

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

**CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY - 31 MARCH 2022**

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

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TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE INTERIM PERIOD AS OF 31 MARCH 2022**

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

		<i>(Unaudited)</i> Current Period 31 March 2022	<i>(Audited)</i> Previous Period 31 December 2021
	Notes		
ASSETS			
Current Assets		1,679,270	1,343,874
Cash and Cash Equivalents	5	526,838	247,567
Derivatives	12	180,567	171,937
Trade Receivables	8	160,313	100,825
<i>Trade Receivables from Related Parties</i>	8	8,851	13,226
<i>Trade Receivables from Third Parties</i>		151,462	87,599
Other Receivables		196	249
<i>Other Receivables from Third Parties</i>		196	249
Inventories	10	758,339	777,104
Prepaid Expenses	7	29,572	23,730
Other Current Assets		23,445	22,462
Non-Current Assets		18,544,280	18,563,125
Trade Receivables	8	4,822	45,355
<i>Trade Receivables from Third Parties</i>	8	4,822	45,355
Other Receivables		1,558	1,525
<i>Other Receivables from Third Parties</i>		1,558	1,525
Investments Accounted by Equity Method	3	530,480	515,842
Investment Properties	9	17,255,188	17,242,942
Property, Plant and Equipment	11	748,297	754,202
Intangible Assets		2,949	2,273
<i>Other Intangible Assets</i>		2,949	2,273
Prepaid Expenses	7	986	986
Total Assets		20,223,550	19,906,999

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE INTERIM PERIOD AS OF 31 MARCH 2022**

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

	Notes	(Unaudited) Current Period 31 March 2022	(Audited) Previous Period 31 December 2021
LIABILITIES			
Current Liabilities		3,037,467	2,807,325
Short-Term Borrowings	6	1,683,353	2,290,326
Short-Term Portion of Long-Term Borrowings	6	1,018,071	169,467
Trade Payables	8	124,250	89,362
<i>Trade Payables to Related Parties</i>	8	50,270	41,893
<i>Trade Payables to Third Parties</i>	8	73,980	47,469
Payables Related to Employee Benefits		3,134	2,455
Other Payables		49,140	51,005
<i>Other Payables to Related Parties</i>		25,813	22,830
<i>Other Payables to Third Parties</i>		23,327	28,175
Deferred Income	7	111,801	164,871
Short-Term Provisions		30,540	24,645
Other Current Liabilities		17,178	15,194
Non-Current Liabilities		2,497,607	2,580,664
Long-Term Borrowings	6	2,495,437	2,578,220
Deferred Income		218	218
Long-Term Provisions		1,952	2,226
<i>Long-Term Provisions for Employee Benefits</i>		1,952	2,226
EQUITY		14,688,476	14,519,010
Share Capital	14	1,000,000	1,000,000
Treasury Shares		(5,930)	(5,930)
Share Premium		25,770	25,770
Accumulated other comprehensive income			
<i>That will not be reclassified to profit or loss</i>		442,288	442,288
Restricted Reserves		74,421	74,421
Prior Years' Profits		12,982,461	7,675,656
Net Profit for the Year		169,466	5,306,805
TOTAL LIABILITIES AND EQUITY		20,223,550	19,906,999

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE INTERIM PERIOD
1 JANUARY - 31 MARCH 2022**

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

	Notes	(Unaudited) 1 January- 31 March 2022	(Unaudited) 1 January- 31 March 2021
PROFIT OR LOSS			
Revenue	15	593,545	261,389
Cost of Sales (-)	15	(108,766)	(67,673)
GROSS PROFIT		484,779	193,716
General Administrative Expenses (-)	16	(18,900)	(12,592)
Marketing Expenses (-)	16	(26,719)	(2,273)
Other Income from Operating Activities		1,057	2,258
Other Expenses from Operating Activities (-)		(2,635)	(2,428)
OPERATING PROFIT/LOSS		437,582	178,681
Share of the Group on Profit/Loss of Investments Accounted by Equity Method	3	27,875	8,236
OPERATING PROFIT/LOSS BEFORE FINANCE INCOME/(EXPENSES)		465,457	186,917
Finance Income	17	24,531	15,972
Finance Expenses (-)	17	(320,522)	(320,018)
PROFIT/LOSS BEFORE TAX		169,466	(117,129)
PROFIT/LOSS FOR THE PERIOD		169,466	(117,129)
Earnings/(losing) per share from continuing operations	18	0.17	(0.12)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME/(OUTCOME)		169,466	(117,129)

