
Treasury Shares		(2.279)	(1.195)
Share Premium		25.770	25.770
Restricted Reserves Appropriated From Profit		65.153	65.153
- Legal reserves		65.153	65.153
Prior Years' Profit		5.288.929	4.833.821
Net Profit for the Period		150.347	455.108
<b>Total Equity</b>		<b>6.527.920</b>	<b>6.378.657</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>10.876.199</b>	<b>11.335.817</b>

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

**TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD  
BETWEEN 1 JANUARY- 31 MARCH 2018**

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

		<b>Unaudited Current Period 1 January- 31 March 2018</b>	<b>Unaudited Current Period 1 January- 31 March 2017</b>
Revenue	13	673.528	135.469
Cost of Revenue (-)	13	(331.357)	(40.111)
<b>Gross Profit</b>		<b>342.171</b>	<b>95.358</b>
Administrative Expenses (-)	14	(5.744)	(3.794)
Marketing Expenses (-)	14	(4.350)	(2.855)
Other Income From Operating Activities		12.271	1.829
Other Expenses From Operating Activities (-)		(2.582)	(83)
<b>Operating Profit</b>		<b>341.766</b>	<b>90.455</b>
Share of the Group on profit/loss of invesments accounted by equity method	3	6.253	10.150
<b>OPERATING PROFIT BEFORE FINANCE (EXPENSES) / INCOME</b>		<b>348.019</b>	<b>100.605</b>
Finance Income	15	15.132	10.507
Finance Expenses (-)	15	(212.804)	(144.561)
<b>PROFIT / (LOSS) BEFORE TAX</b>		<b>150.347</b>	<b>(33.449)</b>
Current Tax Expense		-	-
<b>NET PROFIT / (LOSS)</b>		<b>150.347</b>	<b>(33.449)</b>
Earnings / (loss) per share	16	0,15	(0,03)
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>150.347</b>	<b>(33.449)</b>

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

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

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE INTERIM PERIOD ENDED 31 MARCH 2018**

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

	Share Capital	Treasury Shares	Share Premium	Restricted Reserves Appropriated From Profit	Prior Years' Profit	Net Profit for the Period	Total Equity
<b>Balances as of 1 January 2017</b>	500.004	(1.195)	25.770	53.732	4.222.854	1.172.384	<b>5.973.549</b>
Capital Increase	-	-	-	11.421	1.160.963	(1.172.384)	-
Transfers	499.996	-	-	-	(499.996)	-	-
Dividend payment	-	-	-	-	(50.000)	-	<b>(50.000)</b>
Total comprehensive income	-	-	-	-	-	455.108	<b>214.214</b>
<b>Balances as of 31 December 2017</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>
<b>Balances as of 1 January 2018</b>	1.000.000	(1.195)	25.770	65.153	4.833.821	455.108	<b>6.378.657</b>
Transfers	-	-	-	-	455.108	(455.108)	-
Dividend payment	-	-	-	-	-	-	-
Transactions with non-controlling shareholders (*)	-	(1.084)	-	-	-	-	<b>(1.084)</b>
Total comprehensive income	-	-	-	-	-	150.347	<b>150.347</b>
<b>Balances as of 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>

(\*) Please see: Disclosure 3

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

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

	Notes	Unaudited Current Year 1 January- 31 March 2018	Audited Prior Year 1 January- 31 December 2017
<b>Cash flows from operating activities</b>		<b>70.878</b>	<b>60.667</b>
<b>Profit for the period</b>		<b>150.347</b>	<b>455.108</b>
<b>Adjustments related to reconciliation of profit / (loss) for the period</b>		<b>168.828</b>	<b>(45.592)</b>
Adjustments related to unrealized foreign exchange loss/(gains)		106.723	207.829
Adjustments related to interest income and expenses	15	49.674	128.331
Adjustments related to interest income and expenses		264	1.312
Adjustments related to doubtful trade receivable provision expenses	8	96	3.512
Adjustments related to provisions		15.925	(3.356)
Adjustments related to fair value differences of derivative financial instruments		2.399	(2.974)
Adjustments related to other items that result in cash flows from investing or financing activities	9	-	(374.050)
Adjustments related to undistributed profits of associates accounted by equity method		(6.253)	(6.196)
<b>Changes in working capital</b>		<b>(247.185)</b>	<b>(348.067)</b>
Adjustments related to decrease in trade receivables		12.947	66.541
Adjustments related to decrease in trade payables		(36.240)	(22.038)
Adjustments related to change in inventories		178.751	(422.915)
Adjustments related to (increase)/decrease in prepaid expenses		5.619	42.643
Adjustments related to change in deferred income		(448.227)	22.564
Increase in other current/non-current assets due to operations		40.375	(36.720)
Increase/(decrease) in other payables due to operations		(410)	1.858
<b>Cash generated from operations</b>		<b>71.990</b>	<b>61.449</b>
Employment termination benefits payment		(1.112)	(421)
Other payments		-	(361)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(34.469)</b>	<b>(143.327)</b>
Dividends received		2.324	18.761
Payments for purchase of property, plant and equipment and intangible assets		(4.798)	(7.493)
Payments for purchase of investment properties	9	(31.995)	(154.595)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(297.211)</b>	<b>177.388</b>
Interest received		15.060	63.220
Interest paid		(60.936)	(97.922)
Proceeds from borrowings		111.300	2.651.296
Cash used for repayment of borrowings		(362.707)	(2.392.706)
Cash inflows from derivative financial instruments		72	26.950
Cash outflows from derivative financial instruments		-	(23.450)
Dividends paid		-	(50.000)
<b>Net increase/(decrease) in cash and cash equivalents before the effect of exchange rate changes</b>		<b>(260.802)</b>	<b>94.728</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>5.063</b>	<b>(6.510)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	5	<b>(255.739)</b>	<b>88.218</b>
<b>Cash and cash equivalents at the beginning of the period</b>	5	<b>595.219</b>	<b>507.001</b>
<b>Cash and cash equivalents at the end of the period</b>	5	<b>339.480</b>	<b>595.219</b>

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

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

### 1. GROUP’S ORGANIZATION AND NATURE OF OPERATIONS

Torunlar Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (“Torunlar REIC” or the “Company”) and its subsidiary TRN Otel İşletmeciliği ve Yatırımları A.Ş. (“TRN”) referred as a “Group”. The Company has been incorporated in 1996, which was registered as 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 converted into Real Estate Investment Company (“REIC”) with the trade name Torunlar Gayrimenkul Yatırım Ortaklığı A.Ş. and was registered 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). As of 31 March 2018, Torunlar REIC is active in Turkey and the total number of employees is 159 (31 December 2017: 176) and the main shareholders of Torunlar REIC are Torun family members.

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

Rüzgarlıbahçe Mahallesi Selvi Çıkma Sokak No: 4 Beykoz 34805 İstanbul / Turkey.

The Company’s main scope of operation is to engage in 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 were purchased 100% of the shares of TRN Otel İşletmeciliği ve Yatırımları A.Ş. as of March 13, 2018. Accordingly, the financial statements for the interim period ended on March 31, 2018 are prepared as a consolidated.

