

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

**CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE INTERIM PERIOD  
1 JANUARY- 30 SEPTEMBER 2020**

**(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  
AS OF 30 SEPTEMBER 2020 AND 31 DECEMBER 2019**

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

	Notes	(Not Reviewed) 30 September 2020	(Audited) 31 December 2019
<b>ASSETS</b>			
<b>Current Assets</b>		<b>1,384,671</b>	<b>1,995,089</b>
Cash and Cash Equivalents	5	338,081	739,111
Trade Receivables	8	109,167	116,289
<i>Trade Receivables from Related Parties</i>		18,372	22,054
<i>Trade Receivables from Third Parties</i>		90,795	94,235
Other Receivables		594	137
<i>Other Receivables from Third Parties</i>		594	137
Inventories	10	905,059	1,105,159
Prepaid Expenses	7	21,252	22,111
Other Current Assets		10,518	12,282
<b>Non-Current Assets</b>		<b>11,847,929</b>	<b>11,724,984</b>
Trade Receivables	8	1,472	2,003
<i>Trade Receivables from Third Parties</i>		1,472	2,003
Other Receivables		2,711	9,290
<i>Other Receivables from Third Parties</i>		2,711	9,290
Investments Accounted by Equity Method	3	383,984	394,174
Investment Properties	9	11,412,179	11,267,894
Property, Plant and Equipment		45,582	46,820
Intangible Assets		1,030	961
<i>Other Intangible Assets</i>		1,030	961
Prepaid Expenses	7	971	3,842
<b>Total Assets</b>		<b>13,232,600</b>	<b>13,720,073</b>

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

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 30 SEPTEMBER 2020 AND 31 DECEMBER 2019**

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

	Notes	(Not Reviewed) 30 September 2020	(Audited) 31 December 2019
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>2,268,914</b>	<b>2,211,108</b>
Short-Term Borrowings	6	508,097	165,883
Short-Term Portion of Long-Term Borrowings	6	1,473,823	1,788,539
Trade Payables	8	103,532	128,330
<i>Trade Payables to Related Parties</i>		52,398	54,141
<i>Trade Payables to Third Parties</i>		51,134	74,189
Payables Related to Employee Benefits		1,704	1,560
Other Payables		84,490	22,371
<i>Other Payables to Related Parties</i>		57,330	-
<i>Other Payables to Third Parties</i>		27,160	22,371
Deferred Income	7	75,459	83,979
Short-Term Provisions		18,695	14,578
<i>Other Short-Term Provisions</i>		18,695	14,578
Other Current Liabilities	7	3,114	5,868
<b>Non-Current Liabilities</b>		<b>2,931,093</b>	<b>3,030,826</b>
Long-Term Borrowings	6	2,930,084	3,029,817
Long-Term Provisions		1,009	1,009
<i>Long-Term Provisions for Employee Benefits</i>		1,009	1,009
<b>EQUITY</b>		<b>8,032,593</b>	<b>8,478,139</b>
Share Capital	12	1,000,000	1,000,000
Treasury Shares		(5,830)	(4,707)
Share Premium		25,770	25,770
Restricted Reserves		74,421	74,255
Prior Years' Profits		7,382,655	6,517,031
Net (Loss)/ Profit for the Period		(444,423)	865,790
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>13,232,600</b>	<b>13,720,073</b>

The accompanying notes form an integral part of these condensed 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 ENDED**

**30 SEPTEMBER 2020**

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

	Notes	(Not Reviewed) 1 January - 30 September 2020	(Not Reviewed) 1 July - 30 September 2020	(Not Reviewed) 1 January - 30 September 2019	(Not Reviewed) 1 July - 30 September 2019
<b>PROFIT OR LOSS</b>					
Revenue	13	776,417	325,772	692,071	257,448
Cost of Sales (-)	13	(332,337)	(126,299)	(216,661)	(89,993)
<b>GROSS PROFIT</b>		<b>444,080</b>	<b>199,473</b>	<b>475,410</b>	<b>167,455</b>
General Administrative Expenses (-)	14	(24,959)	(10,819)	(44,483)	(14,956)
Marketing Expenses (-)	14	(25,179)	(3,501)	(2,843)	(1,203)
Other Income from Operating Activities		5,340	2,117	17,227	12,620
Other Expenses from Operating Activities (-)		(4,511)	(911)	(4,818)	(69)
<b>OPERATING PROFIT</b>		<b>394,771</b>	<b>186,359</b>	<b>440,493</b>	<b>163,847</b>
Share of the Group on Profit/Loss of Investments Accounted by Equity Method	3	25,008	12,307	30,705	10,253
<b>PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)</b>		<b>419,779</b>	<b>198,666</b>	<b>471,198</b>	<b>174,100</b>
Finance Income	15	31,244	8,048	29,442	7,811
Finance Expenses (-)	15	(895,446)	(383,930)	(562,465)	(46,419)
<b>(LOSS)/ PROFIT BEFORE TAX</b>		<b>(444,423)</b>	<b>(177,216)</b>	<b>(61,825)</b>	<b>135,492</b>
<b>(LOSS)/ PROFIT FOR THE PERIOD</b>		<b>(444,423)</b>	<b>(177,216)</b>	<b>(61,825)</b>	<b>135,492</b>
(Loss)/ profit per share from continuing operations <sup>16</sup>		(0.44)	(0.18)	(0.06)	0.14
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS)</b>		<b>(444,423)</b>	<b>(177,216)</b>	<b>(61,825)</b>	<b>135,492</b>

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

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

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS OF 30 SEPTEMBER 2020

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

	Share Capital	Treasury Shares	Share Premium	Restricted Reserves	Prior Years' Profits	Net Profit/(Loss) for the Period	Total Equity
<b>Opening balance as of 1 January 2019</b>	<b>1,000,000</b>	<b>(3,338)</b>	<b>25,770</b>	<b>74,255</b>	<b>5,229,827</b>	<b>1,287,204</b>	<b>7,613,718</b>
Transfers	-	-	-	-	1,287,204	(1,287,204)	-
Total comprehensive income/ (loss)	-	-	-	-	-	(61,825)	(61,825)
Transactions with non-controlling interest owners	-	(1,369)	-	-	-	-	(1,369)
<b>Closing balance as of 30 September 2019</b>	<b>1,000,000</b>	<b>(4,707)</b>	<b>25,770</b>	<b>74,255</b>	<b>6,517,031</b>	<b>(61,825)</b>	<b>7,550,524</b>
<b>Opening balance as of 1 January 2020</b>	<b>1,000,000</b>	<b>(4,707)</b>	<b>25,770</b>	<b>74,255</b>	<b>6,517,031</b>	<b>865,790</b>	<b>8,478,139</b>
Transfers	-	-	-	166	865,624	(865,790)	-
Total comprehensive income/ (loss)	-	-	-	-	-	(444,423)	(444,423)
Transactions with non-controlling interest owners	-	(1,123)	-	-	-	-	(1,123)
<b>Closing balance as of 30 September 2020</b>	<b>1,000,000</b>	<b>(5,830)</b>	<b>25,770</b>	<b>74,421</b>	<b>7,382,655</b>	<b>(444,423)</b>	<b>8,032,593</b>