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2022**

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

	Share Capital	Treasury Shares	Share Premium	Fair Value Gains from Property, Plant and Equipments	Other Comprehensive Income from Investments Valued by Equity Method	Restricted Reserves	Prior Years Profits	Net Profit for the Year	Total Equity
Opening balance as of 1 January 2020	1,000,000	(5,930)	25,770	-	-	74,421	7,382,655	293,001	8,769,917
Transfers	-	-	-	-	-	-	293,001	(293,001)	-
Total comprehensive income	-	-	-	-	-	-	-	(117,129)	(117,129)
Transactions with non-controlling interest owners	-	-	-	-	-	-	-	-	-
Closing balance as of 31 March 2021	1,000,000	(5,930)	25,770	-	-	74,421	7,675,656	(117,129)	8,652,788
Opening balance as of 1 January 2021	1,000,000	(5,930)	25,770	437,723	4,565	74,421	7,675,656	5,306,805	14,519,010
Transfers	-	-	-	-	-	-	5,306,805	(5,306,805)	-
Total comprehensive income	-	-	-	-	-	-	-	169,466	169,466
Closing balance as of 31 March 2022	1,000,000	(5,930)	25,770	437,723	4,565	74,421	12,982,461	169,466	169,466

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARY

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2022**

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

Notes	(Unaudited) Current Period 1 January- 31 March 2022	(Unaudited) Prior Period 1 January- 31 March 2021
A. CASH FLOWS FROM OPERATING ACTIVITIES	391,213	261,324
Profit/(Loss) for the Period	169,466	(117,129)
Adjustments Related to Reconciliation of Profit/(Loss) for the Period	244,451	238,310
Adjustments related to depreciation and amortization expenses	5,916	3,914
Adjustments related to provisions	5,621	4,855
Adjustments related to doubtful trade receivable provision expenses	(1,675)	(1,535)
Adjustments related to interest income and expenses	110,464	99,721
Adjustments related to unrealized foreign exchange differences	6	147,601
Adjustments related to undistributed profits of investments accounted for by equity method	3	(8,236)
Derivative financial instruments fair adjustments for value gains	17	(4,585)
Adjustments related to increase from investment property disposals	-	(3,425)
Changes in working capital	(22,704)	140,143
Adjustments related to decrease/(increase) in trade receivables	(17,280)	(30,181)
Adjustments for decrease (increase) in financial investments	-	(3,616)
Decrease/(increase) in other receivables due to operations	20	(174)
Adjustments related to decrease/(increase) in inventories	18,765	34,916
Adjustments related to decrease/(increase) in prepaid expenses	(5,842)	(312)
Adjustments related to decrease/(increase) in trade payables	34,888	(12,275)
Increase/(decrease) in other payables due to operations	(1,865)	130,632
Adjustments related to increase/(decrease) in deferred income	(53,070)	21,595
Increase/(decrease) in other current/non-current assets due to operations	1,680	(422)
Cash generated from operations	391,213	261,324
Employment Termination Benefits Payment	-	-
B. CASH FLOWS FROM INVESTING ACTIVITIES	304	25,504
Cash inflows from the sale of property, plant and equipment and intangible assets	-	43
Cash outflows for acquisition of property, plant and equipment and intangible assets	(7,170)	(8,049)
Cash outflows for acquisition of investment properties	9	(5,003)
Cash inflows from investment property	-	4,270
Dividends received	3	34,243
C. CASH FLOWS FROM FINANCING ACTIVITIES	(112,402)	(162,623)
Proceeds from borrowings	6	519,235
Repayment of borrowings	6	(580,635)
Interest paid	(200,976)	(112,734)
Interest received	15,746	11,511
Net increase/(decrease) in cash and cash equivalents	5	124,205
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	246,078	143,005
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	525,193	267,210

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

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

NOTE 1. ORGANIZATION AND OPERATIONS OF THE GROUP

Torunlar Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ('Torunlar REIC' or the 'Company') and. The Company was incorporated in 1996 with the trade name of Toray İnşaat Sanayi ve Ticaret A.Ş. in İstanbul, Turkey. With a change in the Articles of Association published on Trade Registry Gazette on 25 January 2008, the Company has been registered with the trade name of Torunlar Gayrimenkul Yatırım Ortaklığı A.Ş. on 21 January 2008. The Company's stocks have been traded at the Borsa İstanbul since 21 October 2010 and registered to Capital Markets Board ('CMB'). The Company operates in Turkey. As of 31 March 2022, the total number of the Company's employees is 157 (31 December 2021: 144) and the main shareholder is the Torun Family (Note 15).