The activity areas of TRN Otel İşletmeciliği ve yatırımları A.Ş. and their participation rates in the Group’s capital are as follows;

Subsidiary	Operating country	Operating sector	2018 Participation rate (%)	2018 Participation rate (%)
TRN Otel İşletmeciliği ve Yatırımları A.Ş.	Türkiye	Hotel Management	100	-



# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

### 1. GROUP’S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

#### Joint Ventures

The joint ventures of Torunlar REIC operate in Turkey and the nature of their business, the business segment and joint venture partners are as follows (Note 2):

<u>Joint venture</u>	<u>Nature of business</u>	<u>Joint venture partner</u>
TTA Gayrimenkul Yatırım Geliştirme ve Yönetim A.Ş. (“TTA”) A.Ş.	Shopping mall project	Anaterra Gayrimenkul Yatırım İnşaat ve Ticaret

#### **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.

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 IAS 40 and is measured at fair value.

In August 2011, 450.000 shares which were previously owned by Turkmall Gayrimenkul Geliştirme Yönetim ve Yatırım A.Ş. and valued nominally as TL 450.000 and 50.000 shares which were previously owned by Ahmet Demir and valued nominally as TL 50.000 were transferred to Anaterra Gayrimenkul Yatırım İnşaat ve Ticaret A.Ş. After the transfer, the shareholding structure of TTA is 40% Torunlar REIC, 8% Torunlar Gıda Sanayi Ticaret A.Ş., 1% Aziz Torun, 1% Mehmet Torun and 50% Anaterra Gayrimenkul Yatırım İnşaat ve Ticaret A.Ş. The construction of the TTA Bulvar Samsun Mall project has been started in 2011 and the Mall started to operate in July 2012.

#### **Torunlar Özyazıcı**

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

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

As of 31 December 31 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 and other comprehensive income as of 31 December 2017.

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

### 1. GROUP’S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

#### Associates

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

<b>Associate</b>	<b>Nature of business</b>
Yeni Gimat GYO A.Ş. (“Yeni Gimat”)	Owner of Ankamall Shopping Mall 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.

#### *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. The remaining 0,40% belongs to Torun family.

#### **Subsidiary**

##### *TRN Otel İşletmeciliği A.Ş.*

The Group, has concluded to purchase 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 0,22 TL, that has been valued at TL 109 as of March 12, 2018. The financial statement of TRN Otel İşletmeciliği ve Yatırımları A.Ş. has been consolidated in the Group’s financial statement as of 31 March 2018.

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

### 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 Accounting Standards and interpretations (“TAS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

The condensed consolidated interim financial statements 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 specific financial instruments and investment properties to be recognized at 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 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 condensed consolidated financial statements in the interim periods. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017; they cannot be interpreted alone as the indicator of the year end performance of the Group.

The condensed consolidated interim financial statements of the Group as at 31 March 2018, have been approved by the Board of Directors on 9 May 2018. General assembly has the right to modify the condensed consolidated interim financial statements.

##### **Summary of Significant Accounting Policies**

The Group prepared its condensed consolidated interim financial statements for the period ended 31 March 2018 in accordance with the Communiqué and announcements regarding this Communiqué, in accordance with TAS 34, “Interim Financial Reporting”. In this respect, the Group has preferred to prepare condensed consolidated interim financial statements in the interim periods and prepared the mentioned condensed consolidated interim financial statements in compliance with CMB Accounting Standards. The condensed consolidated interim financial statements and the related notes to them are presented in accordance with the declaration dated 7 June 2013 and with the formats required by the CMB.

##### Currency Used

Items included in the consolidated financial statements of the Group is 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.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

#### 2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

##### 2.1 Basis of preparation (continued)

###### Joint Ventures (continued)

As of 31 March 2018 and 2017 Torunlar REIC’s share in the Joint Ventures are as follows:

	<u>31 March 2018</u>	<u>31 December 2017</u>
	(%)	(%)
TTA	40,00	40,00

Torunlar Özyazıcı and TTA joint ventures have been incorporated on 26 January 2009 and 18 October 2010, respectively. They were included into consolidated financial statements with proportional consolidation method until 31 December 2012 in accordance with clauses of TAS 31 “Interest in Joint Ventures” which ceased to be effective on 1 January 2013.

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

	<u>31 March 2018</u>	<u>31 December 2017</u>
Current assets	4.839	7.310
Non-current assets	126.013	128.867
<b>Total assets</b>	<b>130.852</b>	<b>136.177</b>
Short-term liabilities	41.499	39.119
Long-term liabilities	35.435	38.307
Total equity	55.626	58.751
<b>Total liabilities and equity</b>	<b>132.560</b>	<b>136.177</b>
<b>Profit / Loss for the period</b>	<b>(1.708)</b>	<b>(14.749)</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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

### 2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

#### 2.1 Basis of preparation (continued)

##### Associates (continued)

Torunlar REIC’s effective ownership interests in its associates as at 31 March 2018 and 31 December 2017 are as follows (%):

	<u>31 March 2018</u>	<u>31 December 2017</u>
	(%)	(%)
Netsel	44,60	44,60
Yeni Gimat	14,83	14,83

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

	<u>31 March 2018</u>	<u>31 December 2017</u>
Total assets	2.023.466	1.981.809
Total liabilities	38.306	32.806
Profit for the period	47.979	195.985

(\*) 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**

	<u>31 March 2018</u>	<u>31 December 2017</u>
Total assets	1.999.474	1.954.235
Total liabilities	27.303	19.698
Profit for the period	44.941	189.964

##### **Interest in Netsel**

	<u>31 March 2018</u>	<u>31 December 2017</u>
Total assets	23.992	27.574
Total liabilities	11.003	13.108
Profit for the period	3.038	6.021

##### **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 interim consolidated financial statements have been prepared on a going concern basis.

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

### 2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

#### 2.2. Changes in accounting policies

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

#### 2.3. Changes in standards and interpretations

Group has been performed reviews in the current period which is issued by Turkey Accounting Standards Board (TASB) and TASB Turkey Financial Reporting Interpretations Committee (IFRIC) and is valid for the period that is beginning on 31 March 2018 the new and revised TAS/IFRS on the amendments and interpretations of the Group in changes that impact on the consolidated financial statements.

#### 2.4. New and Revised Turkish Accounting Standards

- a) Amendments to TAS affecting amounts reported and/or disclosures in the consolidated financial statements

IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to IFRS 2	<i>Classification and Measurement of Share-Based Payment Transactions</i>
IFRS Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>
Annual Improvements to IFRS Standards 2014–2016 Cycle	<i>IFRS 1 , IAS 28</i>

#### **IFRS 9 Financial Instruments**

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

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### 2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

#### 2.4. New and Revised Turkish Accounting Standards (continued)

##### a) Amendments to TAS affecting amounts reported and/or disclosures in the financial statements (cont’d)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The impact of IFRS 9 on the Group’s consolidated financial statements are explained at below in detail.