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

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2020**

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

	Notes	(Not Reviewed) 1 January - 30 September 2020	(Not Reviewed) 1 January - 30 September 2019
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>686,566</b>	<b>223,350</b>
<b>Loss for the Period</b>		<b>(444,423)</b>	<b>(61,825)</b>
<b>Adjustments Related to Reconciliation of Loss for the Period</b>		<b>881,774</b>	<b>349,791</b>
Adjustments related to depreciation and amortisation expenses		2,232	310
Adjustments related to provisions		40	7,116
Adjustments related to interest income and expenses	15	391,875	304,656
Adjustments related to unrealized foreign exchange differences		516,724	63,914
Gain on sales of investment properties		(4,369)	-
Adjustments related to doubtful receivable allowance expenses	8	280	4,500
Adjustments related to undistributed profits of investments accounted for by equity method	3	(25,008)	(30,705)
<b>Changes in working capital</b>		<b>249,255</b>	<b>(67,646)</b>
(Increase)/decrease in trade receivables		8,163	63,460
(Increase)/decrease in other receivables		6,122	-
(Increase)/decrease in inventories		200,100	44,902
(Increase)/decrease in prepaid expenses		3,731	3,442
Increase/(decrease) in trade payables		(24,798)	(18,209)
Increase/(decrease) in other payables		62,119	(145,539)
Increase/(decrease) in deferred income		(8,520)	(16,130)
Decrease in other current/non-current assets from operations		2,338	428
<b>Cash generated from operations</b>		<b>686,606</b>	<b>220,320</b>
Employment Termination Benefits Payment		(40)	(265)
Other payments		-	3,295
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(106,904)</b>	<b>(14,787)</b>
Cash outflows from purchases of property, plant and equipments and intangible assets		(1,063)	-
Cash inflows from the sale of property, plant and equipments and intangible assets		-	4,787
Payments for acquisition of investment properties	9	(147,685)	(55,106)
Proceeds from Disposal of Investment Properties		7,769	6,384
Dividends received	3	34,075	29,148
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(986,765)</b>	<b>398,246</b>
Proceeds from borrowings		1,871,171	3,431,370
Repayment of borrowings		(2,296,836)	(2,814,321)
Interest paid		(593,494)	(248,537)
Interest received		32,394	29,734
<b>Net (decrease)/ increase in cash and cash equivalents before the effect of exchange rate changes</b>		<b>(407,103)</b>	<b>606,809</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>10,462</b>	<b>13,859</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>5</b>	<b>(396,641)</b>	<b>620,668</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>5</b>	<b>733,572</b>	<b>203,140</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>5</b>	<b>336,931</b>	<b>823,808</b>

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

### 1. ORGANIZATION AND OPERATIONS OF THE GROUP

Torunlar Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (“Torunlar REIC” or the “Company”) and its subsidiary, TRN Otel İşletmeciliği ve Yatırımları A.Ş. (“TRN”) referred together as a “Group”. The Company was incorporated in 1996 with the trade name of Toray İnşaat Sanayi ve Ticaret A.Ş. in İstanbul, Turkey. With a change in the Articles of Association published on Trade Registry Gazette on 25 January 2008, the Company has been registered with the trade name of Torunlar Gayrimenkul Yatırım Ortaklığı A.Ş. on 21 January 2008. The Company’s stocks have been traded at the Borsa İstanbul since 21 October 2010 and registered to Capital Markets Board (“CMB”). The Company operates in Turkey. As of 30 September 2020, the total number of the Company’s employees is 59 (31 December 2019: 66) and the main shareholder is the Torun Family (Note 12).

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 30 September 2020. The principal activity of TRN, and the Group’s participation rates are as follows:

	Operating country	Operating sector	30 September 2020 Participation rate %	31 December 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 30 September 2020 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 30 SEPTEMBER 2020

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

### 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 30 SEPTEMBER 2020

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

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### 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 30 September 2020 are prepared in accordance with the Turkish Accounting Standard No:34 “Interim Financial Reporting”. According to TAS 34, entities are allowed to prepare a complete or condensed consolidated set of interim financial statements. In this respect, the Group has preferred to prepare its interim consolidated financial statements for the period as of 30 September 2020 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 2019.

The condensed consolidated interim financial statements of the Group as of 30 September 2020, have been approved by the Board of Directors on 6 November 2020. 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 currency is Turkish Lira (“TRY”) and presentation currency is thousand Turkish Lira.

##### Summary of Significant Accounting Policies

Significant accounting policies that are used to prepare the Group’s interim condensed financial statements for the period of 30 September 2020 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 2019.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

### 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:

	30 September 2020	31 December 2019
Current assets	1,356	1,463
Non-current assets	177,658	177,659
<b>Total assets</b>	<b>179,014</b>	<b>179,122</b>
Short-term liabilities	55,605	62,387
Long-term liabilities	15,392	15,392
Equity	108,017	101,343
<b>Total liabilities and equity</b>	<b>179,014</b>	<b>179,122</b>
<b>Net profit for the period</b>	<b>6,680</b>	<b>36,589</b>

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 30 SEPTEMBER 2020

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

### 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 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020 (%)	31 December 2019 (%)
Netsel	44.60	44.60
Yeni Gimat	14.83	14.83

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

	30 September 2020	31 December 2019
Total assets	2,294,755	2,356,859
Total liabilities	55,820	50,381
Net profit for the period	127,299	367,713

(\*) These combined figures 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**

	30 September 2020	31 December 2019
Total assets	2,241,833	2,301,985
Total liabilities	32,275	34,423
Net profit for the period	115,688	344,550

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

	30 September 2020	31 December 2019
Total assets	52,922	54,874
Total liabilities	23,545	15,958
Net profit for the period	11,611	23,163

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020**

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

**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.

**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 30 September 2020:**

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, ‘Presentation of financial statements’, and TAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other TFRSs:
  - i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
  - ii) clarify the explanation of the definition of material; and
  - iii) incorporate some of the guidance in TAS 1 about immaterial information.
- **Amendments to TFRS 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 TFRS 9, TAS 39 and TFRS 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

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 30 September 2020 (Continued):

- **Amendment to TFRS 16, 'Leases' – Covid-19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. 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 TFRS 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.

b) Standards, amendments and interpretations that are issued but not effective as at 30 September 2020:

- **TFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Amendments to TAS 1, Presentation of financial statements' on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to TAS 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 TAS 1 means when it refers to the 'settlement' of a liability.
- **A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
  - **Amendments to TFRS 3, 'Business combinations'** update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **Amendments to TAS 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 TAS 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 TFRS 1, 'First-time Adoption of TFRS', TFRS 9, 'Financial instruments', TAS 41, 'Agriculture' and the Illustrative Examples accompanying TFRS 16, 'Leases'.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020**

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

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

**b) Standards, amendments and interpretations that are issued but not effective as at 30 September 2020 (continued):**

- **Amendments to TFRS 9, IAS 39, TFRS 7, TFRS 4 and TFRS 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.

**2.5 Critical Accounting Estimates, Assumptions and Judgements**

**Impairment of trade receivables**

As of 30 September 2020, provision for doubtful receivables has been set aside for trade receivables amounting to TRY22,328 (31 December 2019: TRY22,855). An important part of the doubtful receivables belongs to the tenants, which unexpectedly falls into economic difficulty. Provision for doubtful receivables related to trade receivables is determined based on past default experience. Expected credit loss calculated under TFRS 9 is not a material amount therefore, no provision was made for expected credit losses in the consolidated financial statements.

