

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

**CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY - 31 MARCH 2021**

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

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TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE INTERIM PERIOD AS OF 31 MARCH 2021**

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

	Notes	(Unaudited) Current Period 31 March 2021	(Audited) Prior Period 31 December 2020
ASSETS			
Current Assets		1,342,687	1,221,606
Cash and Cash Equivalents	5	267,357	143,276
Financial Investments	13	33,593	29,977
Trade Receivables	8	127,603	100,839
<i>Trade Receivables from Related Parties</i>		<i>15,869</i>	<i>16,945</i>
<i>Trade Receivables from Third Parties</i>		<i>111,734</i>	<i>83,894</i>
Other Receivables		316	132
<i>Other Receivables from Third Parties</i>		<i>316</i>	<i>132</i>
Inventories	10	888,383	923,299
Prepaid Expenses	7	13,629	13,319
Other Current Assets		11,806	10,764
Non-Current Assets		12,480,368	12,493,181
Trade Receivables	8	8,013	3,061
<i>Trade Receivables from Third Parties</i>	8	<i>8,013</i>	<i>3,061</i>
Other Receivables		2,733	2,743
<i>Other Receivables from Third Parties</i>		<i>2,733</i>	<i>2,743</i>
Investments Accounted by Equity Method	3	373,636	401,643
Investment Properties	9	11,740,765	11,736,607
Property, Plant and Equipment		350,613	346,446
Intangible Assets		1,638	1,713
<i>Other Intangible Assets</i>		<i>1,638</i>	<i>1,713</i>
Prepaid Expenses	7	970	968
Total Assets		13,823,055	13,714,787

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE INTERIM PERIOD AS OF 31 MARCH 2021**

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

	Notes	(Unaudited) Current Period 31 March 2021	(Audited) Prior Period 31 December 2020
LIABILITIES			
Current Liabilities		2,830,944	2,495,746
Short-Term Borrowings	6	1,307,300	1,647,691
Short-Term Portion of Long-Term Borrowings	6	1,067,012	532,244
Trade Payables	8	59,154	71,429
<i>Trade Payables to Related Parties</i>		27,879	31,639
<i>Trade Payables to Third Parties</i>		31,275	39,790
Payables Related to Employee Benefits		2,108	2,265
Other Payables		219,604	88,972
<i>Other Payables to Related Parties</i>		201,184	67,144
<i>Other Payables to Third Parties</i>		201,184	21,828
Derivative instruments		51,315	55,900
<i>Derivative Instruments for Hedging Purposes</i>		51,315	55,900
Deferred Income	7	94,231	72,636
Short-Term Provisions		25,060	20,205
<i>Other Short-Term Provisions</i>		25,060	20,205
Other Current Liabilities	7	5,160	4,404
Non-Current Liabilities		2,339,323	2,449,124
Long-Term Borrowings	6	2,337,592	2,447,393
Long-Term Provisions		1,466	1,466
Deffered income		265	265
<i>Long-Term Provisions for Employee Benefits</i>		1,466	1,466
EQUITY		8,652,788	8,769,917
Share Capital	12	1,000,000	1,000,000
Treasury Shares		(5,930)	(5,930)
Share Premium		25,770	25,770
Restricted Reserves Appropriated from Profit		74,421	74,421
Prior Years Profits		7,675,656	7,382,655
Net Profit for the Period		(117,129)	293,001
TOTAL LIABILITIES AND EQUITY		13,823,055	13,714,787

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD

1 JANUARY - 31 MARCH 2021

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

	Notes	(Unaudited) 1 January- 31 March 2021	(Unaudited) 1 January- 31 March 2020
PROFIT OR LOSS			
Revenue	13	261,389	332,378
Cost of Sales (-)	13	(67,673)	(137,625)
GROSS PROFIT		193,716	194,753
General Administrative Expenses (-)	14	(12,592)	(9,698)
Marketing Expenses (-)	14	(2,273)	(7,468)
Other Income from Operating Activities		2,258	1,515
Other Expenses from Operating Activities (-)		(2,428)	(2,325)
OPERATING PROFIT/LOSS		178,681	176,777
Share of the Group on Profit/Loss of Investments Accounted by Equity Method	3	8,236	7,272
OPERATING PROFIT/LOSS BEFORE FINANCE INCOME/(EXPENSES)		186,917	184,049
Finance Income	15	15,972	11,778
Finance Expenses (-)	15	(320,018)	(301,528)
PROFIT/LOSS BEFORE TAX		(117,129)	(105,701)
PROFIT/LOSS FOR THE PERIOD		(117,129)	(105,701)
Earnings per share from continuing operations	16	(0.12)	(0.11)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		(117,129)	(105,701)

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2021**

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

	Share Capital	Treasury Shares	Share Premium	Restricted Reserves Appropriated from Profit	Retained Earning	Net Profit for the Period	Total Equity
Opening balance as of 1 January 2020	1,000,000	(4,707)	25,770	74,255	6,517,031	865,790	8,478,139
Transfers	-	-	-	-	865,790	(865,790)	-
Total comprehensive income	-	-	-	-	-	(105,701)	(105,701)
Transactions with non-controlling interest owners	-	(1,123)	-	-	-	-	(1,123)
Closing balance as of 31 March 2020	1,000,000	(5,830)	25,770	74,255	7,382,821	(105,701)	8,371,315
Opening balance as of 1 January 2021	1,000,000	(5,930)	25,770	74,421	7,382,655	293,001	8,769,917
Transfers	-	-	-	-	293,001	(293,001)	-
Total comprehensive income	-	-	-	-	-	(117,129)	(117,129)
Transactions with non-controlling interest owners	-	-	-	-	-	-	-
Closing balance as of 31 March 2021	1,000,000	(5,930)	25,770	74,421	7,675,656	(117,129)	8,652,788

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARY

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2021**

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

Notes	(Unaudited) Current Period 1 January- 31 March 2021	(Unaudited) Prior Period 1 January- 31 March 2020
A. CASH FLOWS FROM OPERATING ACTIVITIES	261,324	301,136
Profit for the Period	(117,129)	(105,701)
Adjustments Related to Reconciliation of Profit for the Period	238,310	359,850
Adjustments related to depreciation and amortisation expenses	3,914	263
Adjustments related to provisions	4,855	4,104
Adjustments related to doubtful trade receivable provision expenses	(1,535)	(8)
Adjustments related to interest income and expenses	99,721	188,637
Adjustments related to unrealized foreign exchange differences	147,601	174,126
Adjustments related to undistributed profits of investments accounted for by equity method	(8,236)	(7,272)
Derivative financial instruments fair adjustments for value gains	(4,585)	-
Adjustments related to increase from investment property disposals	(3,425)	-
Changes in working capital	140,143	45,604
Adjustments related to decrease in trade receivables	(30,181)	(2,170)
Adjustments for decrease (increase) in financial investments	(3,616)	-
Increase in other receivables due to operations	(174)	6,284
Adjustments related to decrease/(increase) in inventories	34,916	87,526
Adjustments related to decrease in prepaid expenses	(312)	(16,925)
Adjustments related to decrease in trade payables	(12,275)	(32,831)
Increase/(decrease) in other payables due to operations	130,632	(5,286)
Adjustments related to increase/(decrease) in deferred income	21,595	3,083
Decrease/(increase) in other current/non-current assets due to operations	(422)	5,923
Cash generated from operations	261,324	299,753
Employment Termination Benefits Payment	-	1,383
B. CASH FLOWS FROM INVESTING ACTIVITIES	25,504	(30,070)
Cash inflows from the sale of property, plant and equipment and intangible assets	43	1,019
Payments for Acquisition of Property, Plant and Equipment and Intangible Assets	(8,049)	-
Payments for Acquisition of Investment Properties	(5,003)	(40,523)
Cash inflows from investment property	4,270	-
Dividends received	34,243	9,434
C. CASH FLOWS FROM FINANCING ACTIVITIES	(162,623)	(506,332)
Proceeds from borrowings	519,235	762,555
Repayment of borrowings	(580,635)	(1,007,604)
Interest paid	(112,734)	(277,436)
Interest received	11,511	16,153
Net increase/(decrease) in cash and cash equivalents	124,205	(235,266)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	143,005	733,572
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	267,210	498,306

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

NOTE 1. ORGANIZATION AND OPERATIONS OF THE GROUP

Torunlar Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (“Torunlar REIC” or the “Company”) and its subsidiary, TRN Otel İşletmeciliği ve Yatırımları A.Ş. (“TRN”) referred together as a “Group”. The Company was incorporated in 1996 with the trade name of Toray İnşaat Sanayi ve Ticaret A.Ş. in İstanbul, Turkey. With a change in the Articles of Association published on Trade Registry Gazette on 25 January 2008, the Company has been registered with the trade name of Torunlar Gayrimenkul Yatırım Ortaklığı A.Ş. on 21 January 2008. The Company’s stocks have been traded at the Borsa İstanbul since 21 October 2010 and registered to Capital Markets Board (“CMB”). The Company operates in Turkey. As of 31 March 2021, the total number of the Company’s employees is 118 (31 December 2020: 103) and the main shareholder is the Torun Family (Note 15).