#### Classification and measurement of financial instruments

Trade receivables carried at amortized cost as disclosed in Note 8: These are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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### 2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

#### 2.4. New and Revised Turkish Accounting Standards (continued)

- a) Amendments to TAS affecting amounts reported and/or disclosures in the financial statements (cont’d)

##### **TFRS 15 Revenue from Contracts with Customers (continued)**

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Later on *Clarifications to IFRS 15* in relation to the identification of performance obligations, principal versus agent considerations were issued, as well as licensing application guidance.

##### **Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

The amendment to IFRS 10 and IAS 28 does not have any impact on the condensed consolidated interim financial statements of the Group as of 31 March 2018.



## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

#### 2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

##### 2.4. New and Revised Turkish Accounting Standards (continued)

- a) Amendments to TAS affecting amounts reported and/or disclosures in the financial statements (cont’d)

##### ***IFRIC 22 Foreign Currency Transactions and Advance Consideration***

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

IFRIC 22 has no impact on the Entity’s consolidated financial statements.

##### ***Amendments to IAS 40 Transfers of Investment Property***

The amendments to IAS 40:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

Amendments to IAS 40 have no impact on the Entity’s consolidated financial statements.

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

### 2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

#### 2.4. New and Revised Turkish Accounting Standards (continued)

- a) Amendments to TAS affecting amounts reported and/or disclosures in the financial statements (cont’d)

##### Annual Improvements to IFRS Standards 2014–2016 Cycle

- **IFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
- **IAS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Annual improvements to IFRS Standards 2014-2016 cycle have no impact on the Group’s consolidated financial statements.

- b) New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16	<i>Leases</i> <sup>1</sup>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019.

##### **IFRS 16 *Leases***

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

##### **Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures***

This amendment clarifies that an entity applies IFRS 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.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

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#### 2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

##### 2.5 Critical Accounting Estimates, Assumptions and Judgments

###### 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 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 condensed consolidated interim financial statements, principal assumptions used in valuation reports for calculating the fair values of real estates classified as investment properties are explained below:

In 2017, 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 work is performed once a year, the fair values of the investment properties determined by the valuation reports in 2017 used for 31 March 2018 condensed consolidated interim financial statements.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

## 2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 2.5. Critical Accounting Estimates, Assumptions and Judgments (continued)

Critical judgments in applying the Group’s accounting policies (cont’d)

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

Significant estimates and assumptions disclosed in the consolidated financial statements as of 31 March 2018 and 31 December 2017 are as follows:

	Valuation report date	Valuation method	Discount rate (*)	Rent increase rate p.a	Capitalization rate	Valuation market m <sup>2</sup> value in full TL
Antalya Deepo Avm	05.01.2018	Discounted cash flow	11%	3%	3%	-
Mall of Antalya	05.01.2018	Discounted cash flow	11%	3%	3%	-
Antalya Kepez Land	05.01.2018	Sale comparison	-	-	-	250-1,805
Korupark Shopping Mall	05.01.2018	Discounted cash flow	11%	3%	8%	-
Torium Shopping Mall	05.01.2018	Discounted cash flow	11%	3%	8%	-
Zafer Plaza Shopping Mall	05.01.2018	Discounted cash flow	11%	3%	8%	-
MOI Shopping Mall	05.01.2018	Discounted cash flow	11%	3%	8%	-
Torun Tower	05.01.2018	Sale comparison	-	-	-	-8,120-26,440
Paşabahçe Land	05.01.2018	Sale comparison	11%	4%	4%	3,010-10,100
İstanbul İkitelli Kayabaşı Land	05.01.2018	Sale comparison	-	-	-	875
İstanbul Beyoğlu Kemankeş Building	05.01.2018	Sale comparison	-	-	-	38,450-39,700
Bursa Korupark independent areas	05.01.2018	Sale comparison	-	-	-	500-4,340
Mall of İstanbul residents and offices	05.01.2018	Sale comparison	-	-	-	5,127-10,000
Mall of İstanbul Hotel, Convention Center and office project	05.01.2018	Discounted cash flow	11%	3%	6%	-
Torun Center	05.01.2018	Sale comparison	-	-	-	10,165-25,175

(\*) Discount rates are based on the currency in which the majority of cash flows are denominated for each investment property. In Turkey Euro and USD are commonly used in rent agreement.

If all the variables in the valuations of the real estates with the fair value of TL 5.498.739 (31 December 2017: 5.498.739) valued using the income approach as of 31 December 2017 were fixed and the discount rate used was more than 0,5% and less than 0,5%, the 31 March 2018 fair values would have been TL 27.494 lower and TL 27.494 higher (31 December 2017: TL 27.494 lower and TL 27.494 higher.)

- i) The Antalya Deepo Shopping Center and the Growth Project (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 2018 and 31 December 2017, It was opened in October 2004. 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 5 January 2018 with the report number 2017-581 the aforementioned property’s fair value is TL 578.000 as at 31 December 2017.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

#### 2. BASIS OF PRESENTATION OF CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

##### 2.5 Critical accounting estimates, assumptions and judgments(continued)

*Fair values of investment properties (Continued):*

- 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 2018 and 31 December 2017.

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 5 January 2018 with the report number 2017-579 the aforementioned property's fair value is TL 78.010 as at 31 December 2017.

- iii) The Bursa Korupark Shopping Center, which was established on the area of 53,185.61 m<sup>2</sup> in Bursa Province, Osangazi District, Emek Village, which is classified under investment properties as of 31 March 2018 and 31 December 2017, 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 2017-575, Capital Markets Board's Serie: IV No:1 Communiqué, dated 5 January 2018, at 31 December 2017, the aforementioned property's fair value is TL 1.293.000.

- 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 2018 and 31 December 2017, 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 5 January 2018 with the report number 2017-566, the aforementioned property's fair value is TL 1.860.000 as at 31 December 2017.

- v) As of 31 March 2018 and 31 December 2017, 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 5 January 2018 with the report number 2017-568, the aforementioned property's fair value is TL 465.200 as at 31 December 2017.

- vi) As of 31 March 2018 and 31 December 2017, 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 5 January 2018 with the report number 2017-570, the aforementioned property's fair value is TL 754.600 as at 31 December 2017.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

#### 2. BASIS OF PRESENTATION OF CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

##### 2.5 Critical accounting estimates, assumptions and judgments(continued)

*Fair values of investment properties (continued):*

- 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 2018 and 31 December 2017 in the consolidated financial statements, the Group develops Torun Tower Project. The project has been completed on 6 February 2014 and a rent agreement has been signed with Denizbank A.Ş. for 60.023 m<sup>2</sup> of area (30 floors).

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 5 January 2018 with the report number 2017-563, the aforementioned property's fair value is TL 1.532.000 as at 31 December 2017.

- 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 2018 and 31 December 2017 in the consolidated financial statements has been opened in October 1999. 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 5 January 2018 with the report number 2017-574, the aforementioned property's fair value is TL 291.600 as at 31 December 2017.

- 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 2018 and 31 December 2017 in the consolidated financial statements. 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 5 January 2018 with the report number 2017-569 the aforementioned property's fair value is TL 53.230 as at 31 December 2017.