**Critical judgments in applying the Group's accounting policies**

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

The preparation of condensed consolidated interim financial statements requires the use of assumptions and estimates that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues expenses which are reported throughout the period. Even though, these assumptions and estimates rely on the best estimates of the Group management; the actual results might differ from them. The assumptions and critical accounting estimates used in order to prepare the condensed consolidated interim financial statement as of 30 September 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 2019, 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 30 September 2020 condensed consolidated interim financial statements. As of 30 September 2020, the Group management has evaluated the effects on the fair values of the related real estates, and no negative impact has not been determined in relation to the foreseen income for 2020 and actual results for 9 months period as a result of this evaluation.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

### 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 30 September 2020 and 31 December 2019 are as follows:

30 September 2020	Valuation report date	Valuation method	Discount rate	Rent increase rate p.a	Terminal growth rate	Comparable m <sup>2</sup> prices in full TRY
Antalya Deepo Shopping Mall	7 January 2020	Discounted cash flow	13-20%	5-12%	8%	-
Mall of Antalya	7 January 2020	Discounted cash flow	13-20%	5-12%	8%	-
Antalya Kepez lands	7 January 2020	Sale comparison	-	-	-	301-1,989
Bursa Korupark Shopping Mall	7 January 2020	Discounted cash flow	13-20%	5-12%	8%	-
Torium Shopping Mall	7 January 2020	Discounted cash flow	13-20%	5-12%	8%	-
Bursa Zafer Plaza Shopping Mall	7 January 2020	Discounted cash flow	13-20%	5-12%	8%	-
Mall of İstanbul Shopping Mall	7 January 2020	Discounted cash flow	13-20%	5-12%	8%	-
Torun Tower	7 January 2020	Sale comparison	-	-	-	11,100-22,500
Paşabahçe project	7 January 2020	Discounted cash flow	13-20%	5-12%	8%	-
İstanbul İkitelli Kayabaşı land	7 January 2020	Sale comparison	-	-	-	1,199-1,480
İstanbul Beyoğlu Kemankeş building	7 January 2020	Sale comparison	-	-	-	50,700
Bursa Korupark independent areas	7 January 2020	Sale comparison	-	-	-	2,931-5,162
Mall of İstanbul residents and offices	7 January 2020	Sale comparison	-	-	-	2,745-10,250
Mall of İstanbul hotel convention center and office project	7 January 2020	Discounted cash flow	13-20%	5-12%	8%	-
Torun Center	7 January 2020	Sale comparison	-	-	-	18,595-30,212

(\*) In accordance with the decree no. 32 that is effective as of 16 November 2018, monthly rental fees are denominated in Turkish Lira. Accordingly, in future projections, discount rates are calculated in TRY due to from cash flows denominated in TRY as a result of rental income in TRY.

If all the variables in the valuations of the real estates with the fair value of TRY7,983,085 valued using the income approach as of 31 December 2019 were fixed and the discount rate used was more than 0.5% and less than 0.5%, the fair values would have been TRY39,915 lower and TRY39,915.

- i. The Antalya Deepo Shopping Center and growth project (Mall of Antalya), which was established on an area of 84,503.61 m<sup>2</sup> on the territory of Antalya Province, Merkez District, Koyunlar Village, and which the Group classified under investment properties as of 30 September 2020 and 31 December 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 TRY1,040,000 as at 31 December 2019.

- ii. The Group has 57,680 m<sup>2</sup> of land in the province of Antalya, Merkez District, Koyunlar Village, which is classified under investment properties as of 30 September 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.



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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

#### 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 m<sup>2</sup> in Bursa Province, Osmangazi District, Emek Village, which is classified under investment properties as of 30 September 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 m<sup>2</sup> in İstanbul Province, Başakşehir District, İkitelli - 2 Neighborhood, which is classified under investment properties as of 30 September 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 30 September 2020 and 31 December 2019, the Group has completed the Torium Shopping Center project on an area of 44,571 m<sup>2</sup> 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 30 September 2020 and 31 December 2019, the Group has an area of 70,644 m<sup>2</sup> in the İstanbul Province, Beykoz District which is classified as investment property and has 49 years of usage rights for a 3,935 m<sup>2</sup> pier and dock. It is planned to make a 5-star Hotel and Apart Hotel project on the land.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 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 m<sup>2</sup> land located in İstanbul - Şişli 2nd District - which is classified under investment property as of 30 September 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 m<sup>2</sup> of area (30 floors) on 6 February 2014.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020**

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

**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 m<sup>2</sup> land in Bursa - Osmangazi Şehreküstü District - which is classified under investment property as of 30 September 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 m<sup>2</sup> land located in İstanbul - Küçükçekmece Kayabaşı District - which is classified under investment property as of 30 September 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 m<sup>2</sup> land in İstanbul - Beyoğlu Kemankeş District - which is classified under investment property as of 30 September 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 30 September 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 m<sup>2</sup> land located in İstanbul-Başakşehir district which is classified under investment properties as of 30 September 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.

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

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

#### 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 m<sup>2</sup> which is located in Istanbul Province, Başakşehir-İkitelli-2 District and is classified under investment properties as of 30 September 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 m<sup>2</sup> 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 30 September 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 Significant Changes Regarding the Current Period

While preparing the interim consolidated financial statements dated 30 September 2020, the Group evaluated the possible effects of the COVID-19 outbreak on the financial statements and reviewed the estimates and assumptions used in the preparation of the financial statements. In this context, the Group has tested possible impairment in the values of financial assets, inventories, property, plant and equipments and intangible assets and investment properties included in the interim consolidated financial statements dated 30 September 2020, and no significant changes have been detected.

##### 2.7 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

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

#### 3. INTERESTS IN OTHER ENTITIES

	30 September 2020		31 December 2019	
	(%)	TRY	(%)	TRY
Yeni Gimat	14.83	327,675	14.83	336,279
TTA	40.00	43,207	40.00	40,538
Netsel	44.60	13,102	44.60	17,357
		<b>383,984</b>		<b>394,174</b>
	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
<b>Opening balance</b>	<b>394,174</b>	<b>371,677</b>	<b>348,425</b>	<b>338,592</b>
Income and expenses from associates, (net)	22,336	11,110	31,181	10,129
Dividends received from associates	(34,075)	-	(29,148)	-
Treasury shares (*)	(1,123)	-	(1,369)	(232)
Income and expenses from joint ventures, (net)	2,672	1,197	(476)	124
<b>Closing balance</b>	<b>383,984</b>	<b>383,984</b>	<b>348,613</b>	<b>348,613</b>

(\*) As a result of the repurchase 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 were classified as treasury shares.

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

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Yeni Gimat	17,157	6,581	27,105	8,622
TTA	5,179	4,529	4,076	1,507
Netsel	2,672	1,197	(476)	124
<b>Total</b>	<b>25,008</b>	<b>12,307</b>	<b>30,705</b>	<b>10,253</b>

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

#### 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 cannot 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 30 SEPTEMBER 2020