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

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

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

	Operating country	Operating sector	2022 Participation rate %	2021 Participation rate %
TRN Otel İşletmeciliği ve Yatırımları A.Ş.	Turkey	Hotel Management	100	100

Joint Ventures

The Joint Ventures of Torunlar REIC operate in Turkey and their principal activities and joint venture partners as of 31 March 2022 are as follows (Note 2):

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

TTA

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

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

NOTE 1. ORGANIZATION AND OPERATIONS OF THE GROUP (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 CP 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 CP Hotel since 2007. While the Group owns 14.83% of Yeni Gimat shares and Torunlar family members also own another 5% of Yeni Gimat, as a result the Group has significant influence on Yeni Gimat and is also represented in the Board of Directors. The investment in Yeni Gimat is accounted by the equity method in the consolidated financial statements.

Netsel

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

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

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

2.1 Basis of Preparation

Statement of Compliance in TAS

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

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

The accompanying condensed consolidated interim financial statements for the period ended 31 March 2022 are prepared in accordance with the Turkish Accounting Standard No:34 'Interim Financial Reporting'. According to TAS 34, entities are allowed to prepare a complete or condensed consolidated set of interim financial statements. In this respect, the Group has preferred to prepare its interim consolidated financial statements for the period as of 31 March 2022 as condensed, and disclosures and notes that are required to be involved in the annual consolidated financial statements prepared according to TAS/TFRS are condensed or not included. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2021

The condensed consolidated interim financial statements of the Group as of 31 March 2022, have been approved by the Board of Directors on 10 May 2022 The General Assembly has the right to modify the condensed consolidated interim financial statements.

Functional and Presentation Currency

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

Summary of Significant Accounting Policies

Significant accounting policies that are used to prepare the Group's interim condensed financial statements for the period of 31 March 2022 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 2021 dated financial statements. Interim condensed consolidated financial statements must be assessed with the financial statements for the period ended 31 December 2021.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

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

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

2.1 Basis of Preparation (Continued)

Joint Ventures

Interests in joint ventures

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

Interests in Joint Ventures on combined basis are as follows:

	31 March 2022(%)	31 December 2021(%)
TTA	40.00	40.00

	31 March 2022	31 December 2021
Current assets	7,879	5,147
Non-current assets	264,727	264,949
Total assets	272,606	270,096
Short-term liabilities	57,857	56,362
Long-term liabilities	15,392	15,392
Equity	199,357	198,342
Total liabilities and equity	272,606	270,096
Net profit for the year	1,016	54,795

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

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

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

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

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

2.1 Basis of Preparation (Continued)

Associates

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

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

Torunlar REIC's direct and indirect voting rights in the associates as of 31 March 2022 and 31 December 2021 are as follows:

	31 March 2022(%)	31 December 2021(%)
Netsel	44,60	44.60
Yeni Gimat	14,83	14.83

Interest in associates on combined basis (*)

	31 March 2022	31 December 2021
Total assets	3,068,725	2,917,355
Total liabilities	123,103	97,217
Net profit for the year	165,449	740,428

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

Interest in Yeni Gimat

	31 March 2022	31 December 2021
Total assets	3,006,355	2,834,952
Total liabilities	82,980	67,176
Net profit for the year	155,599	699,932

Interest in Netsel

	31 March 2022	31 December 2021
Total assets	62,370	82,403
Total liabilities	40,123	30,041
Net profit for the year	9,850	40,496

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

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

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

2.1 Basis of Preparation (Continued)

Offsetting

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

Going concern

The Group's consolidated financial statements have been prepared on a going concern basis. As of 31 March 2022, the Group's short term liabilities exceeded its short term assets by TL 1,358,197. The Group does not anticipate any delay in fulfilling short term liabilities.

The deliveries of residences continue for the Group's 5th Levent, Torun Center and Mall of Istanbul 2nd Stage (High Residence) projects. In case of any cash shortage, sales, mortgages or other alternative methods will be evaluated by the Group. The Group estimates a shopping mall rental income of TRY1,020,600 and an office rental income of TRY210,000 in the short term. As of March 31, 2022, the Group's delivery and lease operations continue. The Group anticipates that significant amounts of cash will be generated from these projects. In this context, the Group's existing resources for liquidity are sufficient and it is of the opinion that it will not need additional resources for the projected cash flows.