The Company is registered in İstanbul Trade Registry Office in Turkey in the following address: Rüzgarlıbahçe Mahallesi Özalp Çıkmazı No: 4 Beykoz 34805 İstanbul/Turkey.

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

Torunlar REIC purchased 100% of the shares of TRN Otel İşletmeciliği ve Yatırımları A.Ş. as of 13 March 2018. Accordingly, the financial statements are prepared as consolidated as of 31 March 2018. The principal activity of TRN, and the Group’s participation rates are as follows:

	Operating country	Operating sector	2020 Participation rate %	2019 Participation rate %
TRN Otel İşletmeciliği ve Yatırımları A.Ş.	Turkey	Hotel Management	100	100

Joint Ventures

The Joint Ventures of Torunlar REIC operate in Turkey and their principal activities and joint venture partners as of 31 March 2021 are as follows (Note 2):

Joint Venture	Principal activity	Joint venture partner
TTA Gayrimenkul Yatırım Geliştirme ve Yönetim A.Ş. (“TTA”)	Shopping mall project	Anaterra Gayrimenkul Yatırım İnşaat ve Ticaret A.Ş.

TTA

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

NOTE 1. ORGANIZATION AND OPERATIONS OF THE GROUP (Continued)

Joint Ventures (Continued)

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

In August 2011, 450,000 shares which were previously owned by Turkmall Gayrimenkul Geliştirme Yönetim ve Yatırım A.Ş. and valued nominally as TRY450,000 and 50,000 shares which were previously owned by Ahmet Demir and valued nominally as TRY50,000 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.

Subsidiary

TRN Otel İşletmeciliği A.Ş.

The Group management has decided to purchase that 100% of the shares of TRN Otel İşletmeciliği ve Yatırımları A.Ş. with a nominal value of 500,000 nominal amount and nominal value of TRY0.22 that has been valued at TRY109 as of 12 March 2018. The Group has consolidated TRN Otel İşletmeciliği A.Ş. at the rate of 100% in the consolidated financial statements.

Associates

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

Associate	Principal Activity
Yeni Gimat GYO A.Ş. (“Yeni Gimat”)	Owner of Ankamall 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 consolidated 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. It was accounted for by using equity method since the Group has a significant influence in Netsel. The remaining 0.40% belongs to Torun family.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

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

2.1 Basis of Preparation

Statement of Compliance in TAS

The accompanying condensed consolidated interim financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying condensed consolidated interim financial statements are prepared based on the Turkish Financial Reporting Standards and interpretations (“TFRS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué. The condensed consolidated interim financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013 about the “illustrations of consolidated financial statements and application guidance”.

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

The accompanying condensed consolidated interim financial statements for the period ended 31 March 2021 are prepared in accordance with the Turkish Accounting Standard No:34 “Interim Financial Reporting”. According to TAS 34, entities are allowed to prepare a complete or condensed consolidated set of interim financial statements. In this respect, the Group has preferred to prepare its interim consolidated financial statements for the period as of 31 March 2021 as condensed, and disclosures and notes that are required to be involved in the annual consolidated financial statements prepared according to TAS/TFRS are condensed or not included. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2021

The condensed consolidated interim financial statements of the Group as of 31 March 2020, have been approved by the Board of Directors on 10 May 2021 The General Assembly has the right to modify the condensed consolidated interim financial statements.

Functional and Presentation Currency

Items included in the financial statements of the company are presented using the currency of the primary economic environment in which the entity operates (“the functional currency”). The Company’s functional and presentation currency is Turkish Lira (“TRY”).

Summary of Significant Accounting Policies

Significant accounting policies that are used to prepare the Group’s interim condensed financial statements for the period of 31 March 2021 are prepared according to the financial statement formats and guides issued by CMB with the resolution taken in the 7 June 2013 dated and 20/670 numbered meeting, and they are in accordance with the accounting policies explained as detailed in the 31 December 2019 dated financial statements. Interim condensed consolidated financial statements must be assessed with the financial statements for the period ended 31 December 2020.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

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

2.1 Basis of Preparation (Continued)

Joint Ventures

Interests in joint ventures

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Interests in Joint Ventures on combined basis are as follows:

	31 March 2021	31 December 2020
Current assets	1,636	1,789
Non-current assets	211,857	211,857
Total assets	213,493	213,646
Short-term liabilities	51,744	54,707
Long-term liabilities	15,392	15,392
Equity	146,357	143,547
Total liabilities and equity	213,493	213,646
Net profit for the year	2,810	42,215

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in its consolidated financial statements in proportion to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the TFRSs applicable to the particular assets, liabilities, revenues and expenses.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

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

2.1 Basis of Preparation (Continued)

Associates

Investments in associates, over which the Group 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 under "profit from investments accounted for by using equity method" in the statement of profit or loss. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. The accounting policies of the associates can be modified if required in order to provide integrity with policies accepted by the Group.

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

Torunlar REIC's direct and indirect voting rights in the associates as of 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021 (%)	31 December 2020 (%)
Netsel	44.60	44.60
Yeni Gimat	14.83	14.83

Interest in associates on combined basis (*)

	31 March 2021	31 December 2020
Total assets	2,348,015	2,295,084
Total liabilities	242,032	52,217
Net profit for the year	51,235	131,925

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

Interest in Yeni Gimat

	31 March 2021	31 December 2020
Total assets	2,311,208	2,234,071
Total liabilities	221,267	30,186
Net profit for the year	52,871	110,708

Interest in Netsel

	31 March 2021	31 December 2020
Total assets	36,807	61,017
Total liabilities	20,765	22,031
Net profit for the year	(1,636)	21,217

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

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

2.1 Basis of Preparation (Continued)

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 Group's consolidated financial statements have been prepared on a going concern basis. As of 31 March 2021, the Group's short term liabilities exceeded its short term assets by TL 1,488,257. The Group does not anticipate any delay in fulfilling short term liabilities.

The deliveries of residences continue for the Group's 5th Levent, Torun Center and Mall of Istanbul 2nd Stage (High Residence) projects. As of March 31, 2021, the Group's delivery and lease operations continue. In case of any cash shortage, sales, mortgages or other alternative methods will be evaluated by the Group. The Group estimates a shopping mall rental income of TRY 693,143 and an office rental income of TRY 120,000 in the short term. In addition, the group estimates a revenue of TL 41,712 from hotel operations. The Group anticipates that significant amounts of cash will be generated from these projects. In this context, the Group's existing resources for liquidity are sufficient and it is of the opinion that it will not need additional resources for the projected cash flows.

2.2. Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior period consolidated financial statements are restated.

2.3 Changes in Accounting Estimates and Errors

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

2.4 New and Revised Turkish Accounting Standards

a) Standards, amendments and interpretations applicable as at 31 March 2020:

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:
 - i) Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
 - ii) Clarify the explanation of the definition of material; and
 - iii) Incorporate some of the guidance in IAS 1 about immaterial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

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

2.4 New and Revised Turkish Accounting Standards (Continued)

a) Standards, amendments and interpretations applicable as at 31 March 2020: (Continued)

- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to IFRS 9, IAS39 and IFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

b) Standards, amendments and interpretations that are issued but not effective as at 31 March 2021:

- **Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- **IFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Amendments to IAS 1, ‘Presentation of financial statements’ on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

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

2.4 New and Revised Turkish Accounting Standards (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 31 March 2021: (continued)

- **A number of narrow-scope amendments to IFRS 3, IAS16, IAS17 and some annual improvements on IFRS1, IFRS9, IAS 41 and IFRS16;** effective from Annual periods beginning on or after 1 January 2022.

- **Amendments to IFRS 3,** ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to IAS 16,** ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **Amendments to IAS 37,** ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 ;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.
- **Amendments to IFRS 17 and IFRS 4, ‘Insurance contracts’, deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2021. These amendments change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023.

The possible effects of the said standards, changes and improvements on the financial position and performance of the Group are evaluated.