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

### 4. SEGMENT REPORTING (Continued)

The segment information for the reportable segments as of and for the period ended 30 September 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 (**)
<b>Offices and shopping malls for rent</b>								
Mall of İstanbul Shopping Mall	159,223	112,069	-	104,202	-	-	104,202	2,975
Torun Tower	80,078	64,323	-	64,061	-	-	64,061	122
Korupark Shopping Mall	75,139	71,091	-	71,091	-	-	71,091	-
Torium Shopping Mall	32,742	12,139	-	8,657	-	-	8,657	2,218
Mall of Antalya Shopping Mall	19,418	7,755	-	7,327	-	-	7,327	188
Antalya Deepo Shopping Mall	23,860	17,991	-	17,777	-	-	17,777	669
Zafer Plaza Shopping Mall	16,710	13,494	-	13,494	-	-	13,494	-
Torun Center	7,582	7,040	-	(227)	-	-	(227)	-
5th Levent Bazaar	2,584	2,473	-	2,473	-	-	2,473	-
Torium Student Residence 2	1,896	40	-	(1,534)	-	-	(1,534)	-
Torium Student Residence 1	1,624	818	-	818	-	-	818	147
Mall of İstanbul Residences and Offices	342	76	-	76	-	-	76	-
Korupark independent areas	231	93	-	93	-	-	93	-
<b>Subtotal</b>	<b>421,429</b>	<b>309,402</b>	<b>-</b>	<b>288,308</b>	<b>-</b>	<b>-</b>	<b>288,308</b>	<b>6,319</b>
<b>Residences and office projects</b>								
5. Levent Project	306,293	108,804	-	89,548	-	-	89,548	11,573
Torun Center	42,545	22,811	-	22,811	-	-	22,811	-
Nishistanbul Project	6,150	3,063	-	2,739	-	-	2,739	-
Korupark 3rd phase residences	-	-	-	-	-	-	-	-
Mall of İstanbul	-	-	-	-	-	-	-	-
Torium residences	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>354,988</b>	<b>134,678</b>	<b>-</b>	<b>115,098</b>	<b>-</b>	<b>-</b>	<b>115,098</b>	<b>-</b>
<b>Projects under construction</b>								
Mall of İstanbul hotel convention center and residence project	-	-	-	-	-	-	-	127,341
Kemankeş building	-	-	-	-	-	-	-	4,270
Paşabahçe project	-	-	-	-	-	-	-	9,305
<b>Associates</b>								
Ankamall and Hotel (Yeni Gimat)	-	-	-	-	17,157	-	17,157	-
Netsel	-	-	-	-	5,179	-	5,179	-
TTA	-	-	-	-	2,672	-	2,672	-
Unallocated	-	-	-	(8,635)	-	(864,202)	(872,837)	-
<b>Total</b>	<b>776,417</b>	<b>444,080</b>	<b>-</b>	<b>394,771</b>	<b>25,008</b>	<b>(864,202)</b>	<b>(444,423)</b>	<b>159,258</b>

(\*) 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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**4. SEGMENT REPORTING (Continued)**

The segment information for the reportable segments as of and for the period ended 30 September 2019 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 (*)
<b>Offices and shopping malls for rent</b>								
Mall of İstanbul Shopping Mall	214,185	164,903	-	158,163	-	-	158,163	2,317
Korupark Shopping Mall	114,469	95,168	-	94,462	-	-	94,462	3,347
Torun Tower	65,250	67,032	-	65,099	-	-	65,099	307
Torium Shopping Mall	52,653	22,343	-	20,588	-	-	20,588	2,242
Zafer Plaza Shopping Mall	26,060	19,531	-	19,356	-	-	19,356	-
Antalya Deepo Shopping Mall	33,661	25,388	-	24,887	-	-	24,887	2,201
Mall of Antalya Shopping Mall	44,899	30,975	-	30,985	-	-	30,985	3,813
Mall of İstanbul Residences and Offices	1,888	1,506	-	1,506	-	-	1,506	-
Korupark independent areas	545	408	-	670	-	-	670	-
Torun Center	3,771	4,882	-	1,026	-	-	1,026	2,382
5th Levent Bazaar	1,992	380	-	380	-	-	380	37
<b>Subtotal</b>	<b>559,373</b>	<b>432,516</b>	<b>-</b>	<b>417,122</b>	<b>-</b>	<b>-</b>	<b>417,122</b>	<b>16,646</b>
<b>Residences and office projects</b>								
Torun Center	16,737	7,053	-	5,077	-	-	5,077	-
Korupark 3rd phase residences	1,565	1,033	-	1,000	-	-	1,000	-
Mall of İstanbul	1,702	508	-	508	-	-	508	-
Torium residences	-	-	-	-	-	-	-	-
Nishistanbul Project	3,564	2,440	-	2,283	-	-	2,283	-
5. Levent Project (**)	109,130	31,860	-	25,259	-	-	25,259	167,750
<b>Subtotal</b>	<b>132,698</b>	<b>42,894</b>	<b>-</b>	<b>34,127</b>	<b>-</b>	<b>-</b>	<b>34,127</b>	<b>167,750</b>
<b>Projects under construction</b>								
Paşabahçe project	-	-	-	-	-	-	-	4,538
Mall of İstanbul hotel convention center and residence project	-	-	-	-	-	-	-	33,044
<b>Properties held for new projects</b>								
Kayabaşı land	-	-	-	-	-	-	-	-
Kemankeş building	-	-	-	-	-	-	-	-
Mall of İstanbul 3. Phase	-	-	-	-	-	-	-	878
<b>Associates</b>								
Ankamall and Hotel (Yeni Gimat)	-	-	-	-	27,105	-	27,105	-
Netsel	-	-	-	-	4,076	-	4,076	-
TTA	-	-	-	-	(476)	-	(476)	-
Unallocated	-	-	-	(10,756)	-	(533,023)	(543,779)	-
<b>Total</b>	<b>692,071</b>	<b>475,410</b>	<b>-</b>	<b>440,493</b>	<b>30,705</b>	<b>(533,023)</b>	<b>(61,825)</b>	<b>222,856</b>

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

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

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**5. CASH AND CASH EQUIVALENTS**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Cash	337,816	738,866
<i>Demand deposits</i>	755	37,188
<i>Time deposits</i>	337,061	701,678
Other cash equivalents	265	245
	<b>338,081</b>	<b>739,111</b>

As of 30 September 2020 and 31 December 2019, cash and cash equivalents in the statements of cash flows are as follows:

	<b>30 September 2020</b>	<b>31 December 2019</b>
Cash and cash equivalents	338,081	739,111
Less: Interest accrual of time deposits	(1,150)	(5,539)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>336,931</b>	<b>733,572</b>

Maturities of cash and cash equivalents are as follows:

	<b>30 September 2020</b>	<b>31 December 2019</b>
Up to 30 days	291,404	663,968
30 - 90 days	45,657	75,143
	<b>337,061</b>	<b>739,111</b>

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

	<u><b>30 September 2020</b></u>		<u><b>31 December 2019</b></u>	
	<b>Original Amount</b>	<b>TRY Equivalent</b>	<b>Original Amount</b>	<b>TRY Equivalent</b>
US Dollar	22,322	174,290	12,668	75,250
Euro	409	3,734	10,700	71,161
Other	1	10	1	9
		<b>178,034</b>		<b>146,420</b>

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

	<b>30 September 2020</b>	<b>31 December 2019</b>
US Dollars	3.00%	3.75%
Euro	1.50%	-
Turkish Liras	12.60%	23.43%

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**6. FINANCIAL LIABILITIES**

**Financial Liabilities**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Bank borrowings	508,097	163,233
<b>Short-term financial borrowings</b>	<b>508,097</b>	<b>163,233</b>
Short-term portions of long-term borrowings	1,431,174	1,756,459
Finance leases	42,649	32,080
<b>Short-term portions of long-term borrowings</b>	<b>1,473,823</b>	<b>1,788,539</b>
Bank borrowings	2,928,148	2,995,888
Finance leases	1,936	33,929
<b>Long-term borrowings</b>	<b>2,930,084</b>	<b>3,029,817</b>
<b>Total borrowings</b>	<b>4,912,004</b>	<b>4,981,589</b>

As of 30 September 2020, there are mortgages amounting to TRY1,807,513 (31 December 2019: TRY2,113,108) given to the banks regarding the financial liabilities amounting to TRY12,666,195 (31 December 2019: TRY8,577,645) on the investment properties.