- 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 2018 and 31 December 2017 in the consolidated financial statements. 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 5 January 2018 with the report number 2017-571 the aforementioned property's fair value is TL 58.170 as at 31 December 2017.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

#### 2. BASIS OF PRESENTATION OF CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

##### 2.5 Critical accounting estimates, assumptions and judgments (continued)

*Fair values of investment properties (Continued):*

- xi) As at 31 March 2018 and 31 December 2017 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 5 January 2018 with the report number 2017-576 the aforementioned property’s fair value is TL 20.613 as at 31 December 2017.

- 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 2018 and 31 December 2017.

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 5 January 2018 with the report number 2017-565 the aforementioned property’s fair value is TL 256.339 as at 31 December 2017.

- 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 2018 and 31 December 2017.

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 5 January 2018 with the report number 2017-564, the aforementioned property’s fair value is TL 19.080 as at 31 December 2017.

- xiv) The Group, as of 31 March 2018 and 31 December 2017, with the final decision that has been given in the context of Group’s business plan, plans to lease in 2017 the rentable area of 68.673 m<sup>2</sup> which consists of workplaces, offices and commercial units. This area which is located in Torun Center Project in Istanbul Province, Şişli District, Dikilitaş Neighborhood, is classified under investment property as of 31 December 2017 in the consolidated financial statements.

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 5 January 2018 with the report number 2017-562 the aforementioned property’s fair value is TL 1.022.687 as at 31 December 2017.

##### 2.6 Control of 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 23 January 2014 numbered 28891 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

#### 3. EQUITY INVESTMENTS

	31 Mart 2018		31 Aralık 2017	
	(%)	TL	(%)	TL
Yeni Gimat	14,83%	292.473	14,83%	286.891
TTA	40,00%	21.567	40,00%	22.250
Netsel	44,60%	4.398	44,60%	6.452
		<b>318.438</b>		<b>315.593</b>

	1 January - 31 March 2018	1 January - 31 December 2017
<b>At the beginning of the period</b>	<b>315.593</b>	<b>328.158</b>
Income from associates, (net)	6.936	31.411
Dividends received from associates	(2.324)	(18.761)
Liquidation effect of Torunlar-Özyazıcı(*)	-	(23.965)
Refund shares (**)	(1.084)	-
Income/expense from joint ventures, (net)	(683)	(1.250)
<b>At the end of the period</b>	<b>318.438</b>	<b>315.593</b>

(\*) Torunlar Özyazıcı project partnership, which used to be a joint venture of the Group, was terminated after the sale of all of the properties belonging to the project partnership on 30 May 2017. Therefore, the effect of the joint venture has been eliminated by netting off the liabilities due to aforementioned joint venture. Profit amounting to TL 4.301 as a result of the liquidation of the project partnership has been accounted in the statement of profit or loss and other comprehensive income dated 31 December 2017.

(\*\*) Group's subsidiary 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 between 8 March and 16 March 2018, the shares are reported as treasury shares which is TL 1,084.

Income/expense from investments in associates :

	31 March 2018	31 December 2017
Yeni Gimat	5.581	28.172
Netsel	1.355	3.239
TTA	(683)	(1.250)
<b>Total</b>	<b>6.253</b>	<b>30.161</b>



# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

(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 2018 is as follows;

	Total Revenue from Departments	Gross Profit	Operating Profit/Loss	Income from Subsidiaries	Finance Expense, net	Profit/(Loss) Before Tax	Capital Expenditures(**)
<b>Shopping Malls and Offices for Rent</b>							
MOI Shopping Mall	51.715	38.934	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 Land	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>103.406</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 Three Phase Residents	1.985	1.365	990	-	-	990	-
Mall of Istanbul	-	-	-	-	-	-	-
Torium Residents	-	-	-	-	-	-	-
Nişistanbul 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 Istanbul Hotel Congress Center and Office Project	-	-	-	-	-	-	6.862
<b>Properties held for new projects</b>							
Kayabaşı Land	-	-	-	-	-	-	-
Kemankeş Building	-	(26)	(26)	-	-	(26)	-
<b>Associates</b>							
Ankamall ve Hotel (Yeni Gimat)	-	-	-	5.581	-	5.581	-
Netsel	-	-	-	1.355	-	1.355	-
TTA	-	-	-	(683)	-	(683)	-
Torunlar Özyazıcı	-	-	-	-	-	-	-
Unallocated	370	-	4.695	-	(197.672)	(186.724)	-
<b>Total</b>	<b>673.528</b>	<b>342.171</b>	<b>341.766</b>	<b>6.253</b>	<b>(197.672)</b>	<b>150.347</b>	<b>135.429</b>

(\*) Represents fair value gain/loss arised from investment properties.

(\*\*) Capital expenditures include expenditures made for residence and shopping mall constructions which are classified as inventories and as investment properties in the consolidated financial statements.

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

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

### 4. SEGMENT REPORTING (continued)

b) The segment information for the reportable segments as of and for the period ended 31 March 2017 is as follows:

	Total Revenue from Departments	Gross Profit	Operating Profit/Loss	Income from Subsidiaries	Finance Expense, net	Profit/(Loss) Before Tax	Capital Expenditures(*)
<b>Shopping Malls and Offices for Rent</b>							
MOI Shopping Mall	43.323	32.825	32.825	-	-	32.825	530
Korupark Shopping Mall	25.119	20.695	20.695	-	-	20.695	184
Torun Tower	17.606	17.332	17.332	-	-	17.332	-
Torium Shopping Mall	12.714	6.396	6.396	-	-	6.396	1.974
Zafer Plaza Shopping Mall	6.901	5.032	5.032	-	-	5.032	-
Antalya Deepo Shopping Mall and Mall of Antalya	6.379	4.002	4.002	-	-	4.002	34.407
Antalya Kepez Land	51	-	-	-	-	-	-
Korupark Independent Areas	-	-	-	-	-	-	-
Torun Center	3	-	-	-	-	-	-
<b>Subtotal</b>	<b>112.096</b>	<b>86.282</b>	<b>86.282</b>	-	-	<b>86.282</b>	<b>37.095</b>
<b>Residences and Office Projects</b>							
Torun Center	19.944	12.364	12.364	-	-	12.364	88
Korupark Three Phase Residents	3.259	2.273	2.273	-	-	2.273	-
Mall of Istanbul	-	-	-	-	-	-	3.951
Torium Residents	-	-	-	-	-	-	-
Nishistanbul Project	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>23.203</b>	<b>14.637</b>	<b>14.637</b>	-	-	<b>14.637</b>	<b>4.039</b>
<b>Projects under construction</b>							
5. Levent Project	170	186	186	-	-	186	131.709
Torun Center	-	-	-	-	-	-	-
Mall of Istanbul Hotel Congress Center and Office Project	-	-	-	-	-	-	-
<b>Properties held for new projects</b>							
	-	-	-	-	-	-	-
Paşabahçe Land	-	-	-	-	-	-	-
Kayabaşı Land	-	-	-	-	-	-	-
Kemankeş Building	-	-	-	-	-	-	-
<b>Associates</b>							
Ankamall ve Hotel (Yeni Gimat)	-	-	-	5.763	-	5.763	-
Netsel	-	-	-	4.701	-	4.701	-
TTA	-	-	-	(314)	-	(314)	-
Torunlar Özyazıcı	-	-	-	-	-	-	-
Unallocated	-	(4.918)	-	-	(134.054)	(144.704)	-
<b>Total</b>	<b>135.469</b>	<b>96.187</b>	<b>90.455</b>	<b>10.150</b>	<b>(134.054)</b>	<b>(33.449)</b>	<b>172.824</b>

(\*) Represents fair value gain/loss arised from investment properties.