2.2. Changes in Accounting Policies

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

2.3 Changes in Accounting Estimates and Errors

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

2.4 New and Revised Turkish Accounting Standards

a) Standards, amendments and interpretations applicable as at 31 March 2022:

- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2 (effective 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. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 1 January 2021)** These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

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

2.4 New and Revised Turkish Accounting Standards (Continued)

a) Standards, amendments and interpretations applicable as at 31 March 2022: (Continued)

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. 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 31 March 2022:

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3,** 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to IAS 16,** 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to IAS 37,** 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

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

- **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability
- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 a** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

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

2.4 New and Revised Turkish Accounting Standards (Continued)

- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **IFRS 17, ‘Insurance Contracts’, as amended in December 2021;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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

2.5 Critical Accounting Estimates, Assumptions and Judgements

The preparation of consolidated 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 management; the actual results might differ from them:

Impairment of trade receivables

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.

Fair values of investment properties

The fair value of the investment properties has been determined according to valuation carried out by an independent valuation company. The fair value of the investment property is determined according to the income approved and comparable transaction. Estimates and assumptions are determined by comparable or independent valuation experts, based on the income approach using appropriate discount rates, occupancy rates, annual rent increases, terminal value growth rates, etc. Differences between estimates and assumptions and actual results may cause significant impact on the Group's consolidated financial statements.

Principal assumptions found in the income reduction method are disclosed below:

In 2021, fair values of the investment properties are determined by independent valuation expert; Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş which is licensed by CMB. The Group Management assumes that expenditure amount on investment property has an equivalent effect on fair value of related real estate.

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

2.5 Critical Accounting Estimates, Assumptions and Judgements

In the consolidated financial statements, the following assumptions used by valuation experts; selection of the valuation method, the discount rate, the rent increase per annum terminal value growth rate, the capitalization rate and determination of the market comparable m² values are considered critical and thus disclosed below.

Significant estimates and assumptions disclosed in the financial statements as of 31 March 2022 and 31 December 2021 are as follows:

31 December 2021	Valuation report date	Valuation method	Discount rate	Rent increase rate p.a.	Capitalization rate	Comparable m ² prices in full TRY
Antalya Deepo Shopping Mall	7 January 2022	Discounted Cash Flow	20%	10-15%	8%	-
Mall of Antalya	7 January 2022	Discounted Cash Flow	20%	10-15%	8%	-
Antalya Kepez Lands	7 January 2022	Sale Comparison	-	-	-	2,889
Bursa Korupark Shopping Mall	7 January 2022	Discounted Cash Flow	20%	10%	7%	-
Torium Shopping Mall and 2 Student Residences	7 January 2022	Discounted Cash Flow	20%	10-15%	8-9%	-
Bursa Zafer Plaza Shopping Mall	7 January 2022	Discounted Cash Flow	20%	10%	7%	-
Mall of İstanbul Shopping Mall	7 January 2022	Discounted Cash Flow	20%	10%	8%	-
Torun Tower	7 January 2022	Sale Comparison	-	-	-	25,493
Paşabahçe project	7 January 2022	Discounted Cash Flow	20%	10-15%	10%	-
İstanbul İkitelli Kayabaşı Land	7 January 2022	Sale Comparison	-	-	-	4,090
Karaköy Hotel project	7 January 2022	Sale Comparison	-	-	-	119,928
Bursa Korupark independent areas	7 January 2022	Sale Comparison	-	-	-	3,629
5.Levent Retail	7 January 2022	Sale Comparison	-	-	-	18,200
Mall of İstanbul residents and offices	7 January 2022	Sale Comparison	-	-	-	14,458
Mall of İstanbul project 2nd Phase High Residence and Hilton Otel	7 January 2022	Discounted Cash Flow	20%	5-8%	7-10%	-
Mall of İstanbul 3rd Phase	7 January 2022	Sale Comparison	-	-	-	9,607
Torun Center	7 January 2022	Sale Comparison	-	-	-	37,831

If all the variables in the valuations of the real estates with the fair value of TRY7,563,902 (31 December 2020: TRY3,596,932) valued using the income approach as of 31 December 2021 and 31 December 2020 were fixed and the discount rate used was more than 1% and less than 1%, the fair values would have been lower or higher than TRY75,639 (31 December 2020: TRY35,969 less/higher)

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

2.5 Critical Accounting Estimates, Assumptions and Judgements (Continued)

- i. The Antalya Deepo Shopping Center and growth project (Mall of Antalya), which was established on an area of 84,503.61 m² on the territory of Antalya Province, Merkez District, Koyunlar Village, and which the Group classified under investment properties as of 31 March 2022 and 31 December 2021, was opened in April 2018, respectively. Leasing and management of shopping center is conducted by Torun Alışveriş Merkezleri Yatırım ve Yönetim A.Ş.