**a) Bank borrowings**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Short-term bank borrowings	508,097	163,233
Short-term portions of long-term borrowings	1,431,174	1,756,459
Long-term bank borrowings	2,928,148	2,995,888
<b>Total borrowings</b>	<b>4,867,419</b>	<b>4,981,589</b>

<b>30 September 2020</b>	<b>Weighted avg. effective interest (%) (*)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TRY equivalent</b>
Short-term bank borrowings	11.40	TRY	430,508	430,508
	2.10	Euro	8,500	77,589
Short-term portion of long-term borrowings	13.80	TRY	1,012,000	1,012,000
	5.80	US Dollar	16,858	131,624
	4.10	Euro	31,502	287,550
Long-term bank borrowings	12.95	TRY	1,617,222	1,617,222
	6.05	US Dollar	62,521	488,164
	5.05	Euro	90,135	822,762
<b>Total bank borrowings</b>				<b>4,867,419</b>

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



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**6. FINANCIAL LIABILITIES (Continued)**

**a) Bank borrowings (Continued)**

<b>31 December 2019</b>	<b>Weighted avg. effective interest (%) (*)</b>	<b>Currency</b>	<b>Original amount</b>	<b>TRY equivalent</b>
Short-term bank borrowings	20.99	TRY	163,233	163,233
Short-term portion of long-term borrowings	17.56	TRY	929,262	929,262
	6.56	US Dollar	46,056	273,584
	4.23	Euro	83,243	553,613
Long-term bank borrowings	21.56	TRY	1,683,333	1,683,333
	6.06	US Dollar	92,208	547,736
	4.58	Euro	115,000	764,819
<b>Total bank borrowings</b>				<b>4,915,580</b>

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

The repayment schedule for long-term bank borrowings as of 30 September 2020 and 31 December 2019 is as follows:

	<b>30 September 2020</b>	<b>31 December 2019</b>
2021	269,092	561,282
2022	1,625,362	1,459,357
2022 and beyond	1,033,694	975,249
	<b>2,928,148</b>	<b>2,995,888</b>

**Obligations under finance lease**

The maturities of obligations under finance lease is as follows:

	<b>30 September 2020</b>	<b>31 December 2019</b>
Up to 1 year	42,649	32,080
1 years - 5 years	1,936	33,929
	<b>44,585</b>	<b>66,009</b>

Finance leases consist of US Dollar and EUR. The Group has a finance leases obligation of 5.87% interest rate with original currency of EUR1,922 and interest rate of 5.87% with original currency (31 December 2019: US Dollar272 and EUR11,553) as of 30 September 2020.

As of 30 September 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).

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

	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Short-Term Prepaid Expenses</b>		
Advances given	19,542	15,577
Prepaid expenses	1,710	6,534
	<b>21,252</b>	<b>22,111</b>

<b>Long-Term Prepaid Expenses</b>		
Order advances given	971	970
Prepaid expenses	-	2,872
	<b>971</b>	<b>3,842</b>

	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Short-Term Deferred Income</b>		
Advances received (*)	67,635	75,224
Deferred income	7,824	8,755
	<b>75,459</b>	<b>83,979</b>

(\*) As of 30 September 2020, from the sales commitments regarding the offices and residential units that are not delivered consist of advances received amounting to TRY36,961 for 5. Levent Project, TRY22,914 for Mall of İstanbul project, TRY126 for Korupark, TRY1,275 for Torium student Residence and remaining TRY6,359 consist of other advances (31 December 2019: TRY26,819 5. Levent Project, TRY34,427 Mall of İstanbul project, TRY2,822 Korupark 3rd Phase, TRY6,352 for Torun Center and remaining TRY4,804 consists of other advances).

	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Other Short-Term Liabilities</b>		
Prepaid taxes and funds	2,865	5,838
Accrued expenses	249	30
	<b>3,114</b>	<b>5,868</b>

<b>Other Long-Term Liabilities</b>		
Lawsuit provisions (*)	14,583	14,578
Property tax provisions	4,112	-
	<b>18,695</b>	<b>14,578</b>

(\*) As of 30 September 2020, provision for legal case amounting to TRY14,583 has been made according the opinions of the Group's lawyers (31 December 2019: TRY14,578). As of 30 September 2020, there are 17 pecuniary and non-pecuniary damage lawsuits, 50 business lawsuits, 15 cases of debt and 6 other miscellaneous lawsuits filed against the Group. The risk arising from the total possible cash outflow is TRY11,583 and the lawsuits are ongoing. (As of 31 December 2019, there are 35 pecuniary and non-pecuniary damage lawsuits, 93 business lawsuits and 21 other miscellaneous lawsuits filed against the Group. The risk arising from the total possible cash outflow is TRY14,578 and the lawsuits are ongoing). According to the opinions of the Group's lawyers, no liability is expected to arise except for the provision amount. There are no lawsuits against the shareholders of the Group.

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**8. TRADE RECEIVABLES AND PAYABLES**

<b>Current trade receivables</b>	<b>30 September 2020</b>	<b>31 December 2019</b>
Trade receivables	89,002	82,271
Notes receivables (*)	24,121	34,819
Trade receivables from related parties	18,372	22,054
Less: Allowance for doubtful receivables	(22,328)	(22,855)
	<b>109,167</b>	<b>116,289</b>

<b>Non-current trade receivables</b>	<b>30 September 2020</b>	<b>31 December 2019</b>
Notes receivables (*)	1,472	2,003
	<b>1,472</b>	<b>2,003</b>

(\*) As of 30 September 2020, TRY14,838 of long-term and short-term notes receivable are related to 5. Levent project, TRY1,021 of Mall of İstanbul project, TRY528 Korupark project and the remaining TRY9,206, consist of other cheques and notes receivables (31 December 2019: TRY32,407 of long-term and short-term notes receivable are related to 5. Levent project, and the remaining TRY4,415 consist of other notes receivables).

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

	<b>30 September 2020</b>	<b>30 September 2019</b>
<b>Opening balance</b>	<b>(22,855)</b>	<b>(13,762)</b>
Provision provided during the period	(280)	(4,500)
Provisions no longer required	807	-
<b>Closing balance</b>	<b>(22,328)</b>	<b>(18,262)</b>

Aging of provision for doubtful receivables is as follows:

	<b>30 September 2020</b>	<b>31 December 2019</b>
3 to 6 months	(62)	(62)
Over 6 months	(22,266)	(22,793)
	<b>(22,328)</b>	<b>(22,855)</b>

**Short-term trade payables**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Trade payables to related parties	52,398	54,141
Trade payables	49,353	68,372
Notes payable	1,781	5,817
	<b>103,532</b>	<b>128,330</b>

As of 30 September 2020 and 31 December 2019, majority of trade payables consist of payables to subcontractors relating to projects in progress.

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### 9. INVESTMENT PROPERTIES

Movement schedule of investment properties as of 30 September 2020 and 30 September 2019:

	1 January 2020	Additions	Disposals	Transfers	Change in fair value	30 September 2020
<b>Shopping Malls and Offices</b>						
MOI Shopping Mall	3,000,000	2,975	-	-	-	3,002,975
Torun Tower	1,853,000	-	-	-	-	1,853,000
Bursa Korupark Shopping Mall	1,710,000	122	-	-	-	1,710,122
Torun Center	1,039,726	-	(3,400)	-	-	1,036,326
Mall of Antalya	575,000	188	-	-	-	575,188
Torium Shopping Mall	540,000	2,218	-	-	-	542,218
Antalya Deepo Shopping Mall	465,000	669	-	-	-	465,669
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	147	-	-	-	22,447
Mall of İstanbul Residences and Offices	12,100	-	-	-	-	12,100
<b>Investment properties under construction</b>						
Paşabahçe land (*)	861,500	9,305	-	-	-	870,805
Mall of İstanbul hotel, congress center and office project (**)	442,585	127,341	-	-	-	569,926
Karaköy hotel	74,970	4,720	-	-	-	79,690
<b>Properties held for new projects</b>						
Kayabaşı land	74,215	-	-	-	-	74,215
Mall of İstanbul 3rd Phase	71,820	-	-	-	-	71,820
Antalya Kepez Lands	63,265	-	-	-	-	63,265
	<b>11,267,894</b>	<b>147,685</b>	<b>(3,400)</b>	-	-	<b>11,412,179</b>

(\*) 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 m<sup>2</sup>; Block 209, Lot 3 as 16,212 m<sup>2</sup>; Block 200, lot 3 in Paşabahçe neighborhood, Beykoz district and İstanbul city as 827 m<sup>2</sup> and buildings on these real estates. Title deed processes of real estates have been completed as of 20 September 2012. 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.