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

2.5 Critical Accounting Estimates, Assumptions and Judgements

Critical judgments in applying the Group’s accounting policies

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

The preparation of condensed consolidated interim financial statements requires the use of assumptions and estimates that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues expenses which are reported throughout the period. Even though, these assumptions and estimates rely on the best estimates of the Group management; the actual results might differ from them. The assumptions and critical accounting estimates used in order to prepare the condensed consolidated interim financial statement as of 31 March 2020 have no change in comparison with the prior year. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below:

Fair values of investment properties

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

In 2020, fair values of the investment properties are determined by independent valuation expert; Lotus Gayrimenkul Danışmanlık ve Değerleme A.Ş. The Group assumes that expenditure amount on investment property has an equivalent effect on fair value of related real estate. Since the valuation reports are performed once a year, the fair values of the investment properties determined by the valuation reports are 2019 used for 31 March 2021 condensed consolidated interim financial statements. As of 31 March 2021, the Group management has evaluated the effects on the fair values of the related real estates, and a negative impact has not been determined in relation to the foreseen income for 2020 and actual results for 3 months period as a result of this evaluation.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

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

2.5 Critical Accounting Estimates, Assumptions and Judgements (Continued)

Fair values of investment properties (Continued)

Significant estimates and assumptions disclosed in the financial statements as of 31 March 2021 and 31 December 2020 are as follows:

31 December 2020	Valuation report date	Valuation method	Discount rate	Rent increase rate p.a	Terminal growth rate	Comparable m² prices in full TRY
Antalya Deepo AVM	7 January2021	Discounted cash flow	20%	10-15%	8%	-
Mall of Antalya	7 January2021	Discounted cash flow	20%	10-15%	8%	-
Antalya Kepez arsalar	7 January2021	Sale comparison	-	-	-	1,139
Bursa Korupark AVM	7 January2021	Discounted cash flow	20%	% 10-15	7%	-
Torium AVM	7 January2021	Discounted cash flow	20%	% 10-15	9%	-
Bursa Zafer Plaza AVM	7 January2021	Discounted cash flow	20%	% 10-15	7%	-
Mall of İstanbul AVM	7 January2021	Discounted cash flow	20%	% 10-15	8%	-
Torun Tower	7 January2021	Sale comparison	-	-	-	18,854
Paşabağçe land	7 January2021	Discounted cash flow	%20	% 10-15	8%	-
İstanbul İkitelli						
Kayabaşı arsa	7 January2021	Sale comparison	-	-	-	1,500
İstanbul Beyoğlu						
Kemankeş binası	7 January2021	Sale comparison	-	-	-	58,125
Bursa Korupark						
bağımsız bölümler	7 January2021	Sale comparison	-	-	-	2,205
5.Levent Çarşı	7 January2021	Sale comparison	-	-	-	10,707
Mall of İstanbul						
Konut ve Ofisler	7 January2021	Sale comparison	-	-	-	8,818
Mall of İstanbul otel						
kongre merkezi ve						
ofis projesi	7 January2021	Discounted cash flow	20%	5-8%	7-10%	-
Mall of İstanbul 3. Etap	7 January2021	Sale comparison	-	-	-	6,965
Torun Center	7 January2021	Sale comparison	-	-	-	20,142

If all the variables in the valuations of the real estates with the fair value of TRY3,575,432 (31 December 2019: 3,284,809 TL valued using the income approach as of 31 March 2021 and 31 December 2020 were fixed and the discount rate used was more than 1% and less than 1%, the fair values would have been TRY35.754 lower and TRY 35.754.

- i. The Antalya Deepo Shopping Center and growth project (Mall of Antalya), which was established on an area of 84,503.61 m² on the territory of Antalya Province, Merkez District, Koyunlar Village, and which the Group classified under investment properties as of 31 March 2020 and 31 Decemer 2019, was opened in April 2017, respectively. 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 7 January 2020 with the report number 2019-1645 the aforementioned property’s fair value is TRY 1,040,000 as at 31 December 2019.

- ii. The Group has 57,680 m² of land in the province of Antalya, Merkez District, Koyunlar Village, which is classified under investment properties as of 31 March 2020 and 31 December 2019.

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 7 January 2020 with the report number 2019-1628 the aforementioned property’s fair value is TRY63,265 as at 31 December 2019.

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

2.5 Critical Accounting Estimates, Assumptions and Judgements (Continued)

Fair values of investment properties (Continued)

- iii. The Bursa Korupark Shopping Center, which was established on the area of 53,185.61 m² in Bursa Province, Osmangazi District, Emek Village, which is classified under investment properties as of 31 March 2020 and 31 December 2019, has been put into service on May 2008. The management of the 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 2019-1632, Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020, as of 31 December 2019, the aforementioned property's fair value is TRY1,710,000.

- iv. The Mall of İstanbul Shopping Center, which was established on the rentable area of 181,295 m² in İstanbul Province, Başakşehir District, İkitelli – 2 Neighborhood, which is classified under investment properties as of 31 March 2020 and 31 December 2019, has been put into service on 23 May 2014. The management of the 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 7 January 2020 with the report number 2019-1635, the aforementioned property's fair value is TRY3,000,000 as at 31 December 2019.

- v. As of 31 March 2020 and 31 December 2019, the Group has completed the Torium Shopping Center project on an area of 44,571 m² in İstanbul Province, Büyükçekmece District, Esenyurt Village which is classified under investment properties. The Torium AVM project has been completed and the shopping mall was opened on 30 October 2010.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1633, the aforementioned property's fair value is TRY540,000 as at 31 December 2019.

- vi. As of 31 March 2020 and 31 December 2019, the Group has an area of 70,644 m² in the İstanbul Province, Beykoz District which is classified as investment property and has 49 years of usage rights for a 3,935 m² pier and dock. It is planned to make a 5-star Hotel and Apart Hotel project on the land.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1644, the aforementioned property's fair value is TRY861,500 as at 31 December 2019.

- vii. On the 11,099 m² land located in İstanbul - Şişli 2nd District - which is classified under investment property as of 31 March 2020 and 31 December 2019, the Group completed Torun Tower Project in 2014. The project has been completed in 2014 and a rent agreement has been signed with Denizbank A.Ş. for 60,023 m² of area (30 floors) on 6 February 2014.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1633, the aforementioned property's fair value is TRY1,853,000 as at 31 December 2019.

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

2.5 Critical Accounting Estimates, Assumptions and Judgements (Continued)

Fair values of investment properties (Continued)

- viii. Bursa Zafer Plaza located on the 9,622 m² land in Bursa - Osmangazi Şehreküstü District - which is classified under investment property as of 31 March 2020 and 31 December 2019 has been opened in October 1999. Rental procedures and management of the Mall is conducted by Zafer Plaza İşletmecilik A.Ş.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1631, the aforementioned property's fair value is TRY366,700 as at 31 December 2019.

- ix. The Group owns 60,833 m² land located in İstanbul - Küçükçekmece Kayabaşı District - which is classified under investment property as of 31 March 2020 and 31 December 2019. 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 7 January 2020 with the report number 2019-1627 the aforementioned property's fair value is TRY74,215 as at 31 December 2019.

- x. The Group owns a building located on 1,501 m² land in İstanbul - Beyoğlu Kemankuş District - which is classified under investment property as of 31 March 2020 and 31 December 2019. 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 7 January 2020 with the report number 2019-1648 the aforementioned property's fair value is TRY74,970 as at 31 December 2019.

- xi. As at 31 March 2020 and 31 December 2019 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 stores.

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 7 January 2020 with the report number 2019-1638 the aforementioned property's fair value is TRY24,093 as at 31 December 2019.

- xii. The Group has started to Mall of Istanbul Hotel, Convention Center and Office Project on 18,209 m² land located in İstanbul-Başakşehir district which is classified under investment properties as of 31 March 2020 and 31 December 2019.

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 7 January 2020 with the report number 2019-1647 the aforementioned property's fair value is TRY442,585 as at 31 December 2019.

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

2.5 Critical Accounting Estimates, Assumptions and Judgements (Continued)

Fair values of investment properties (Continued)

- xiii. The Group has rented 22 units consisting of 20 offices and 2 residents with a rentable area of 2,177 m² which is located in Istanbul Province, Başakşehir-İkitelli-2 District and is classified under investment properties as of 31 March 2020 and 31 December 2019.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No1 Communiqué, dated 7 January 2020 with the report number 2019-1629, the aforementioned property's fair value is TRY12,100 as at 31 December 2019.