(\*\*) Capital expenditures include expenditures made for residence and shopping mall constructions which are classified as inventories and as investment properties in the consolidated financial statements.

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

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 31 MARCH 2018**

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

**5. CASH AND CASH EQUIVALENTS**

	<b>31 March 2018</b>	<b>31 December 2017</b>
Cash on hand	1	1
Cash at banks	341.372	602.340
Demand deposits	973	829
Time deposits up to 3 months maturity	340.509	601.511
Other cash equivalents	147	91
	<b>341.630</b>	<b>602.432</b>
Cash and cash equivalents	341.630	602.432
Less:Interest Accrual of Time Deposits	(2.150)	(7.213)
<b>Cash and Cash Equivalence in the Statement of Cash Flows</b>	<b>339.480</b>	<b>595.219</b>

Maturities of cash and cash equivalents are as follows:

	<b>31 March 2018</b>	<b>31 December 2017</b>
Up to 30 days	333.732	602.432
30 - 90 days	7.898	-
	<b>341.630</b>	<b>602.432</b>

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

	<b>31 March 2018</b>		<b>31 December 2017</b>	
	Original Amount	TL Equivalent	Amount Ori	TL Equivalent
USD	13.279	52.439	46.689	176.108
Euro	14.381	69.998	3.009	13.586
Other	1	6	1	5
		<b>122.443</b>		<b>189.699</b>

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

### 6. FINANCIAL LIABILITIES

	31 March 2018	31 December 2017
<u>Financial Liabilities</u>		
Bank Borrowings	476.791	469.671
<b>Short term financial borrowings</b>	<b>476.791</b>	<b>469.671</b>
Current Portion of Long Term Borrowings	598.718	374.690
Finance Leases	23.658	21.682
<b>Short-term portions of long-term borrowings</b>	<b>622.376</b>	<b>396.372</b>
Bank Borrowings	2.293.485	2.669.391
Finance Leases	73.010	71.042
<b>Long Term Borrowings</b>	<b>2.366.495</b>	<b>2.740.433</b>
<b>Total Borrowings</b>	<b>3.465.662</b>	<b>3.606.476</b>

As of 31 March 2018, there are mortgages amounting to TL 5.114.785 (31 December 2017: TL 4.885.676) given to the banks regarding the financial liabilities amounting to TL 1.801.386 (31 December 2017: TL 1.438.978) on the investment properties

#### a) Bank Loans

	31 March 2018	31 December 2017
Short Term Bank Borrowings	476.791	469.671
Current Portion of Long Term Borrowings	598.718	374.690
Long term bank loans	2.293.485	2.669.391
<b>Total borrowings</b>	<b>3.368.994</b>	<b>3.513.752</b>

31 March 2018	Weighted avg. effective interest (%)	Currency	Original balance	TL equivalent
Short term bank borrowings	2,67	EURO	33.587	163.478
	5,50	USD	27.176	107.315
	15,28	TL	205.998	205.998
Current Portion of Long Term Borrowings	2,66	EURO	37.000	180.090
	5,5	USD	92.083	363.628
	15,16	TL	55.000	55.000
Long term bank loans	4,00	EURO	100.000	486.730
	5,5	USD	415.750	1.641.755
	15,16	TL	165.000	165.000
<b>Total bank borrowings</b>				<b>3.368.994</b>

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

### 6. FINANCIAL LIABILITIES (continued)

31 December 2017	Weighted avg. effective interest (%)	Currency	Original balance	TL equivalent
Short term bank borrowings	14,75	TL	312.123	312.123
	-	USD	-	-
	2,00	EURO	34.891	157.548
Current Portion of Long Term Borrowings	14,75	TL	61.550	61.550
	5,84	USD	58.902	222.173
	3,47	EURO	20.146	90.967
Long term bank loans	14,75	TL	248.566	248.566
	5,47	USD	515.037	1.942.667
	3,94	EURO	105.893	478.158
<b>Total bank borrowings</b>				<b>3.513.752</b>

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

The repayment schedule for long-term bank loans is as follows:

	31 March 2018	31 December 2017
2018	-	1.585.968
2019	1.421.588	452.846
2020	434.617	314.326
2020 and beyond	437.280	316.251
	<b>2.293.485</b>	<b>2.669.391</b>

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

	31 March 2018	31 December 2017
Up to 1 year	23.658	21.681
1 year - 5 years	73.010	71.043
	<b>96.668</b>	<b>92.724</b>

Finance leases consist of USD and EUR. The Group has a finance leases obligation of 3,56% interest rate with original currency of EUR 20.446 and interest rate of 4,95 % with original currency USD 344 (31 December 2017: EUR 20.891 and USD 688) as of 31 March 2018.

As of 31 March 2018 and 31 December 2017 , 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 under the investment properties.(Note 2)

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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#### 7. PREPAID EXPENSES AND DEFERRED INCOME

	<b>31 March</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
<u>Short term prepaid expenses</u>		
Advances given	55.655	44.339
Prepaid expenses	4.862	8.216
	<b>60.517</b>	<b>52.555</b>
	<b>31 March</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
<u>Long term prepaid expenses</u>		
Advances given (*)	970	89.651
Prepaid expenses	3.351	3.351
	<b>4.321</b>	<b>93.002</b>

(\*) As of 31 December 2017, advances given amounting to TL 88.680 is related with purchased land (12.500 m<sup>2</sup>) which is located near Mall Of İstanbul. The Group has purchased the land from Basaksehir Municipality for consideration of 75.100.000 TL + VAT on 10 January 2018.

	<b>31 March</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
<u>Short term deferred income</u>		
Advance received (**)	714.919	1.164.658
Deferred income	13.364	11.852
	<b>728.283</b>	<b>1.176.510</b>

(\*\*) As of 31 March 2018, advances received amounting to TL 683.129 consist of the sales regarding the offices and residential units of 5.Levent Project, TL 14.805 consist of the sales commitments regarding the offices and residential units of Torun Center Project, TL 1.640 consist of the sales commitments regarding the offices and residential units of Korupark 3.Phase and remaining TL 17.830 consist of other advances. (31 December 2017: TL 1.153.027 5. Levent Project, TL 6.578 Torun Center Project, 672 TL Korupark 1-2-3.Phase and remaining TL 4.679 other advances).