(\*\*) In its consolidated financial statements dated December 31, 2020, the Group management will classify the parts to be sold from the units included in the Mall of İstanbul hotel, congress center and office project to inventories with cost values, the parts to be leased into investment properties at fair value and the parts to be operated as hotels under fixed assets.

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**9. INVESTMENT PROPERTIES (Continued)**

	1 January 2019	Additions	Disposals	Transfers	Change in fair value	30 September 2019
<b>Shopping Malls and Offices</b>						
MOI Shopping Mall	2,590,000	2,317	-	-	-	2,592,317
Torun Tower	1,724,000	307	-	-	-	1,724,307
Bursa Korupark Shopping Mall	1,540,000	3,347	-	-	-	1,543,347
Torun Center	1,086,976	2,382	(6,384)	-	-	1,082,974
Mall of Antalya	490,000	3,813	-	-	-	493,813
Torium Shopping Mall	490,000	2,242	-	-	-	492,242
Antalya Deepo Shopping Mall	410,000	2,201	-	-	-	412,201
Bursa Zafer Plaza Shopping Mall	352,400	-	-	-	-	352,400
5. Levent bazaar	52,930	37	-	-	-	52,967
Korupark independent areas	22,433	-	-	-	-	22,433
Mall of İstanbul Residences and Offices	13,550	-	-	-	-	13,550
<b>Investment properties under construction</b>						
Paşabahçe land (*)	801,000	4,538	-	-	-	805,638
Mall of İstanbul hotel, congress center and office project	313,344	33,044	-	-	-	346,388
<b>Properties held for new projects</b>						
Kayabaşı land	64,785	-	-	-	-	64,785
Mall of İstanbul 3rd Phase	68,120	-	-	-	-	68,120
Antalya Kepez Lands	62,235	-	-	-	-	62,235
Kemankeş Building	61,660	878	-	-	-	62,538
	<b>10,143,533</b>	<b>55,106</b>	<b>(6,384)</b>	<b>-</b>	<b>-</b>	<b>10,192,255</b>

(\*) 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 land cost related to the dorm near the Torium Shopping Center are classified to property, plant and equipment, and the areas from which rent income is acquired related to the 5. Levent project are reclassified from inventories to investment properties.

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

### 9. INVESTMENT PROPERTIES (Continued)

As of 30 September 2020 and 31 December 2019, the mortgages on investment properties arising from loans are as follows:

	30 September	31 December	Currency	30 September	31 December
	2020	2019		2020	2019
	Original Amount	Original Amount			
Bursa Korupark Shopping Mall	1,500,000	-	TRY	1,500,000	-
Torun Tower	390,000	390,000	US Dollar	3,045,120	2,316,678
Paşabahçe land	375,000	375,000	US Dollar	2,928,000	2,227,575
Bursa Korupark Shopping Mall	225,000	225,000	Euro	2,053,823	1,496,385
Mall of İstanbul	150,000	150,000	US Dollar	1,171,200	891,030
Mall of Antalya - Deepo	130,000	130,000	Euro	1,186,653	864,578
Mall of İstanbul	406,399	406,399	TRY	406,399	406,399
Mall of İstanbul 2nd Phase	375,000	375,000	TRY	375,000	375,000
				<b>12,666,195</b>	<b>8,577,645</b>

### 10. INVENTORIES

30 September 2020 31 December 2019

#### Residences and office projects

##### Completed Projects

- Torun Center project (*)	477,880	489,960
- 5.Levent project (*****)	407,203	590,641
- Mall of İstanbul project (**)	10,731	10,731
- Nishistanbul (***)	6,667	11,249
- Korupark 3rd phase (****)	2,140	2,140
- Torium (*****)	438	438
	<b>905,059</b>	<b>1,105,159</b>

Provision for impairment of inventories amounting to TRY67 has been recognised for Torium Residences (31 December 2019: TRY67); TRY1,398 (31 December 2019: TRY1,398) for Nishistanbul total of TRY1,465 (31 December 2019: TRY1,465) as of 30 September 2020.

(\*) The Torun Center Project consists of sellable area with a total of 175,408 m<sup>2</sup>, segregated as 45,776 m<sup>2</sup> Office Tower, 36,382 m<sup>2</sup> Horizontal Office, 77,988 m<sup>2</sup> Residence and 15,312 m<sup>2</sup> Commercial Area. The delivery of Office Tower and Horizontal Office has started as of 31 December 2017. 108 residences, 47 offices and 43 Horizontal offices have been delivered, and in this context, the Group has recognised revenue amounting to TRY42,545 between 1 January - 30 September 2020. (31 December 2019: 94 residences, 47 offices and 42 horizontal offices and in this context the Group has collected revenue TRY593,999). As of 30 September 2020, TRY636,544 of final sales revenue has been obtained since the beginning of the project. As of 30 September 2020, the Group did not capitalize any financial expense during Torun Center Project (31 December 2019: None).

(\*\*) In the Mall of İstanbul project, 2 residences with 116.44 m<sup>2</sup>, 12 flat offices with 3,343.88 m<sup>2</sup>, and 1 office with 323.00 m<sup>2</sup> have been remained in the inventories.

(\*\*\*) There are 4 stores (gross 842 m<sup>2</sup>) registered in Nishistanbul project. (31 December 2019 there are 1 office (gross 260 m<sup>2</sup>) and 5 stores (gross 1,206 m<sup>2</sup>) registered in Nishistanbul project.)

(\*\*\*\*) In the context of 3rd phase of the Korupark project, 9 residences with 1,371.76 m<sup>2</sup> have been remained in the inventories.

(\*\*\*\*\*) In Torium project, 2 residences with 189 m<sup>2</sup> have been remained in the inventories.

(\*\*\*\*\*) Between the dates of 1 January 2020 - 30 September 2020, TRY306,293 of final sales revenue was obtained and as of 30 September 2020, the final sales revenue of TRY1,953,561 was obtained from the beginning of the project, 155 residences with 22,655 m<sup>2</sup> have been remained in inventories. (31 December 2019: 1,759 residences with 254,446.28 m<sup>2</sup> have been sold from 2,086 residences with 304,763.29 m<sup>2</sup> by having firm sale income amounting to TRY1,647,268 in return, and 327 residences with 50,317.01 m<sup>2</sup> have been remained in inventories.).

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

Contingent assets and liabilities

	<b>30 September 2020</b>	<b>31 December 2019</b>
Collaterals received	129,420	135,272

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

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

Below are the amounts of collaterals, pledges and mortgages of the Group as of 30 September 2020 and 31 December 2019:

	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>CPM’s given by the Company Collaterals, Pledges, Mortgages (“GPM”)</b>		
A.CPM’s Given for Its Own Legal Personality	12,819,623	8,729,842
B.CPM’s Given on Behalf of Fully Consolidated Companies	-	-
C. CPM’s Given for Continuation of its Economic Activities on Behalf of Third Parties	-	-
D. Total Amount of Other CPM’s		
i) Total Amount of CPM’s Given on Behalf of the Majority Shareholder	-	-
ii) Total Amount of CPM’s Given to on Behalf of Other Group Companies which are not in Scope of B and C	-	-
iii) Total Amount of CPM’s Given on Behalf of Third Parties which are not in Scope of C	-	-
	<b>12,819,623</b>	<b>8,729,842</b>

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#### 11. 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 0% as of 30 September 2020.