- xiv. In 2018, The Group leased out the rentable area of 68,673 m² which consists of workplaces, offices and commercial units within the Torun Center project and in the address of İstanbul Province, Şişli-Dikilitaş District, as of 31 March 2020 and 31 December 2019.

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 7 January 2020 with the report number 2019-1643 the aforementioned property's fair value is TRY1,039,726 as at 31 December 2019.

2.6 Compliance with the portfolio limitations

Information included in the footnote titled "Control of Compliance with Portfolio Limitations" as of September 30, 2020; CMB Serial: II, No: 14.1 "The Communiqué on Principles Regarding Financial Reporting in the Capital Markets" is a summary information derived from the financial statements and published in the Official Gazette numbered 28660 on 28 May 2013, Serial: III, No: 48.1. "Communiqué on Principles Regarding Investment Trusts", "Communiqué Amending the Communiqué on Principles Regarding Real Estate Investment Trusts", Serial: III, No: 48.1a, published in the Official Gazette No. 28891 on January 23, 2014, and the Official Gazette No. 31269 on October 9, 2020. It has been prepared in accordance with the provisions of the Communiqué Amending the Communiqué on Principles Regarding Real Estate Investment Trusts, Serial: III, No: 48.1.e, on the control of compliance with portfolio limitations.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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NOTE 3. INTERESTS N OTHER ENTITIES

	31 March 2021		31 December 2020	
	(%)	TRY	(%)	TRY
Yeni Gimat	14.83	309,938	14.83	326,836
TTA	40.00	58,543	40.00	57,419
Netsel	44.60	7,155	44.60	17,388
		375,636		401,643

	1 January- 31 March 2021	1 January- 31 March 2020
Opening balance	401,643	394,174
Income and expenses from associates, (net)	7,112	6,832
Dividends received from associates	(34,243)	(9,434)
Treasury shares (*)	-	(1,123)
Income and expenses from joint ventures, (net)	1,124	440
Closing balance	375,636	390,889

(*) As a result of the reurchase of Yeni Gimat GYO A.Ş., which is the Company's subsidiary, in 2020, the shares of Yeni Gimat GYO A.Ş. amounting to TRY1,123 are classified as treasury shares.

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

	1 January- 31 March 2021	1 January- 31 March 2020
Yeni Gimat	7,841	7,601
Netsel	(729)	(769)
TTA	1,124	440
Total	8,236	7,272

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

NOTE 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.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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NOTE 4. SEGMENT REPORTING (Continued)

The segment information for the reportable segments as of and for the period ended 31 March 2021 is as follows:

	Total revenue from departments	Gross profit	Increase in fair value of investment properties (*)	Operating profit/ (loss)	Income / (expense) from subsidiaries	Finance expenses, net	Profit/(loss) from operations before tax	Investmen expenditures (**)
Shopping malls and offices								
Mall of İstanbul Shopping Mall	56,588	46,257	-	45,384	-	-	45,384	1,498
Korupark Shopping Mall	28,963	24,438	-	24,348	-	-	24,348	40
Torun Tower	28,128	26,103	-	26,103	-	-	26,103	-
Torium Shopping Mall	10,626	6,092	-	5,813	-	-	5,813	380
Mall of Antalya	9,757	6,698	-	6,632	-	-	6,632	45
Antalya Deepo Shopping Mall	7,518	5,817	-	5,774	-	-	5,774	-
Zafer Plaza Shopping Mall	6,000	4,372	-	4,372	-	-	4,372	-
Torun Center	2,639	2,503	-	2,503	-	-	2,503	52
5. Levent bazaar	880	690	-	690	-	-	690	-
Torium Yurtlar	548	295	-	295	-	-	295	-
Mall of İstanbul konut ve Ofisler	164	120	-	120	-	-	120	-
Korupark independent areas	126	88	-	88	-	-	88	-
Mall of İstanbul Residences and Offices	51	51	-	51	-	-	51	-
Niş İstanbul	48	43	-	43	-	-	43	-
Tourism Income								
Hilton hotel	6,937	3,881	-	3,051	-	-	3,051	2,521
Subtotal	158,973	127,448	-	125,267	-	-	125,267	4,536
Residences and office projects								
5. Levent Project	42,606	23,650	-	21,970	-	-	21,970	-
Torun Center	38,419	29,821	-	25,741	-	-	25,741	-
Mall of İstanbul 2nd Stage	19,322	11,908	-	11,908	-	-	11,908	-
Subtotal	100,347	65,379	-	59,619	-	-	59,619	-
Projects under construction								
Paşabahçe project	-	-	-	-	-	-	-	134
Karaköy hotel	-	-	-	-	-	-	-	333
Real estates held to develop projects								
Antalya Kepez Lands	-	-	-	-	-	-	-	-
Kayabaşı Land	-	-	-	-	-	-	-	-
Mall of İstanbul 3rd Stage	-	-	-	-	-	-	-	-
Shareholders								
Ankamall and Hotel (Yeni Gimat)	-	-	-	-	7,841	-	7,841	-
Netsel	-	-	-	-	(729)	-	(729)	-
TTA	-	-	-	-	1,124	-	1,124	-
Unallocated	2,069	889	-	(6,205)	-	(304,046)	(310,251)	-
Total	261,389	193,716	-	178,681	8,236	(304,046)	(117,129)	5,003

(*) It comprises of fair value increases / decreases arising from investment properties.

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

NOTE 4. SEGMENT REPORTING (Continued)

The segment information for the reportable segments as of and for the period ended 31 March 2020 is as follows:

	Total revenue from departments	Gross profit	Increase in fair value of investment properties (*)	Operating profit/ (loss)	Income / (expense) from subsidiaries	Finance expenses, net	Profit/(loss) from operations before tax	Investment expenditures (**)
Offices and shopping malls for rent								
Mall of İstanbul Shopping Mall	72,434	56,622	-	55,423	-	-	55,423	226
Korupark Shopping Mall	38,495	33,337	-	33,215	-	-	33,215	121
Torun Tower	25,035	20,083	-	20,083	-	-	20,083	-
Torium Shopping Mall	15,800	12,197	-	11,883	-	-	11,883	1,247
Mall of Antalya Shopping Mall	13,340	10,431	-	10,183	-	-	10,183	259
Antalya Deepo Shopping Mall	10,698	8,270	-	8,154	-	-	8,154	134
Zafer Plaza Shopping Mall	9,000	6,076	-	6,076	-	-	6,076	-
Torun Center	2,394	2,499	-	1,037	-	-	1,037	-
5th Levent Bazaar	1,121	989	-	989	-	-	989	-
Torium Student Residence 2	953	440	-	440	-	-	440	-
Torium Student Residence 1	465	(814)	-	(814)	-	-	(814)	70
Korupark independent areas	187	148	-	148	-	-	148	-
Mall of İstanbul Residences and Offices	146	102	-	102	-	-	102	-
Subtotal	190,068	150,380	-	146,919	-	-	146,919	2,057
Residences and office projects								
5. Levent Project	119,461	31,828	-	25,470	-	-	25,470	-
Torun Center	22,849	12,545	-	8,250	-	-	8,250	-
Korupark 3rd phase residences	-	-	-	-	-	-	-	-
Mall of İstanbul	-	-	-	-	-	-	-	-
Torium residences	-	-	-	-	-	-	-	-
Nishistanbul Project	-	-	-	-	-	-	-	-
Subtotal	142,310	44,373	-	33,720	-	-	33,720	-
Projects under construction								
Mall of İstanbul hotel convention center and residence project	-	-	-	-	-	-	-	37,247
Paşabahçe project	-	-	-	-	-	-	-	1,219
Associates								
Ankamall and Hotel (Yeni Gimat)	-	-	-	-	7,601	-	7,601	-
Netsel	-	-	-	-	(769)	-	(769)	-
TTA	-	-	-	-	440	-	440	-
Unallocated	-	-	-	(3,862)	-	(289,750)	(293,612)	-
Total	332,378	194,753	-	176,777	7,272	(289,750)	(105,701)	40,523

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

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

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NOTE 5. CASH AND CASH EQUIVALENTS

	31 March 2021	31 December 2020
Cash	41	17
Bank	241,899	142,437
<i>Demand deposit</i>	3,692	1,510
<i>Time deposit</i>	238,207	140,927
Other cash equivalents	25,417	822
	509,256	285,713

As of 31 March 2021 and 31 December 2020, cash and cash equivalents in the statements of cash flows are as follows:

	31 March 2021	31 December 2020
Cash and cash equivalents	267,357	143,276
Less: Interest accrual of time deposits	(147)	(271)
Cash and cash equivalents in the statement of cash flows	267,210	143,005

Maturities of cash and cash equivalents are as follows:

	31 March 2021	31 December 2020
Up to 30 days	267,357	110,023
30 - 90 days	-	33,253
	267,357	143,276

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

	<u>31 March 2021</u>		<u>31 December 2020</u>	
	Original Amount	TRY Equivalent	Original Amount	TRY Equivalent
EUR	21,579	210,915	12,405	91,062
US Dollar	1,120	9,323	243	2,185
Pound	16	187	15	148
		220,425		93,395

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

	31 March 2021	31 December 2020
US Dollars	2.58	2.57
Euro	1.60	1.27
Turkish Lira	18.88	12.81

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NOTE 6. FINANCIAL LIABILITIES

Financial Liabilities

	31 March 2021	31 December 2020
Bank borrowings	1,307,300	1,647,691
Short-term financial borrowings	1,307,300	1,647,691
Short-term portions of long-term borrowings	1,017,656	487,772
Finance leases	49,356	44,472
Short-term portions of long-term borrowings	1,067,012	532,244
Bank borrowings	2,333,732	2,440,196
Finance leases	3,860	7,197
Long-term borrowings	2,337,592	2,447,393
Total borrowings	4,711,904	4,627,328

As of 31 March 2021, there are mortgages amounting to TRY1,715,769 (31 December 2020: TRY 1,584,360) given to the banks regarding the financial liabilities amounting to TRY12,670,322 (31 December 2020: TRY 11,668,983) on the investment properties.

a) Bank borrowings

	31 March 2021	31 December 2020
Short-term bank borrowings	1,307,300	1,647,691
Short-term portions of long-term borrowings	1,017,656	487,772
Long-term bank borrowings	2,333,732	2,440,196
Total borrowings	4,658,688	4,575,659

31 March 2021	Weighted avg. effective interest (%) (*)	Currency	Original amount	TRY equivalent
Short-term bank borrowings	10.63	TRY	1,082,496	1,082,496
	4.26	EUR	23,000	224,804
Short-term portion of long-term borrowings	13.24	TRY	917,729	917,729
	4.10	US Dollar	8,333	69,383
	4.41	EUR	3,125	30,544
Long-term bank borrowings	11.39	TRY	982,904	982,904
	4.58	US Dollar	48,958	407,627
	4.38	EUR	96,500	943,201
Total bank borrowings				4,658,688

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

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NOTE 6. FINANCIAL LIABILITIES (Continued)

a) Bank borrowings (Continued)

31 December 2020	Weighted avg. effective interest (%) (*)	Currency	Original amount	TRY equivalent
Short-term bank borrowings	11.02	TRY	1,318,903	1,318,903
	3.23	Euro	36,500	328,788
Short-term portion of long-term borrowings	11.12	TRY	438,990	438,990
	6.66	US Dollar	2,811	20,632
	4.17	Euro	3,125	28,15
Long-term bank borrowings	12.96	TRY	1,261,096	1,261,096
	6.01	US Dollar	54,481	399,91
	4.67	Euro	86,500	779,183
Total bank borrowings				4,575,659

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

The repayment schedule for long-term bank borrowings as of 31 March 2021 and 31 December 2020 is as follows:

	31 March 2021	31 December 2020
2022	1,192,835	1,522,357
2023	542,364	465,519
2024 and beyond	598,533	452,320
	2,333,732	2,440,196

Obligations under finance lease

The maturities of obligations under finance lease is as follows:

	31 March 2021	31 December 2020
Up to 1 year	49,356	44,472
1 years - 5 years	3,860	7,197
	53,216	51,669

Finance leases consist of US Dollar and EUR. The Group has a finance leases obligation of 3.80% interest rate with original currency of EUR5,445 31 December 2020: EUR5,736) as of 31 March 2021.

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NOTE 6. FINANCIAL LIABILITIES (Continued)

As of 31 March 2020, a significant part of the finance leases consists of financial lease obligations related to the shopping malls which are sold to Ak Finansal Kiralama A.Ş. regarding the sell and leaseback agreement that was made on 27 May 2016 and which are represented as the investment properties (Note 2) As of 31 March 2021, the interest rate of financial leasing transactions is 3.80% (31 December 2020: 3.80%).

The movements of the company's financial liabilities during the period are as follows:

	2021	2021
1 January total financial liabilities	4,627,328	4,981,589
Cash inflows from borrowing	519,235	762,555
Cash outflows on debt payments	(580,635)	(1,007,604)
Exchange difference expense	147,601	174,126
Change in interest accruals	(1,625)	(75,768)
31 March total financial liabilities	4,711,904	4,834,898

NOTE 7. PREPAID EXPENSES, DEFERRED INCOME AND SHORT-TERM LIABILITIES

	31 March 2021	31 December 2020
Short-Term Prepaid Expenses		
Advances given	9,288	6,791
Prepaid expenses	4,341	6,528
	13,629	13,319
Long-Term Prepaid Expenses		
Order advances given	970	968
	970	968
	31 March 2021	31 December 2020
Short-Term Deferred Income		
Advances received (*)	88,778	65,529
Deferred income	5,453	7,107
	94,231	72,636

(*) As of 31 March 2021, from the sales commitments regarding the offices and residential units that are not delivered consist of advances received amounting to TRY49,359 for 5th Levent Project, TRY8,885 for Mall of İstanbul project, and remaining TRY3,497 consist of other advances (31 December 2020: TRY24,760 5. Levent Project, TRY19,272 Mall of İstanbul project, TRY126 Korupark 3rd Phase, TRY18,339 for Torun Center and remaining and remaining TRY3,032 other advances).

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NOTE 7. PREPAID EXPENSES, DEFERRED INCOME AND SHORT-TERM LIABILITIES
(Continued)

	31 March 2021	31 December 2020
Other Short-Term Liabilities		
Prepaid taxes and funds	4,530	4,063
Accrued expenses	630	341
	5,160	4,404

NOTE 8. TRADE RECEIVABLES AND PAYABLES

Current trade receivables	31 March 2021	31 December 2020
Trade receivables	95,371	79,316
Notes receivables (*)	39,244	28,994
Trade receivables from related parties	15,869	16,945
Less: Allowance for doubtful receivables	(22,881)	(24,416)
	127,603	100,839
Non-current trade receivables		
	31 March 2021	31 December 2020
Notes receivables (*)	8,013	3,061
	8,013	3,061

(*) As of March 31, 2021, TRY17,554 of the short and long-term notes receivable consisted of the 5th Levent project, TRY19,818 from the Torun Center project, TRY7,860 from the mall tenants and the remaining TRY1,853 from other notes receivable (31 December 2020: 5. Levent TRY17,806, shopping mall tenants TRY9,573 and TRY3,380 other bills of receivables)

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

	31 March 2021	31 December 2020
Opening balance	(24,416)	(22,855)
Provision provided during the period	-	(2,919)
Provisions no longer required	1,535	1,358
Closing balance	(22,881)	(24,416)

Aging of provision for doubtful receivables is as follows:

	31 March 2021	31 December 2020
3 to 6 months	(607)	(2,142)
Over 6 months	(22,274)	(22,274)
	(22,881)	(24,416)

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NOTE 8. TRADE RECEIVABLES AND PAYABLES (Continued)

Short-term trade payables

	31 March 2021	31 December 2020
Trade payables	31,239	39,790
Trade payables to related parties	27,879	31,639
Notes payable	36	-
	59,154	71,429

As of 31 March 2021 and 31 December 2020, majority of trade payables consist of payables to subcontractors relating to projects in progress.