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

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**8. TRADE RECEIVABLES AND PAYABLES**

	<b>31 March 2018</b>	<b>31 December 2017</b>
<u>Current trade receivables</u>		
Trade receivables	54.684	48.174
Notes receivables (*)	99.872	122.252
Trade receivables from related parties	5.804	3.882
Checks on hand	12.001	8.567
Less: Allowance for doubtful receivables	(10.340)	(10.244)
	<b>162.021</b>	<b>172.631</b>
	<b>31 March 2018</b>	<b>31 December 2017</b>
<u>Non-current trade receivables</u>		
Notes receivables (*)	31.065	33.498
	<b>31.065</b>	<b>33.498</b>

(\*) As of 31 March 2018, TL 116.026 of long term and short term notes receivable are related with 5. Levent project, TL 1.466 of Mall of Istanbul Project, TL 5.221 of Korupark 3. Phase resident project, remaining TL 771 consist of other notes receivables (31 December 2017: 5. Levent Project TL 148.400, Mall of İstanbul TL 2.047, Korupark 3. Phase TL 5.997, other notes receivables TL 790).

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

	<b>31 March 2018</b>	<b>31 December 2017</b>
Movement of Allowance for Doubtful Receivables		
Balance at beginning of the period	(10.244)	(6.732)
Amounts written off during the year	(430)	(5.044)
Provision no longer required	334	1.532
Closing balance	<b>(10.340)</b>	<b>(10.244)</b>

Aging of provision for doubtful receivables is as follows:

	<b>31 March 2018</b>	<b>31 December 2017</b>
3 to 6 months	(3.224)	(3.128)
Over 6 months	(7.116)	(7.116)
	<b>(10.340)</b>	<b>(10.244)</b>

	<b>31 March 2018</b>	<b>31 December 2017</b>
<u>Short term trade payables</u>		
Trade payables	70.655	103.553
Trade payables to related parties	8.608	11.171
Notes payable	3.721	4.499
	<b>82.984</b>	<b>119.224</b>

As of 31 March 2018 and 31 December 2017, majority of trade payables consist of payables to subcontractors relating to projects in progress.

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

### 9. INVESTMENT PROPERTIES

Movement schedule of investment properties as of 31 March 2018 and 31 December 2017:

	1 January 2018	Additions	Disposals	Transfers	Change in Fair Value	31 March 2018
<b>Office and Shopping Malls</b>						
MOI Shopping Mall	1.860.000	465	-	-	-	1.860.465
Torun Tower	1.532.000	-	-	-	-	1.532.000
Bursa Korupark Shopping Mall	1.293.000	1.048	-	-	-	1.294.048
Torun Center	1.022.687	836	-	-	-	1.023.523
Torium Shopping Mall	465.200	13.446	-	-	-	478.646
Antalya Deepo Shopping Mall and Mall of Antalya	578.000	8.424	-	-	-	586.424
Bursa Zafer Plaza Shopping Mall	291.600	-	-	-	-	291.600
Mall of İstanbul						
Residences and offices	19.080	-	-	-	-	19.080
Korupark Independent Areas	20.613	-	-	-	-	20.613
<b>Investment properties under construction</b>						
Mall of İstanbul hotel						
Congress Center and Office Project	256.339	6.862	-	-	-	263.201
Paşabahçe projesi	754.600	901	-	-	-	755.501
<b>Properties held for new-projects</b>						
Antalya Kepez land	78.010	-	-	-	-	78.010
Kemankeş building	58.170	13	-	-	-	58.183
Kayabaşı land	53.230	-	-	-	-	53.230
Başakşehir arsa	-	75.100	-	-	-	75.100
	<b>8.282.529</b>	<b>107.095</b>	-	-	-	<b>8.389.624</b>



# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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### 9. INVESTMENT PROPERTIES (Continued)

Movement schedule of investment property as of 31 December 2017.

	1 January 2017	Additions	Disposal	Transfers	Change in Fair Value	31 December 2017
<b>Office and Shopping Malls</b>						
Mall of İstanbul AVM	1.860.465	8.535	-	-	210.551	1.860.000
Torun Tower	1.532.000	87	-	-	39.503	1.532.000
Bursa Korupark AVM	1.294.048	728	-	-	90.474	1.293.000
Torun Center	1.023.523	2.736	-	-	(8.242)	1.022.687
Torium Shopping Mall	478.646	11.311	-	-	(71.301)	465.200
Antalya Deepo Shopping Mall and Mall of Antalya (*)	586.424	109.081	-	-	(44.451)	578.000
Bursa Zafer Plaza Shopping Mall	291.600	-	-	-	(37.420)	291.600
Mall of İstanbul						
Residences and offices	19.080	-	-	-	(5.361)	19.080
Korupark Independent Areas	20.613	-	-	-	(1.117)	20.613
<b>Investment properties under construction</b>						
Mall of İstanbul hotel congress center and office project	755.501	9.117	-	-	40.361	256.339
<b>Properties held for new-projects</b>						
Paşabahçe land (**)	607.330	13.000	-	-	134.270	754.600
Antalya Kepez land (***)	78.010	-	-	-	16.360	78.010
Kemankeş building	58.183	-	-	-	6.439	58.170
Kayabaşı land	53.230	-	-	-	3.984	53.230
	<b>8.658.653</b>	<b>154.595</b>	-	-	<b>374.050</b>	<b>8.282.529</b>

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

(\*\*) The Group has purchased a see-side in Bosphorus after a successful tender at a price of TL355 million from Privatization Administration. Mentioned purchase contains real estates as follows: Block 195, Lot 7 as 54,870 sqm; Block 209, Lot 3 as 16,212 sqm; Block 200, lot 3 as 827 sqm 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 (villa).

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

### 9. INVESTMENT PROPERTIES (continued)

Liens on investment properties regarding bank borrowings as at 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018	31 December 2017	Currency	31 March	31 December
	<u>Original</u>	<u>Original Amount</u>	<u>Type</u>	<u>2018</u>	<u>2017</u>
Torun Tower	390.000	390.000	USD	1.540.071	1.471.041
Paşabahçe land	375.000	375.000	USD	1.480.838	1.414.463
Mall of İstanbul	150.000	150.000	USD	592.335	565.785
Mall of İstanbul	406.398	406.398	TL	406.399	406.399
Bursa Korupark Shopping mall	225.000	225.000	Euro	1.095.144	1.015.989
Mall of İstanbul Additional Land	12.000	12.000	TL	12.000	12.000
				<u>5.126.787</u>	<u>4.885.677</u>

### 10. INVENTORIES

	31 March	31 December
	<u>2018</u>	<u>2017</u>
<b>Residences and Office Projects</b>		
Completed Projects		
- Torun center project (*)	304.503	301.326
- Mall of İstanbul project(**)	29.654	30.558
- Nishistanbul (***)	12.495	12.495
- Korupark phase three (****)	2.974	3.560
- Torium (*****)	438	438
Non-Completed Projects		
- 5.Levent project (*****)	778.084	961.806
- Torun center project (*)	316.585	314.815
	<u>1.444.733</u>	<u>1.624.998</u>

Impairment provision amounting to TL 67 has been recognised for Torium Residences (31 December 2017: TL 67); TL 1,385 for Nishistanbul total of TL 1.465 as of 31 March 2018 (31 December 2017: TL 1.465).

(\*) 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 2015. 81 residences, 45 offices and 39 Horizontal offices have been delivered in this context the Group has recognised revenue amounting to TL 541.849 as of 31 March 2018. (31 December 2017: 81 residences, 45 offices and 39 horizontal offices and in this context the Group has collected revenue TL 541.849). As of 31 March 2018 The Group did not capitalized any finance expenses for Torun Center Project (31 December 2017: TL 0).