	<u>30 September 2020</u>		<u>31 December 2019</u>	
	<u>Foreign currency</u>	<u>TRY equivalent</u>	<u>Foreign currency</u>	<u>TRY equivalent</u>
US Dollar	915,000	7,144,320	915,000	5,435,283
Euro	355,000	3,240,476	355,000	2,360,963
TRY	2,281,399	2,281,399	781,399	781,399
		<b>12,666,195</b>		<b>8,577,645</b>

As of 30 September 2020, mortgages on investment properties of the Group is TRY12,666,195 (31 December 2019: TRY8,577,645) (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.

#### 12. 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 TRY500,000,000 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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#### 12. EQUITY (Continued)

Group’s shareholders and capital structure as of 30 September 2020 and 31 December 2019 is as follows:

	(%)	Group A (thousand)	Group B (thousand)	Group C (thousand)	30 September 2020	31 December 2019
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 Karabıyık	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
<b>Nominal capital</b>		<b>200,470</b>	<b>200,470</b>	<b>599,060</b>	<b>1,000,000</b>	<b>1,000,000</b>

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

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.

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### 13. REVENUE AND COST OF SALES

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
<b>Sales income</b>				
Residence and office sales income	354,988	167,259	132,698	61,234
Rent income from shopping malls	340,986	129,242	455,255	157,561
Rent income from offices	77,565	28,497	99,824	35,931
Other	2,878	774	4,294	2,722
	<b>776,417</b>	<b>325,772</b>	<b>692,071</b>	<b>257,448</b>
<b>Cost of sales</b>				
Cost of residence and office sales	(220,310)	(87,389)	(89,804)	(43,475)
Common area expenses	(104,168)	(37,954)	(115,689)	(43,154)
Rent expenses and management fees of shopping malls	(7,859)	(956)	(9,001)	(2,865)
Other	-	-	(2,167)	(499)
	<b>(332,337)</b>	<b>(126,299)</b>	<b>(216,661)</b>	<b>(89,993)</b>
<b>Gross profit</b>	<b>444,080</b>	<b>199,473</b>	<b>475,410</b>	<b>167,455</b>

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, Istanbul Torium and Samsun Bulvar Shopping Mall. Bulvar Samsun Shopping Mall started to operate on July 2012. Ankamall is owned by the Group's associate Yeni Gimat; Samsun Bulvar Shopping Mall, is owned by the Group's joint venture TTA. Mall of İstanbul, Istanbul 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.

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

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
<b>General administrative expenses</b>				
Taxes, due and fees	(10,492)	(5,415)	(14,681)	(2,561)
Property expenses	(5,133)	(1,132)	(14,002)	(8,606)
Personnel expenses	(5,107)	(1,473)	(5,589)	(2,136)
Depreciation expenses	(1,728)	(1,530)	(310)	(133)
Consultancy expenses	(652)	(224)	(881)	(289)
Transportation and travel expenses	(473)	(184)	(619)	(157)
Borsa İstanbul, CMB and CRA expenses	(232)	(91)	(333)	(99)
Provisions for legal cases and doubtful receivables	(486)	(371)	(4,500)	39
Donations	(10)	-	(1,175)	-
Other	(646)	(399)	(2,393)	(1,014)
	<b>(24,959)</b>	<b>(10,819)</b>	<b>(44,483)</b>	<b>(14,956)</b>

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
<b>Marketing expenses</b>				
Residence sales marketing expenses (*)	(17,675)	(1,392)	-	-
Advertising and promotion expenses	(5,380)	(1,402)	-	-
Personnel expenses	(1,111)	(324)	(1,432)	(640)
Depreciation expenses	(504)	(166)	(535)	(200)
Consultancy expenses	(182)	(79)	(444)	(287)
Other	(327)	(138)	(432)	(76)
	<b>(25,179)</b>	<b>(3,501)</b>	<b>(2,843)</b>	<b>(1,203)</b>

(\*) As of 30 September 2020, a significant portion of the residence sales marketing expenses consists of commissions paid to intermediary real estate companies for sales to foreign residents.

**15. FINANCE INCOME / EXPENSES**

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
<b>Finance income</b>				
Interest income on time deposits	31,244	8,048	29,442	7,811
	<b>31,244</b>	<b>8,048</b>	<b>29,442</b>	<b>7,811</b>
<b>Finance expenses</b>				
Interest expense	(376,749)	(95,079)	(334,098)	(124,644)
Foreign exchange losses, net (*)	(518,697)	(288,851)	(228,367)	78,225
	<b>(895,446)</b>	<b>(383,930)</b>	<b>(562,465)</b>	<b>(46,419)</b>

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

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### 16. (LOSS) / EARNINGS PER SHARE

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

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

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Net (loss)/ profit of shareholders	(444,423)	(177,216)	(61,825)	135,492
Weighted average number of ordinary shares (Full TRY)	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
<b>(Loss)/ profit per share (Full TRY)</b>	<b>(0.44)</b>	<b>(0.17)</b>	<b>(0.06)</b>	<b>0.14</b>

### 17. RELATED PARTY DISCLOSURES

As of 30 September 2020 and 31 December 2019, the balances with related parties are as follows:

Receivables from related parties	30 September 2020	31 December 2019
Torun AVM (*)	11,478	17,546
Zafer Plaza İşletmeciliği A.Ş.	6,239	4,837
Other	657	118
	<b>18,372</b>	<b>22,501</b>
Payables to related parties	30 September 2020	31 December 2019
Torun Yapı San. ve Tic. A.Ş. (***)	38,310	31,462
Torun AVM (*)	6,354	15,344
Torunlar Family (**)	7,734	7,734
	<b>52,398</b>	<b>54,540</b>

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

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

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

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### 17. RELATED PARTY DISCLOSURES (Continued)

As of 30 September 2020 and 2019, sales to related parties and commission paid to them and service expenses are as follows:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
<b>Sales to related parties</b>				
Zafer Plaza İşletmeciliği A.Ş.	16,710	6,750	26,321	8,605
Torun AVM	9,421	1,818	22,400	7,559
Other	327	217	2,141	866
	<b>26,458</b>	<b>8,785</b>	<b>50,862</b>	<b>17,030</b>

Zafer Plaza İşletmeciliği A.Ş. operates Zafer Plaza Shopping Mall owned by the Company. In accordance with the administration contract signed for Zafer Plaza Shopping Mall, Torunlar REIC had rental income amounting to TRY 16,710 for the period 30 September 2020 and TRY 24,307 for the period 30 September 2019.

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
<b>Purchases from related parties</b>				
Torun Yapı San. ve Tic. A.Ş. (*)	112,903	22,030	54,286	28,485
Torun AVM	41,054	13,149	65,718	23,797
Torunlar Gıda	841	271	1,779	976
PRN Perakende Mağazacılık ve Tic. A.Ş.	240	240	171	56
Other	476	-	8	-
	<b>155,514</b>	<b>35,690</b>	<b>121,962</b>	<b>53,314</b>

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

As of 30 September 2020 and 2019, the interest income from and interest expenses to the related parties are as follows:

<b>Interest Income</b>	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Torunlar Gıda	215	-	-	-
Torun AVM	-	-	562	-
Other	335	130	122	-
	<b>550</b>	<b>130</b>	<b>684</b>	<b>-</b>

<b>Interest Expenses</b>	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Torun Yapı	963	628	608	99
Torun AVM	287	34	-	-
Torunlar Gıda	349	215	632	382
	<b>1,599</b>	<b>877</b>	<b>1,240</b>	<b>481</b>

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Salaries and premiums	2,139	758	2,179	861

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

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**18. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

**Foreign currency position**

Foreign currency denominated assets, liabilities and off-balance sheet accounts give rise to foreign exchange exposure. The Group does not have any export or import activity in 30 September 2020 and 31 December 2019.