NOTE 9. INVESTMENT PROPERTIES

Movement schedule of investment properties as of 31 March 2021 and 31 December 2020:

	1 January 2021	Additions	Disposals	Transfers	Change in fair value	31 March 2021
Shopping Malls and Offices						
Mall of İstanbul Shopping Mall	3,135,000	1,498	-	-	-	3,136,498
Torun Tower	2,000,000	-	-	-	-	2,000,000
Bursa Korupark Shopping Mall	1,785,000	40	-	-	-	1,785,040
Torun Center	1,105,400	52	(845)	-	-	1,104,607
Mall of Antalya	730,000	45	-	-	-	730,045
Torium Shopping Mall	630,000	380	-	-	-	630,380
Bursa Zafer Plaza Shopping Mall	379,200	-	-	-	-	379,200
Antalya Deepo Shopping Mall	350,000	-	-	-	-	350,000
Mall of İstanbul 2nd Phase						
Office and trade areas	238,000	2,521	-	-	-	240,521
5. Levent bazaar	91,780	-	-	-	-	91,780
Korupark independent areas	35,797	-	-	-	-	35,797
Torium Student Residence	22,500	-	-	-	-	22,500
Mall of İstanbul						
Residences and Offices	15,030	-	-	-	-	15,030
Investment properties under construction						
Paşabahçe land	891,475	134	-	-	-	891,609
Karaköy hotel	85,950	333	-	-	-	86,283
Properties held for new projects						
Kayabaşı land	91,250	-	-	-	-	91,250
Mall of İstanbul 3rd Phase	84,500	-	-	-	-	84,500
Antalya Kepez Lands	65,725	-	-	-	-	65,725
	11,736,607	5,003	(845)	-	-	11,740,765

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NOTE 9. INVESTMENT PROPERTIES (Continued)

	1 January 2020	Additions	Disposals	Transfersx	Change in fair value	31 March 2020
Alışveriş Merkezleri ve ofisler						
Mall of İstanbul Shopping Mall	3,000,000	226	-	-	-	3,000,226
Torun Tower	1,853,000	-	-	-	-	1,853,000
Bursa Korupark Shopping Mall	1,710,000	121	-	-	-	1,710,121
Torun Center	1,039,726	-	-	-	-	1,039,726
Mall of Antalya	575,000	259	-	-	-	575,259
Torium Shopping Mall	540,000	1,247	-	-	-	541,247
Antalya Deepo Shopping Mall	465,000	134	-	-	-	465,134
Bursa Zafer Plaza Shopping Mall	366,700	-	-	-	-	366,700
5. Levent bazaar	71,620	-	-	-	-	71,620
Korupark independent areas	24,093	-	-	-	-	24,093
Torium Student Residence (**)	22,300	70	-	-	-	22,370
Mall of İstanbul Residences and Offices	12,100	-	-	-	-	12,100
İnşa aşamasındaki yatırım amaçlı gayrimenkuller						
Paşabahçe land (*)	861,500	1,219	-	-	-	862,719
Mall of İstanbul hotel convention center and office project	442,585	37,247	-	-	-	479,832
Karaköy hotel	74,970	-	-	-	-	74,970
Held for development real estates						
Kayabaşı land	74,215	-	-	-	-	74,215
Mall of İstanbul 3rd Phase	71,820	-	-	-	-	71,820
Antalya Kepez Lands	63,265	-	-	-	-	63,265
	11,267,894	40,523	-	-	-	11,308,417

(*) The Group has purchased a real estate after a successful tender at a price of TRY355 million from R.T. Prime Ministry Privatization Administration. The aforementioned purchase contains real estates as follows: Block 195, Lot 7 as 54,870 m2; Block 209, Lot 3 as 16,212 m2; Block 200, lot 3 in Paşabahçe neighborhood, Beykoz district and İstanbul city as 827 m2 and buildings on these real estates. Title deed processes of real estates have been completed as of 20 September 2012. A project, which will include a five-star hotel and apart hotel on the land purchased, is planned. The building license for the project was received on 7 September 2017.

(**) The residences completed within the scope of the Mall of İstanbul 2nd Stage project and the Hotel operated by TRN Otel have been transferred to the inventories and property, plant & equipment respectively.

As of 31 March 2021 and 31 December 2020, the mortgages on investment properties arising from loans are as follows:

	31 March 2021 Original Amount	31 December 2020 Original Amount	Currency	31 March 2021	31 December 2020
Bursa Korupark Shopping Mall	1,500,000	1,500,000	TRY	1,500,000	1,500,000
Torun Tower	390,000	390,000	Dollar	3,247,140	2,862,795
Paşabahçe land	375,000	375,000	US Dollar	3,122,250	2,752,688
Mall of İstanbul	150,000	150,000	Dollar	1,248,900	1,101,075
Mall of Antalya - Deepo	130,000	130,000	Euro	1,270,633	1,171,027
Mall of İstanbul	1,906,399	1,906,399	TRY	1,906,399	1,906,399
Mall of İstanbul 2nd Phase	375,000	375,000	TRY	375,000	375,000
				12,670,322	11,668,984

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NOTE 10. INVENTORIES

	31 March 2021	31 December 2020
Residences and office projects		
- Torun Center project (1)	464,223	472,821
- 5.Levent project (6)	309,279	328,235
- Mall of İstanbul 2nd Phase (High Residence) (7)	96,898	104,312
- Mall of İstanbul project (2)	10,146	10,146
- Nishistanbul (3)	4,647	4,647
- Korupark 3rd phase (4)	2,140	2,140
- Torium (5)	438	438
	887,771	922,739
Other inventories		
- Inventories related to tourism activities	612	560
	888,383	923,299

Provision for impairment of inventories amounting to TRY67 has been recognised for Torium Residences (31 December 2020: TRY67); TRY519 (31 December 2020: TRY519) for Nishistanbul total of TRY586 (31 December 2020: TRY586) as of 31 March 2021.

- (1) Torun Center Project 45,776 m² of Tower Office, 36,382 m² of Horizontal Office, 77,988 m² of Residence and It has a total of 175,408 m² salable area, 15,312 m² of which is Commercial Area. The delivery of Tower Offices and Horizontal Offices started on December 31, 2017 and 122 residences as of March 31, 2021, 47 offices and 43 horizontal offices were delivered. 53,786 TL final sales revenue was obtained between 1 January 2020 and 31 December 2020, 686,204 TL final sales revenue was obtained from the beginning of the project as of 31 March 2021. (December 31, 2020: 112 residences, 47 offices and 43 horizontal offices were delivered, resulting in sales revenue of 647,785 TL). As of December 31, 2020, there are no borrowing costs capitalized in the current year within the scope of Torun Center Project. (31 December 2019: None).
- (2) In the Mall of İstanbul project, 2 residences with 116.44 m², 12 flat offices with 3,343.88 m².
- (3) There are 1 office (gross 904 m²) and 5 stores (gross 904 m²) registered in Nishistanbul project.
- (4) In the context of 3rd phase of the Korupark project, 9 residences with 1,371.76 m² have been remained in the inventories.
- (5) In Torium project, 2 residences with 189 m² have been remained in the inventories.
- (6) Between the dates of 1 January 2021 and 31 March 2021 TRY42,606 of final sales revenue was obtained and as of 31 March 2020, the final sales revenue of TRY2,138,604 was obtained from the beginning of the project, 67 residences with 9,673 m² have been remained in inventories. (31 December 2020: 2,206 residences have been sold from 2,086 residences by having firm sale income amounting to TRY2,095,998 in return, and 88 residences with 12,389 m² have been remained in inventories).
- (7) The Mall of İstanbul 2nd Stage project (High Residence) consists of 100 residences of 18,780 m². As of March 31, 2021, 91 residences of 12,911 m² remained, and TRY19,322 revenue was generated during the period.

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NOTE 11. PLANT, PROPERTY AND EQUIPMENT

Movements in property, plant and equipment and related accumulated depreciation for the period ending on 31 March 2021 and 31 March 2020 are as follows:

	1 January 2021	Additions	Impairment	Disposals (-)	Transfers	31 March 2021
Land improvement	454	76	-	-	-	530
Sales Offices	6,099	-	-	-	-	6,099
Buildings	301,850	6,729	-	-	-	308,579
<i>Dorm building</i>	21,500	-	-	-	-	21,500
<i>Hotel building</i>	280,350	6,729	-	-	-	287,079
Machine and devices	7,999	-	-	-	-	7,999
Vehicles	2,095	-	-	-	-	2,095
Furniture and fixtures	34,918	1,244	-	-	-	36,162
Special cost	242	-	-	-	-	242
Cost	353,657	8,049	-	-	-	361,706
Land improvement	85	8	-	-	-	93
Buildings	1,259	1,712	-	-	-	2,971
Machine and devices	195	337	-	-	-	532
Vehicles	1,320	78	-	-	-	1,398
Furniture and fixtures	4,135	1,739	-	-	-	5,874
Special cost	217	8	-	-	-	225
Amortization and depreciation (-)	7,211	3,882	-	-	-	11,093
Net Book Value	346,446					350,613
	1 Ocak 2020	Additions	Impairment	Disposals (-)	Transfer	31 Mart 2020
Land improvement	454	-	-	-	-	454
Buildings	28,837	-	-	-	-	28,837
Machine and devices	437	-	-	-	-	437
Vehicles	1,627	-	-	-	-	1,627
Furniture and fixtures	20,762	-	-	(885)	-	19,877
Special cost	242	-	-	-	-	242
Cost	52,359	-	-	(885)	-	51,474
Land improvement	55	8	-	-	-	63
Buildings	1,136	31	-	-	-	1,167
Machine and devices	58	34	-	-	-	92
Vehicles	1,144	44	-	-	-	1,188
Furniture and fixtures	2,960	256	-	(54)	-	3,162
Special cost	186	8	-	-	-	194
Amortization and depreciation (-)	5,539	381	-	(54)	-	5,866
Net book Value	46,820					45,608