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

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#### 10. INVENTORIES (continued)

- (\*\*) 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, and 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 A.Ş., the fair value of land including 146.039 m<sup>2</sup> sellable residences and offices was determined as TL203.233 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 624.185 as of 31 March 2018. (31 December 2017: 1.077 residences, 133 offices and 21 horizontal offices and in this context the Group has recognised revenue amounting TL 623.824).
- (\*\*\*) 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 3. 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 2018, 665 residences were sold with 99.847 m<sup>2</sup> and transferred to buyers (31 December 2017: 99.380 m 662 residences).
- (\*\*\*\*\*) As of 31 March 2018, 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.
- (\*\*\*\*\*) As of 31 March 2018, 711 residances were sold and transferred to buyers. (31 December 2017: 173)

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

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

Contingent assets and liabilities are as follows:

	<b>31 March 2018</b>	<b>31 December 2017</b>
Guarantees received	175.003	201.867

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

The totals of expected minimum operational lease revenues as of 31 March 2018 and 31 December 2017 are as follows:

	<b>31 March 2018</b>	<b>31 December 2017</b>
Rent income		
Between 0-1 years	622.598	518.832
Between 1-5 years	1.913.864	1.594.887
Between 5-10 years	5.183.684	4.319.737

The minimum operational lease revenue represents lease revenue from Mall of İstanbul, Korupark shopping mall, Torium shopping mall, Zafer shopping mall and Deepo shopping mall. The lease revenues from Ankamall and Crowne Plaza Hotel 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.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

#### 11. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (continued)

Below are the amounts of guarantees, pledges and mortgages of the Group as of 31 March 2018 and 31 December 2017:

	<b>31 March 2018</b>	<b>31 December 2017</b>
CPM’s given by the company (Collaterals, Pledges, Mortgages)		
A.CPM’s given for its own legal personality	5.257.527	4.995.799
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 which 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>5.257.527</b>	<b>4.995.799</b>

The ratio of the other TRI’s issued by the entity to the Group’s own equity is 0% as of 31 March 2018.

As of 31 March 2018 mortgages on investment properties of the Group is TL 5.126.768 (31 December 2017: TL 4.885.676).

	<b>31 March 2018</b>		<b>31 December 2017</b>	
	<b>Foreign Currency</b>	<b>TL Amount</b>	<b>Foreign Currency</b>	<b>TL Amount</b>
USD	915.000	3.613.244	915.000	3.451.289
Euro	225.000	1.095.142	225.000	1.015.988
TL	418.399	418.401	418.399	418.399
		<b>5.126.787</b>		<b>4.885.676</b>

The lease revenues from Korupark Shopping Mall, Torun Tower and MOI Shopping Mall 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

#### 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.

The Company, on 27 December 2016, completed its trade registry and its subsidiary TRN Alışveriş Merkezleri Yatırım ve Yönetim A.Ş. combined with facilitated mode. As a result of this merger, 4.283 full TL (C Group) capital increase was realized).

Company’s shareholders and capital structure as of 31 March 2018 and 31 December 2017 as below:

Shareholders	A Group (%)	A Group	B Group	C Group	31 March 2018
		(quantity)	(quantity)	(quantity)	
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 Karabryık	less than 0,01	-	16	-	16
Other Shareholders	less than 0,01	-	-	8	8
Other (Public quotation)	25,16	-	-	251.572	251.572
<b>Total paid-in capital</b>		<b>200.470</b>	<b>200.470</b>	<b>599.060</b>	<b>1.000.000</b>

Shareholders	A Group (%)	A Group	B Group	C Group	31 December 2017
		(quantity)	(quantity)	(quantity)	
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 Karabryık	less than 0,01	-	16	-	16
Other Shareholders	less than 0,01	-	-	8	8
Other (Public quotation)	25,16	-	-	251.572	251.572
<b>Total paid-in 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 13. Article 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018**

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

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#### **12. EQUITY (Continued)**

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.

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

#### 13. REVENUE AND COST OF REVENUE

##### Incomes

	<b>1 January - 31 March 2018</b>	<b>1 January- 31 March 2017</b>
Rent income	114.871	93.518
Common area income	533.753	23.173
Residence sales	23.569	18.467
Other	1.335	311
	<b>673.528</b>	<b>135.469</b>

##### Cost of revenue

	<b>1 January - 31 March 2018</b>	<b>1 January- 31 March 2017</b>
Common area expenses	(300.227)	(13.243)
Cost of residence sales	(29.994)	(23.414)
Rent expenses and management fees of shopping malls	(1.136)	(3.264)
Other	-	(190)
	<b>(331.357)</b>	<b>(40.111)</b>

Operational lease revenues mainly consist of rent income from shopping malls and Torun Tower Office. Shopping malls in operation are Mall of İstanbul, Ankara Ankamall, Bursa Korupark, Bursa Zafer Plaza, Antalya Deepo, Istanbul 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. Istanbul Torium, Bursa Korupark and Antalya Deepo is managed by the related party Torun AVM Yatırım ve Yönetim A.Ş. (“Torun AVM”), 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

### 14. GENERAL ADMINISTRATIVE AND MARKETING, SELLING AND DISTRIBUTION EXPENSES

#### a) Details of General Administrative Expenses

	<b>1 January- 31 March 2018</b>	<b>1 January- 31 March 2017</b>
Taxes and funds	(39)	(19)
Provisions for doubtful trade receivables	(430)	-
Personnel expenses	(1.829)	(1.708)
Donations	(1.453)	(17)
Property expenses	(685)	(877)
Consultancy expenses	(264)	(314)
Depreciation expense	(165)	(328)
Transportation and travel expenses	(47)	(23)
BIST expenses	(186)	(133)
Other	(646)	(375)
	<b>(5.744)</b>	<b>(3.794)</b>

#### b) Details of Marketing Expenses

	<b>1 January- 31 March 2018</b>	<b>1 January- 31 March 2017</b>
Advertising Expenses (*)	(751)	(1.990)
Personnel expenses	(525)	(448)
Depreciation expense	(163)	(169)
Marketing expenses for residence sales	(2.677)	-
Consultancy expenses	-	(79)
Other	(234)	(169)
	<b>(4.350)</b>	<b>(2.855)</b>

(\*) As of 31 March 2018; TL 613 (31 December 2017: TL 3.235) of the advertising expenses are related to 5. Levent project, the TL 0 (31 December 2017: TL 627) of it related to the advertising expenses of Mall of Antalya project, the TL 91 (31 December 2017: TL 51) of it related to the advertising expenses of Torun Center, the TL 31 (31 December 2017: TL 148) 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

### 15. FINANCIAL INCOME/EXPENSES

<b>Financial income</b>	<b>1 January- 31 March 2018</b>	<b>1 January- 31 March 2017</b>
Interest income on time deposits	15.132	10.415
Foreign exchange gains (*)	-	92
	<b>15.132</b>	<b>10.507</b>
<b>Financial expenses</b>	<b>1 January- 31 March 2018</b>	<b>1 January- 31 March 2017</b>
Foreign exchange losses	(145.670)	(107.170)
Interest expenses	(64.806)	(35.207)
Losses on derivative financial instruments	(2.328)	(2.184)
	<b>(212.804)</b>	<b>(144.561)</b>

(\*) 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.