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

	<b>30 September 2020</b>	<b>31 December 2019</b>
Assets	180,463	149,679
Liabilities	(1,922,699)	(2,176,608)
<b>Net balance sheet position</b>	<b>(1,742,236)</b>	<b>(2,026,929)</b>

The table below summaries foreign currency position risk of the Group as of 30 September 2020. The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent are as follows:

<b>30 September 2020</b>	<b>Euro</b>	<b>US Dollar</b>	<b>TRY Amount</b>
<b>Current Assets</b>			
Monetary financial assets	409	22,322	178,024
Other assets	-	47	367
Trade receivables	97	152	2,072
<b>Total assets</b>	<b>506</b>	<b>22,521</b>	<b>180,463</b>
<b>Short-term liabilities</b>			
Trade payables	(6,866)	(875)	(69,506)
Financial liabilities	(40,655)	(16,858)	(502,730)
Other short-term liabilities	(2,173)	(792)	(26,019)
<b>Long-term liabilities</b>			
Financial liabilities	(91,404)	(62,521)	(1,322,509)
Other long-term liabilities	(212)	-	(1,935)
<b>Total liabilities</b>	<b>(141,310)</b>	<b>(81,046)</b>	<b>(1,922,699)</b>
<b>Net balance sheet position</b>	<b>(140,804)</b>	<b>(58,525)</b>	<b>(1,742,236)</b>

If the foreign currency gains 20% against TRY, the effect is as follows:

Against Euro	(257,055)
Against US Dollar	(91,393)
<b>Net foreign currency liability position</b>	<b>(348,448)</b>

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**18. 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 2019. The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent are as follows:

<b>31 December 2019</b>	<b>Euro</b>	<b>US Dollar</b>	<b>TRY Amount</b>
<b>Current Assets</b>			
Monetary financial assets	10,700	12,668	146,412
Other assets	8	2	65
Trade receivables	-	539	3,202
<b>Total assets</b>	<b>10,708</b>	<b>13,209</b>	<b>149,679</b>
<b>Short-term liabilities</b>			
Trade payables	(987)	(252)	(8,061)
Financial liabilities	(83,243)	(43,792)	(813,749)
Other short-term liabilities	(3,895)	(2,509)	(40,808)
<b>Long-term liabilities</b>			
Financial liabilities	(115,000)	(92,450)	(1,313,990)
<b>Total liabilities</b>	<b>(203,125)</b>	<b>(139,003)</b>	<b>(2,176,608)</b>
<b>Net balance sheet position</b>	<b>(192,417)</b>	<b>(125,794)</b>	<b>(2,026,929)</b>
Assets from off balance sheet			
derivative instruments	-	-	-
Liabilities from off balance sheet			
derivative instruments	-	-	-
<b>Net foreign currency liability position</b>	<b>(192,417)</b>	<b>(125,794)</b>	<b>(2,026,929)</b>

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 20% fluctuation of USD and EUR against TRY. During this analysis all other variables especially interest rate is assumed to remain constant.

If the foreign currency gains 20% against TRY, the effect is as follows:

Against Euro	(255,938)
Against the US Dollar	(149,448)
<b>Net foreign currency position</b>	<b>(405,386)</b>

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

### 19. SUBSEQUENT EVENTS

The new project of the Group, Hilton Mall of Istanbul, which is part of the Mall of Istanbul Hotel, congress center and residence project, started to host its guests as of 21 October 2020. Hilton Mall of Istanbul will be operated by TRN Hotel Management under the franchise agreement model.

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

The information contained herein is in nature of summary information derived from the financial statements in accordance with Article 16 of the CMB Serial: II, No: 14.1 "Communiqué on Principles Regarding Financial Reporting in the Capital Markets"; "Communiqué on Principles Regarding Real Estate Investment Trusts" with Serial: III, No: 48.1, published in the Official Gazette No. 28660 on May 28, 2013, and Series III, published in the Official Gazette No. 28891 on January 23, 2014 and No. 31269 on October 9, 2020. No: 48.1.e "Communiqué Amending the Communiqué on Principles Regarding Real Estate Investment Trusts" has been prepared in accordance with the provisions regarding the control of compliance with portfolio limitations.

<b>Financial Statements Main Account Items</b>	<b>Related Regulations</b>	<b>30 September 2020</b>	<b>31 December 2019</b>
A Money and capital markets instruments	Series:III, No:48.1, Art.24/(b)	337,660	738,885
B Real Estate, Projects Based on Real Estate, Rights Based on Real Estate mutual fund participation shares and companies they are 100% affiliated with	Series:III, No:48.1, Art.24/(a)	12,339,976	12,373,053
C Subsidiaries	Series:III, No:48.1, Art.24/(b)	384,468	394,658
Due to related parties (non-trade)	Series:III, No:48.1, Art.23/(f)	-	-
Other assets		169,155	207,364
<b>D Total assets</b>	Series:III, No:48.1, Art.3/(p)	<b>13,231,259</b>	<b>13,713,960</b>
E Financial liabilities	Series:III, No:48.1.1, Art.31	4,867,419	4,915,580
F Other financial liabilities	Series:III, No:48.1.1, Art.31	-	-
G Finance leases	Series:III, No:48.1.1, Art.31	44,585	66,009
H Due from related parties (non-trade)	Series:III, No:48.1, Art.23(f)	57,330	-
I Shareholders Equity	Series:III, No:48.1, Art.31	8,039,361	8,478,836
Other liabilities		222,564	253,535
<b>D Total liabilities</b>	Series:III, No:48.1, Art.3/(p)	<b>13,231,259</b>	<b>13,713,960</b>



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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020**

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

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

<b>Financial Information</b>	<b>Related Regulations</b>	<b>30 September 2020</b>	<b>31 December 2019</b>
A1 The portion of money and capital market instruments held for payment of properties for the following 3 years	Series:III, No:48.1, Art.24/(b)	337,660	738,885
A2 TRY and foreign currency time and demand deposits	Series:III, No:48.1, Art.24/(b)	337,660	738,885
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	153,429	152,197
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(1)	335,995	729,818

<b>Portfolio Restrictions</b>	<b>Related Regulations</b>	<b>30 September 2020</b>	<b>31 December 2019</b>	<b>Maximum Minimum Rate</b>
1 Mortgage amount on non-owned land to be developed (K/D)	Series:III, No:48.1a, Art.22/(e)	0%	0%	<10%
2 Real Estate, Projects Based on Real Estate, Rights Based on Real Estate mutual fund participation shares and companies they are 100% affiliated with (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/D)	Series:III, No:48.1a, Art.28/1(a)	0%	0%	<10%
7 Borrowing limit (E+F+G+H+J)/I	Series:III, No:48.1, Art.31	64%	61%	<500%
8 TRY and foreign currency time and demand deposits (A2-A1)/D)	Series:III, No:48.1, Art.24/(b)	0%	0%	<10%
9 Total investments for money and capital market instruments in a single entity	Series:III, No:48.1, Art.22/(1)	3%	5%	<10%

<b>Associate</b>	<b>Participation rate</b>	<b>Participation amount</b>	
	<b>(%)</b>	<b>30 September 2020</b>	<b>31 December 2019</b>
Yeni Gimat	14.83	327,675	336,279
TTA	40.00	43,207	40,538
Netsel	44.60	13,102	17,357
TRN	100	484	484
		<b>384,468</b>	<b>394,658</b>