Based on Invest 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 2022 with the report number 2021-3983 the aforementioned property's fair value is TRY1,728,585 as at 31 December 2021 (Based on Invest 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 2021 with the report number 2020-4566 the aforementioned property's fair value is TRY1,080,000 as at 31 December 2020).

- ii. The Group has 57,680 m² of land in the province of Antalya, Merkez District, Koyunlar Village, which is classified under investment properties as of 31 March 2022 and 31 December 2021.

Based on Invest 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 2022 with the report number 2021-3996 the aforementioned property's fair value is TRY98,000 as at 31 December 2021 (Based on Invest 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 2021 with the report number 2020-4552 the aforementioned property's fair value is TRY65,725 as at 31 December 2020).

- iii. The Bursa Korupark Shopping Center, which was established on the area of 53,185.61 m² in Bursa Province, Osangazi District, Emek Village, which is classified under investment properties as of 31 March 2022 and 31 December 2021, 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 Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report with the number 2021-3994, Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2022, as of 31 December 2021, the aforementioned property's fair value is TRY2,150,000. (Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report with the number 2020-4554, Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021, at 31 December 2020, the aforementioned property's fair value is TRY1,785,000).

- iv. The Mall of İstanbul Shopping Center, which was established on the rentable area of 181,295 m² in İstanbul Province, Başakşehir District, İkitelli – 2 Neighborhood, which is classified under investment properties as of 31 March 2022 and 31 December 2021, 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.

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

2.5 Critical Accounting Estimates, Assumptions and Judgements (Continued)

Based on Invest 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 2021-3991, the aforementioned property's fair value is TRY4,800,000 as at 31 December 2021 (Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4557, the aforementioned property's fair value is TRY3,135,000 as at 31 December 2020).

- v. As of 31 March 2022 and 31 December 2021, the Group has completed the Torium Shopping Center project on an area of 44,571 m² in Istanbul Province, Büyükçekmece District, Esenyurt Village which is classified under investment properties. The Torium AVM project has been completed and the shopping mall was opened on 30 October 2010.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2022 with the report number 2021-4555, the aforementioned property's fair value is TRY800,000 as at 31 December 2021 (Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4555, the aforementioned property's fair value is TRY674,000 as at 31 December 2020).

- vi. As of 31 March 2022 and 31 December 2021, the Group has an area of 70,644 m² in the Istanbul Province, Beykoz District which is classified as investment property and has 49 years of usage rights for a 3,935 m² pier and dock. It is planned to make a 5-star Hotel and Apart Hotel project on the land.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2022 with the report number 2021-3984, the aforementioned property's fair value is TRY1,087,450 as at 31 December 2021 (Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4565, the aforementioned property's fair value is TRY891,475 as at 31 December 2020).

- vii. On the 11,099 m² land located in İstanbul - Şişli 2nd District - which is classified under investment property as of 31 March 2022 and 31 December 2021, the Group completed Torun Tower Project in 2014. The project has been completed in 2014 and a rent agreement has been signed with Denizbank A.Ş. for 60,023 m² of area (30 floors) on 6 February 2014.

Based on Invest 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 2021-3990, the aforementioned property's fair value is TRY2,700,000 as at 31 December 2021 (Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4558, the aforementioned property's fair value is TRY2,000,000 as at 31 December 2020).

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

2.5 Critical Accounting Estimates, Assumptions and Judgements (Continued)

- viii. Bursa Zafer Plaza located on the 9,622 m² land in Bursa - Osmangazi Şehreküstü District - which is classified under investment property as of 31 March 2022 and 31 December 2021 has been opened in October 1999. Rental procedures and management of the Mall is conducted by Zafer Plaza İşletmecilik A.Ş.

Based on Invest 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 2021-3995, the aforementioned property's fair value is TRY457,000 as at 31 December 2021 (Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4553, the aforementioned property's fair value is TRY379,200 as at 31 December 2020).