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NOTE 12. DERIVATIVE INSTRUMENTS

Derivative instruments as of 31 March 2021 and 31 December 2020 are as follows:

31 March 2021	Fair values			
	Purchase Contract Amount (EUR)	Sale Contract Amount (TRY)	Assets	Liabilities
<i>Derivative instruments for trading</i>				
Forward transactions	60,000	610,477	-	47,132
Option contracts	20,000	210,000	-	4,183
Short-term derivative instruments	80,000	820,477	-	51,315

31 December 2020	Fair values			
	Purchase Contract Amount (EUR)	Sale Contract Amount (TRY)	Assets	Liabilities
<i>Derivative instruments for trading</i>				
Forward transactions	45,000	484,915	-	55,900
Short-term derivative instruments	45,000	484,915	-	55,900

Maturity of derivative contracts is in the range of 0-6 months.

NOTE 13- FINANCIAL INVESTMENTS

The short-term financial investments of the company are as follows:

	31 March 2021	31 December 2020
Measured at amortized cost	33,593	29,977
	33,593	29,977

a) Measured at amortized cost

Debt securities:

	31 December 2020	31 Decemeber 2019
Eurobond (*)	33,593	29,977
	33,593	29,977

(*) It consists of Halkbank debt securities with a nominal value of USD4,000 with a 5% coupon rate with a maturity of 13 July 2021.

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NOTE 14. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities

	31 March 2021	31 December 2020
Collaterals received	153,261	110,875

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

In consideration with the present contract terms, the totals of expected minimum operational lease revenues as of 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021	31 December 2020
Between 0 - 1 years	693,143	629,957
Between 1 - 5 years	4,571,372	4,413,499
Between 5 - 10 years	7,192,403	7,570,951

The minimum operational lease revenue represents lease revenue from Mall of İstanbul Shopping Mall, Korupark Shopping Center, Torium Shopping Mall, Zafer Plaza Shopping Mall and Deepo Shopping Mall and the lease revenues from Ankamall and Crowne Plaza Otel 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.

Collaterals, Pledges and Mortgages (“CPM”)

Below are the amounts of collaterals, pledges and mortgages of the Group as of 31 March 2021 and 31 December 2020:

	31 March 2021	31 December 2020
CPM’s given by the Company Collaterals, Pledges, Mortgages (“GPM”)		
A.CPM’s Given for Its Own Legal Personality	12,819,976	11,821,623
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	-	20,386
D. Total Amount of Other CPM’s	-	-
i) Total Amount of CPM’s Given on Behalf of the Majority Shareholder	-	-
ii) Total Amount of CPM’s Given to on Behalf of Other Group Companies hich are not in Scope of B and C	-	-
iii) Total Amount of CPM’s Given on Behalf of Third Parties which are not in Scope of C	-	-
	12,819,976	11,842,009

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NOTE 14. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Collaterals, Pledges and Mortgages (“CPM”) (Continued)

The ratio of the other CPMs issued by the entity to the Group’s own equity is 148% as of 31 March 2021.

	31 March 2021		31 December 2020	
	Foreign currency	TRY equivalent	Foreign currency	TRY equivalent
US Dollar	915,000	7,618,290	915,000	6,716,558
Euro	130,000	1,270,633	130,000	1,171,027
TRY	3,781,399	3,781,399	3,781,399	3,781,399
		12,670,322		11,668,984

As of 31 March 2021, mortgages on investment properties of the Group is TRY12,670,322 (31 December 2020: TRY11,668,984) (Note 9). Lease income from Korupark Shopping Mall, Mall of Istanbul Shopping Mall, Mall of Antalya, Antalya Deepo Shopping Mall and Torun Tower is alienated regarding the loans used.

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.

NOTE 15. EQUITY

The Group increased its issued capital from TRY176,100,000 to TRY224,000,000 through public offering. A total TRY56,352,942 nominal value of shares were offered to the public, consisting of TRY47,900,000 to be issued from the capital increase and additional shares TRY8,452,942 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 Group’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 TRY224,000,000 to TRY 500,000,000 within the cap of TRY1,000,000,000 registered capital, through a bonus issue by adding TRY276,000,000 out of a total of TRY301,770,000 share premium, transactions related to capital increase was completed on 16 August 2012.

The Group has increased its capital that is increased to TRY500,004, to TRY1,000,000 by providing all of it from the Extraordinary Shares within TRY1,000,000 registered equity ceiling, with capital increase through bonus issues by TRY499,996 on 22 December 2017.

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NOTE 15. EQUITY (Continued)

Group’s shareholders and capital structure as of 31 March 2021 and 31 December 2020 is as follows:

	(%)	Group A (thousand)	Group B (thousand)	Group C (thousand)	31 March 2021	31 December 2020
Aziz Torun	37.41	200,328	-	173,740	374,068	374,068
Mehmet Torun	37.41	-	200,312	173,740	374,052	374,052
Torunlar Gıda San. ve Tic. A.Ş.	0.03	142	142	-	284	284
Mahmut Karabiyik	low than 0.01	-	16	-	16	16
Other shareholders	low than 0.01	-	-	8	8	8
Other (Public quotation)	25.16	-	-	251,572	251,572	251,572
Nominal capital		200,470	200,470	599,060	1,000,000	1,000,000

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

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. AND ITS SUBSIDIARY**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021**

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

NOTE 16. REVENUE AND COST OF SALES

	1 January- 31 March 2021	1 January- 31 March 2020
Sales income		
Rent income	125,763	160,890
Residence and office sales income	100,347	142,310
Common area income	26,180	28,015
Hotel income	6,937	-
Other	2,162	1,163
	261,389	332,378
Cost of sales		
Cost of residence and office sales	(34,968)	(97,937)
Common area expenses	(25,924)	(34,143)
Rent expenses and management fees of shopping malls	(3,404)	(5,545)
Hotel expenses	(3,056)	-
Other	(321)	-
	(67,673)	(137,625)
Gross profit	193,716	194,753

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

Hotel revenues represent earnings from room rentals, earnings from sales of food and beverages, and revenue from other services provided to in-hotel customers.

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 charged to tenants related to common areas.

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NOTE 17. MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	1 January- 31 March 2021	1 January- 31 March 2020
General administrative expenses		
Taxes, due and fees	(4,342)	(4,283)
Depreciation expenses	(3,882)	(118)
Personnel expenses	(2,084)	(1,804)
Property expenses	(1,174)	(2,801)
Consultancy expenses	(415)	(244)
Borsa İstanbul, CMB and CRA expenses	(241)	(141)
Transportation and travel expenses	(153)	(172)
Provisions for legal cases and doubtful receivables	(145)	(96)
Other	(156)	(39)
	(12,592)	(9,698)

	1 January- 31 March 2021	1 January- 31 March 2020
Marketing expenses		
Marketing expenses for residence sales	(510)	(3,856)
Advertising and promotion expenses	(1,035)	(2,838)
Personnel expenses	(373)	(488)
Depreciation expenses	(32)	(145)
Consultancy expenses	(165)	(73)
Other	(158)	(68)
	(2,273)	(7,468)

NOTE 18. FINANCE INCOME/EXPENSES

	1 January- 31 March 2021	1 January- 31 March 2020
Finance income		
Interest income on time deposits	11,387	11,778
Financial income from derivative instruments	4,585	-
	15,972	11,778

	1 January- 31 March 2021	1 January- 31 March 2020
Finance expenses		
Interest expense	(111,108)	(200,407)
Foreign exchange losses, net (*)	(208,910)	(101,121)
	(320,018)	(301,528)

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

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NOTE 19. (LOSS) / EARNINGS PER SHARE

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

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

	1 January- 31 March 2021	1 January- 31 March 2020
Net profit of shareholders	(117,129)	(105,701)
Weighted average number of ordinary shares (Full TRY)	1,000,000,000	1,000,000,000
Earnings per share (Full TRY)	(0.12)	(0.11)

NOTE 20. BENEFITS PROVIDED FOR MEMBER OF KEY MANAGEMENT

	1 January- 31 March 2021	1 January- 31 March 2020
Salaries and premium	704	658
	704	658

NOTE 21. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Foreign currency position

Foreign currency denominated assets, liabilities and off-balance sheet accounts give rise to foreign exchange exposure. The Group does not have any export or import activity in 31 March 2021 and 31 December 2020.