#### Earnings / (Loss) Per Share

	<b>31 March 2018</b>	<b>31 March 2017</b>
Net profit/(loss) of shareholders	150.347	(33.449)
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>0,15</b>	<b>(0,03)</b>

### 17. BENEFITS PROVIDED FOR MEMBERS OF KEY MANAGEMENT

	<b>1 January- 31 March 2018</b>	<b>1 January- 31 December 2017</b>
Salaries and premium	558	2.571
	<b>558</b>	<b>2.571</b>

The remuneration of top management consists of short-term wages and other short-term benefits and excludes long-term benefits.

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

### 18. FINANCIAL RISK MANAGEMENT

#### *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 2018 and 31 December 2017.

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

	31 March 2018	31 December 2017
Assets	140.626	209.710
Liabilities	(3.057.893)	(2.916.196)
	<b>(2.917.267)</b>	<b>(2.706.486)</b>

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

31 March 2018	Euro	USD	TL Amount
<b>Current Assets</b>			
Monetary financial assets	14.392	13.309	122.608
Other assets	2.522	1.454	18.018
<b>Total assets</b>	<b>16.914</b>	<b>14.763</b>	<b>140.626</b>
<b>Short Term Liabilities</b>			
Trade payables	(2.560)	(1.659)	(19.010)
Financial liabilities	(74.130)	(119.259)	(831.756)
<b>Long Term Liabilities</b>			
Financial liabilities	(116.157)	(415.750)	(2.207.127)
<b>Total Liabilities</b>	<b>(192.847)</b>	<b>(536.668)</b>	<b>(3.057.893)</b>
<b>Net balance-sheet position</b>	<b>(175.933)</b>	<b>(521.904)</b>	<b>(2.917.267)</b>
Assets from			
off-balance sheet derivative instruments	-	-	-
Liabilities from			
off-balance sheet derivative instruments	(678)	-	(2.676)
Foreign currency balance sheet net position of derivatives	-	-	-
<b>Net foreign currency liability position</b>	<b>(176.611)</b>	<b>(521.904)</b>	<b>(2.920.566)</b>

## TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

#### 18. FINANCIAL RISK MANAGEMENT (continued)

Effect of the % 10 fluctuation in USD rate against TL, its effect is as follows;

Against EURO	(85.962)
Against USD	(206.095)
<b>Net foreign currency liability position</b>	<b>(292.057)</b>

The table below summaries foreign currency position risk of the Group as of 31 December 2017. The original currency amounts of assets and liabilities denominated in foreign currencies and the total TL equivalent are as follows:

31 December 2017	Euro	USD	TL Amount
<b>Current assets</b>			
Monetary financial assets	3.009	46.689	189.699
Other assets	2.933	1.269	18.031
Trade receivables	-	525	1.980
<b>Total assets</b>	<b>5.942</b>	<b>48.483</b>	<b>209.710</b>
<b>Short term liabilities</b>			
Trade payables	(3.622)	(2.207)	(24.680)
Financial liabilities	(55.037)	(58.902)	(470.688)
<b>Long term liabilities</b>			
Financial liabilities	(105.893)	(515.037)	(2.420.828)
<b>Total liabilities</b>	<b>(164.552)</b>	<b>(576.146)</b>	<b>(2.916.196)</b>
	-	-	-
<b>Net balance sheet position</b>	<b>(158.610)</b>	<b>(527.663)</b>	<b>(2.706.486)</b>
Assets from			
off-balance sheet derivative instruments	-	-	-
Liabilities from			
off-balance sheet derivative instruments	(277)	-	(1.251)
Foreign currency balance sheet			
net position of derivatives	-	-	-
<b>Net foreign currency liability position</b>	<b>(158.887)</b>	<b>(527.663)</b>	<b>(2.707.737)</b>

Effect of the % 10 fluctuation in USD rate against TL, its effect is as follows;

Against EURO	(71.745)
Against USD	(199.029)
<b>Net foreign currency liability position</b>	<b>(270.774)</b>

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

### 19. SUBSEQUENT EVENTS

None.

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

The information below, 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.

Financial statements main accounts items	Related regulations	31 March 2018	31 December 2017
A Money and capital markets instruments	Series:III, No:48.1, Art.24/(b)	341.521	602.432
B Properties, projects based on properties and rights based on properties	Series:III, No:48.1, Art.24/(a)	9.834.397	9.907.527
C Subsidiaries	Series:III, No:48.1, Art.24/(b)	318.547	315.593
Due to related parties (non trade)	Series:III, No:48.1, Art.24/(f)	-	-
<b>Other assets</b>		<b>381.725</b>	<b>510.265</b>
<b>D Total assets</b>	Series:III, No:48.1, Art.3/(f)	<b>10.876.190</b>	<b>11.335.817</b>
E Financial liabilities	Series:III, No:48.1.1, Art.31	3.368.994	3.513.752
F Other financial liabilities	Series:III, No:48.1.1, Art.31	-	-
G Finance leases	Series:III, No:48.1.1, Art.31	96.668	92.724
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	6.527.938	6.378.657
<b>Other liabilities</b>		<b>882.590</b>	<b>1.350.684</b>
<b>D Total liabilities</b>	Series:III, No:48.1, Art.3/(p)	<b>10.876.190</b>	<b>11.335.817</b>

# TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2018

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

### 20. ADDITIONAL NOTES: CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS (continued)

<b>Financial statements main accounts items</b>	<b>Related regulations</b>	<b>31 March 2018</b>	<b>31 December 2017</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)	341.521	602.432
A2 TL and foreign currency time and demand deposits	Series:III, No:48.1, Art.24/(b)	341.521	602.432
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 companies	Series:III, No:48.1, Art.28/1(a)	-	-
J Non-cash loans	Series:III, No:48.1, Art.31	130.742	110.123
K Mortgage amount on non-owned land to be developed	Series:III, No:48.1, Art.22(e)	-	-
L Total investments	Series:III, No:48.1, Art.22(i)	-	-

<b>Portfolio Restrictions</b>	<b>Related regulations</b>	<b>31 March 2018</b>	<b>31 December 2017</b>	<b>Maximum/ Minimum rate</b>
1 Mortgage amount on non-owned 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)	94%	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,	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	55%	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 of monetary and capital market instruments at one company	Series:III, No:48.1, Art.22/(1)	0%	0%	<10%

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

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 31 MARCH 2018**

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

**20. ADDITIONAL NOTES: CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS (continued)**

	<b>31 Mart 2018</b>		<b>31 Aralık 2017</b>	
	(%)	TL	(%)	TL
Yeni Gimat	14,83%	292.473	14,83%	286.891
TTA	40,00%	21.567	40,00%	22.250
Netsel	44,60%	4.398	44,60%	6.452
		<b>318.438</b>		<b>315.593</b>