- ix. The Group owns 60,833 m² land located in İstanbul - Küçükçekmece Kayabaşı District - which is classified under investment property as of 31 March 2022 and 31 December 2021. 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 2022 with the report number 2021-3999 the aforementioned property's fair value is TRY248,805 as at 31 December 2021 (Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4549 the aforementioned property's fair value is TRY91,250 as at 31 December 2020).

- x. The Group owns a building located on 1,501 m² land in İstanbul - Beyoğlu Kemankeş District - which is classified under investment property as of 31 March 2022 and 31 December 2021. The building is planned to be renovated as a hotel.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2022 with the report number 2021-4569 the aforementioned property's fair value is TRY177,340 as at 31 December 2021 (Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4569 the aforementioned property's fair value is TRY85,950 as at 31 December 2020).

- xi. As at 31 March 2022 and 31 December 2021 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 Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2022 with the report number 2021-3988 the aforementioned property's fair value is TRY58,917 as at 31 December 2021 (Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4560 the aforementioned property's fair value is TRY35,797 as at 31 December 2020).

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

2.5 Critical Accounting Estimates, Assumptions and Judgements (Continued)

- xii. The Group has started to Mall of Istanbul Hotel, Convention Center and Office Project on 18,209 m² land located in İstanbul-Başakşehir district which is classified under investment properties as of 31 March 2022 and 31 December 2021.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2022 with the report number 2021-3981 the aforementioned property's fair value is TRY371,750 as at 31 December 2021 (Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4559 the aforementioned property's fair value is TRY238,000 as at 31 December 2020).

- xiii. The Group has rented 22 units consisting of 20 offices and 2 residents with a rentable area of 2,177 m² which is located in İstanbul Province, Başakşehir-İkitelli-2 District and is classified under investment properties as of 31 March 2022 and 31 December 2021.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No1 Communiqué, dated 7 January 2022 with the report number 2021-3989, the aforementioned property's fair value is TRY81,510 as at 31 December 2021 (Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No1 Communiqué, dated 7 January 2021 with the report number 2020-4559, the aforementioned property's fair value is TRY15,030 as at 31 December 2020).

- xiv. In 2019, The Group leased out the rentable area of 68,673 m² which consists of workplaces, offices and commercial units within the Torun Center project and in the address of İstanbul Province, Şişli-Dikilitaş District, as of 31 March 2022 and 31 December 2020.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2022 with the report number 2021-3985 the aforementioned property's fair value is TRY2,146,510 as at 31 December 2021 (Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4564 the aforementioned property's fair value is TRY1,105,400 as at 31 December 2020).

- xv. The Group has 50 workplaces, offices and commercial units with leasable areas in the 5. Levent project in İstanbul Province, Eyüpsultan District, Güzeltepe Mahallesi, classified under investment property as of March 31, 2022 and 2021.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2022 with the report number 2021-4567, the aforementioned property's fair value is TRY220,525 as at 31 December 2021 Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4567 the aforementioned property's fair value is TRY91,780 as at 31 December 2020).

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

2.5 Critical Accounting Estimates, Assumptions and Judgements (Continued)

- xvi. The Group has a 12.132 m² land in Istanbul Province, Başakşehir District, Ziya Gökalp District, which is classified under investment properties as of March 31, 2022 and 2021. The Company has not yet made a decision regarding the use of the land, and it is currently holding for value increase.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2022 with the report number 2021-4551, the aforementioned property's fair value is TRY116,550 as at 31 December 2021 Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-1629 the aforementioned property's fair value is TRY84,500 as at 31 December 2020).

2.6 Compliance with the portfolio limitations

Information included in the footnote titled 'Control of Compliance with Portfolio Limitations' as of March 31, 2022; 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.

NOTE 3. INTERESTS IN OTHER ENTITIES

	<u>31 March 2022</u>		<u>31 December 2021</u>	
	(%)	TRY	(%)	TRY
Yeni Gimat	14.83	433,536	14.83	309,938
TTA	40.00	79,743	40.00	58,543
Netsel	44.60	17,201	44.60	7,155
		530,480		375,636
			1 January- 31 March 2022	1 January- 31 March 2021
Opening balance			511,277	401,643
Income and expenses from associates, (net)			27,469	7,112
Dividends received from associates			(13,237)	(34,243)
Treasury shares			4,565	-
Income and expenses from joint ventures, (net)			406	1,124
Closing balance			530,480	375,636