Foreign currency denominated assets and liabilities held by the Group are as follows:

	31 March 2021	31 December 2020
Assets	254,941	127,896
Liabilities	(1,952,450)	(1,726,351)
Net balance sheet position	(1,697,509)	(1,598,455)

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**NOTE 21. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

Foreign currency position (Continued)

The table below summaries foreign currency position risk of the Group as of 31 March 2021. The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent are as follows:

31 March 2021	Euro	US Dollar	TRY Amount
Current Assets			
Monetary financial assets	21,579	5,155	253,831
Other assets	35	92	1,110
Trade receivables	-	-	-
Total assets	21,614	5,247	254,941
Short-term liabilities			
Trade payables	(388)	(808)	(10,522)
Financial liabilities	(31,175)	(8,333)	(374,088)
Other short-term liabilities	-	(24,663)	(205,344)
Long-term liabilities			
Financial liabilities	(96,895)	(48,958)	(1,354,686)
Other long-term liabilities	(799)	-	(7,810)
Total liabilities	(129,257)	(82,762)	(1,952,450)
Net balance sheet position	(107,643)	(77,515)	(1,697,509)
Assets from off balance sheet derivative instruments	80,000	-	781,928
Net foreign currency liability position	(27,643)	(77,515)	(915,581)

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**NOTE 21. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

Foreign currency position (Continued)

The table below summaries foreign currency position risk of the Group as of 31 December 2020. The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent are as follows:

31 December 2020	Euro	US Dollar	TRY Amount
Current Assets			
Monetary financial assets	243	12,405	93,248
Other assets	-	4,084	29,977
Trade receivables	518	-	4,671
Total assets	761	16,489	127,896
Short-term liabilities			
Trade payables	(7,849)	(680)	(75,696)
Financial liabilities	(44,562)	(2,811)	(422,044)
Other short-term liabilities	(3,119)	(956)	(35,116)
Long-term liabilities			
Financial liabilities	(87,299)	(54,481)	(1,186,298)
Other long-term liabilities	(799)	-	(7,197)
Total liabilities	(143,628)	(58,928)	(1,726,351)
Net balance sheet position	(142,867)	(42,439)	(1,598,455)
Assets from off balance sheet derivative instruments	45,000	-	405,356
Net foreign currency liability position	(97,867)	(42,439)	(1,193,099)

The table below shows the Group’s sensitivity for 20% fluctuation of USD and EUR. These amounts represent the effect on the statement of comprehensive income of 10% fluctuation of USD and EUR against TRY. During this analysis all other variables especially interest rate is assumed to remain constant.

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NOTE 21. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign currency position (Continued)

Foreign currency sensitivity analysis as of 31 March 2021 and 31 December 2020 are as follows:

31 March 2021	Gain / Loss		Equity	
	Appreciation	Depreciation	Appreciation	Depreciation
10% fluctuation in USD rate				
USD net asset/liability	(64,539)	64,539	(64,539)	64,539
Secured portion from USD risk	-	-	-	-
USD net effect	(64,539)	64,539	(64,539)	64,539
10% fluctuation in EUR rate				
EUR net asset/liability	(105,212)	105,212	(105,212)	105,212
Secured portion from EUR risk	78,193	(78,193)	78,193	(78,193)
EUR net effect	(27,019)	27,019	(27,019)	27,019
31 December 2020	Gain / Loss		Equity	
	Appreciation	Depreciation	Appreciation	Depreciation
10% fluctuation in USD rate				
USD net asset/liability	(31,153)	31,153	(31,153)	31,153
Secured portion from USD risk	-	-	-	-
USD net effect	(31,153)	31,153	(31,153)	31,153
10% fluctuation in EUR rate				
EUR net asset/liability	(128,693)	128,693	(128,693)	128,693
Secured portion from EUR risk	40,536	(40,536)	40,536	(40,536)
EUR net effect	(88,157)	88,157	(88,157)	88,157

NOTE 22. SUBSEQUENT EVENTS

Aziz Torun, one of the Group Founding Partners and Chairman of the Board of Directors, has decided to sell all or part of the C Group shares with a nominal value of TRY125,000,000, representing 12.50% of the capital of Torunlar Gayrimenkul Yatırım Ortaklığı A.Ş., at the price to be formed in the Secondary Market or the Market.

In accordance with Article 27 of the Communiqué on Shares numbered VII-128.1 of the Capital Markets Board (the Board), the Share Sales Information Form, which is prepared to convert shares that are not traded on the stock exchange, which exceeds 10% of the capital, into the qualification traded on the stock exchange, has been submitted to the approval of the Board

If the share sale information form is approved by the Board, it will be converted into a stock-listed quality at the Central Registry Agency and then all or part of the said shares will be sold in Borsa Istanbul.

The income to be obtained from the sale of the shares of Torunlar Gayrimenkul Yatırım Ortaklığı A.Ş. will be used in the capital increase planned by the Group in the future, and in the payment of the capital debt arising from the use of Aziz Torun's rights to buy new shares.

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NOTE 23. 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 Account Items	Related Regulations	31 March 2021	31 December 2020
A Money and capital markets instruments Series:III, No:48.1, Art.24/(b)		299,830	172,700
B Properties, projects based on properties and rights based on properties	Series:III, No:48.1, Art.24/(a)	12,937,115	12,961,196
C Subsidiaries	Series:III, No:48.1, Art.24/(b)	376,120	402,127
Due to related parties (non-trade)	Series:III, No:48.1, Art.23/(f)	-	-
Other assets		206,076	175,158
D Total assets	Series:III, No:48.1, Art.3/(p)	13,819,141	13,711,181
E Financial liabilities	Series:III, No:48.1.1, Art.31	4,658,688	4,575,659
F Other financial liabilities	Series:III, No:48.1.1, Art.31	-	-
G Finance leases	Series:III, No:48.1.1, Art.31	53,216	51,669
H Due from related parties (non-trade)	Series:III, No:48.1, Art.23(f)	201,184	67,144
I Shareholders Equity	Series:III, No:48.1, Art.31	8,655,447	8,771,457
Other liabilities		250,606	245,252
D Total liabilities	Series:III, No:48.1, Art.3/(p)	13,819,141	13,711,181

Financial Information	Related Regulations	31 March 2021	31 December 2020
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)	266,237	172,700
A2 TRY and foreign currency time and demand deposits	Series:III, No:48.1, Art.24/(b)	266,237	142,723
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	149,654	173,026
K Mortgage amount on non-owned land to be developed	Series:III, No:48.1, Art.28(e)	-	-
L Total investments for money and capital market instruments in a single entity	Series:III, No:48.1, Art.22(i)	176,062	141,783

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NOTE 23. ADDITIONAL NOTES: CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS (Continued)

Portfolio Restrictions	Related Regulations	31 March 2021	31 December 2020	Maximum Minimum Rate
1 Mortgage amount on non-owed land to be developed (K/D)	Series:III, No:48.1a, Art.22/(e)	0%	0%	<10%
2 Properties, projects based on properties and srights based on properties (B+A1)/D)	Series:III, No:48.1a, Art.24/(a),(b)	96%	96%	>50%
3 Money and capital market instruments and affiliates (A+C-A1)/D)	Series:III, No:48.1a, Art.24/(b)	3%	3%	<50%
4 Foreign properties, projects based on properties rights based on properties affiliates capital, market instruments (A3+B1+C1/D)	Series:III, No:48.1a, Art.24/(d)	0%	0%	<49%
5 Idle lands(B2/D)	Series:III, No:48.1a, Art.24/(c)	0%	0%	<20%
6 Investment in affiliated operating companies (C2/	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	59%	55%	<500%
8 TRYand foreign currency time and demand deposits (A2-A1)/D)	Series:III, No:48.1, Art.24/(b)	0%	0%	<10%
9 Total investments for money and capital market instruments in a single entity	Series:III, No:48.1, Art.22/(1)	1%	1%	<10%

Associate	Participation rate	Participation amount	
	(%)	31 March 2021	31 December 2020
Yeni Gimat	14.83	309,938	326,836
TTA	40.00	58,543	57,419
Netsel	44.60	7,155	17,388
TRN	99.99	484	484
		376,120	402,127

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