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

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NOTE 3. INTERESTS IN OTHER ENTITIES (Continued)

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

	1 January- 31 March 2022	1 January- 31 March 2021
Yeni Gimat	23,076	7,841
Netsel	4,393	(729)
TTA	406	1,124
Total	27,875	8,236

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

NOTE 4. SEGMENT REPORTING

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

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NOTE 4. SEGMENT REPORTING (Continued)

The segment information for the reportable segments as of and for the period ended 31 March 2022 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 (**)
Shopping malls and offices								
Mall of İstanbul Shopping Mall	138,847	95,687	-	96,147	-	-	96,147	637
Korupark Shopping Mall	62,196	42,168	-	42,219	-	-	42,219	475
Torun Tower	36,858	35,825	-	35,825	-	-	35,825	-
Torium Shopping Mall	28,158	6,151	-	6,151	-	-	6,151	3,361
Mall of Antalya	25,997	12,484	-	12,484	-	-	12,484	15
Antalya Deepo Shopping Mall	19,165	12,215	-	11,754	-	-	11,754	5
Zafer Plaza Shopping Mall	12,000	8,549	-	13,222	-	-	13,222	-
Torun Center	5,700	4,211	-	4,211	-	-	4,211	-
5. Levent bazaar	1,574	1,475	-	1,603	-	-	1,603	-
Torium Dorm	1,199	1,177	-	1,177	-	-	1,177	46
Korupark independent areas	121	49	-	49	-	-	49	-
Mall of İstanbul Residences and Offices	107	98	-	98	-	-	98	626
Tourism Income								
Hilton hotel	25,559	15,836	-	15,836	-	-	15,836	-
Subtotal	357,481	235,925	-	240,776	-	-	240,776	5,165
Residences and office projects								
5. Levent Project	16,637	11,962	-	11,249	-	-	11,249	6,986
Torun Center	186,083	169,269	-	170,657	-	-	170,657	-
Mall of İstanbul 2nd Stage	33,344	29,111	-	26,142	-	-	26,142	-
Subtotal	236,064	210,342	-	208,048	-	-	208,048	6,986
Projects under construction								
Paşabahçe project	-	-	-	-	-	-	-	59
Karaköy hotel	-	-	-	-	-	-	-	539
Real estates held to develop project								
Antalya Kepez Lands	-	-	-	-	-	-	-	-
Kayabaşı Land	-	-	-	-	-	-	-	-
Mall of İstanbul 3rd Stage	-	-	-	-	-	-	-	-
Shareholders								
Ankamall and Hotel (Yeni Gimat)	-	-	-	-	23,076	-	23,076	-
Netsel	-	-	-	-	-	4,393	-	4,393
TTA	-	-	-	-	406	-	406	-
Unallocated	-	38,512	-	(11,242)	-	(295,991)	(307,233)	-
Total	593,545	484,779	-	437,582	27,875	(295,991)	169,466	12,749

(*) 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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NOTE 4. SEGMENT REPORTING (Continued)

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

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

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

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

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NOTE 5. CASH AND CASH EQUIVALENTS

	31 March 2022	31 December 2021
Cash	268	345
Banks	523,011	242,407
<i>Demand deposits</i>	4,658	21,203
<i>Time deposits</i>	518,353	221,204
Other cash equivalents	3,559	4,815
	526,838	247,567

As of 31 March 2022 and 31 December 2021, cash and cash equivalents in the statements of cash flows are as follows:

	31 March 2022	31 December 2021
Cash and cash equivalents	526,838	247,567
Less: Interest accrual of time deposits	(1,645)	(1,489)
Cash and cash equivalents in the statement of cash flows	525,193	246,078

Maturities of cash and cash equivalents are as follows:

	31 March 2022	31 December 2021
Up to 30 days	393,561	247,567
30 - 90 days	133,277	-
	526,838	247,567

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

	<u>31 March 2022</u>		<u>31 December 2021</u>	
	Original Amount	TRY Equivalent	Original Amount	TRY Equivalent
US Dollar	458	6,708	3,719	49,576
Euro	10,062	164,097	674	10,172
GBP	10	192	74	1,334
		170,997		61,082

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

	31 March 2022	31 December 2021
US Dollars	2.57	1.93
Euro	0.50	1.22
Turkish Lira	16.50	18.38

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NOTE 6. FINANCIAL BORROWINGS

Financial Borrowings

	31 March 2022	31 December 2021
Financial Borrowings		
Bank credits	1,683,353	2,290,326
Short-term financial borrowings	1,683,353	2,290,326
Short-term portions of long-term borrowings	1,012,685	162,339
Finance leases	5,386	7,128
Short-term portions of long-term borrowings	1,018,071	169,467
Bank borrowings	2,495,024	2,573,529
Finance leases	413	4,691
Long-term borrowings	2,495,437	2,578,220
Total borrowings	5,196,861	5,038,013

As of 31 March 2022, there are mortgages amounting to TRY2,193,539 (31 December 2021: TRY2,427,532) given to the banks regarding the financial liabilities amounting to TRY15,810,249 (31 December 2021: TRY14,956,826) on the investment properties.

a) Bank borrowings

	31 March 2022	31 December 2021
Short-term bank borrowings	1,683,353	2,290,326
Short-term portions of long-term borrowings	1,012,685	162,339
Long-term bank borrowings	2,495,024	2,573,529
Total borrowings	5,191,062	5,026,194

31 March 2022	Weighted avg. effective interest (%) (*)	Currency	Original amount	TRY equivalent
Short-term bank borrowings	16.09	TRY	866,406	866,406
	3.92	EUR	50,003	816,947
Short-term portion of long-term borrowings	12.07	TRY	890,642	890,642
	4.73	EUR	7,470	122,043
Long-term bank borrowings	15.06	TRY	1,265,715	1,265,715
	4.76	US Dollar	31,682	464,843
	4.02	EUR	46,791	764,466
Total bank borrowings				5,191,062

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

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NOTE 6. FINANCIAL BORROWINGS (Continued)**a) Bank borrowings (Continued)**

31 December 2021	Weighted avg. effective interest (%) (*)	Currency	Original amount	TRY equivalent
Short-term bank borrowings	12.27	TRY	1,466,575	1,466,575
	4.84	US Dollar	516	6,890
	3.94	Euro	54,047	816,861
Short-term portion of long-term borrowings	11.12	TRY	162,339	162,339
Long-term bank borrowings	12.96	TRY	1,283,714	1,283,714
	6.01	US Dollar	40,000	534,120
	4.67	Euro	50,000	755,695
Total bank borrowings				5,026,194

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

The repayment schedule for long-term bank borrowings as of 31 March 2022 and 31 December 2021 is as follows:

	31 March 2022	31 December 2021
2023	833,737	1,156,629
2024 and beyond	1,661,287	1,416,900
	2,495,024	2,573,529

Obligations under finance lease

The maturities of obligations under finance lease is as follows:

	31 March 2022	31 December 2021
Up to 1 year	5,386	7,128
1 years 5 years	413	4,691
	5,799	11,819

Finance leases consist of EUR. The Group has a finance leases obligation of 3.56% interest rate with original currency of EUR416 (31 December 2021: EUR782) as of 31 March 2022.

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NOTE 6. FINANCIAL BORROWINGS (Continued)

As of 31 March 2022, a significant part of the finance leases consists of financial lease obligations related to the shopping malls which are sold to Ak Finansal Kiralama A.Ş. regarding the sell and leaseback agreement that was made on 27 May 2016 and which are represented as the investment properties (Note 2) As of 31 March 2022, the interest rate of financial leasing transactions is 3.80% (31 December 2021: 3.80%).

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

	31 March 2022	31 December 2021
Total financial liabilities as of January 1	5,038,013	4,627,328
Cash inflows from borrowing	566,000	1,655,145
Cash outflows from repayment	(493,172)	(2,246,185)
Foreign currency losses	160,630	908,885
Change in interest accruals	(74,610)	92,840
Total financial liabilities as of 31 March	5,196,861	5,038,013

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

	31 March 2022	31 December 2021
Short-Term Prepaid Expenses		
Order advances given	23,109	18,095
Prepaid expenses	6,463	5,635
	29,572	23,730
Long-Term Prepaid Expenses		
Order advances given	970	970
Prepaid expenses	16	16
	986	986

	31 March 2022	31 December 2021
Short-Term Deferred Income		
Advances received (*)	103,716	158,971
Deferred income	8,085	5,900
	111,801	164,871

(*) As of 31 March 2022, from the sales commitments regarding the offices and residential units that are not delivered consist of advances received amounting to TRY79,924 for Torun Center Project and TRY11,130 for 5th Levent Project, TRY8,492 for Mall of İstanbul project, and remaining TRY4,170 consist of other advances (31 December 2021: TRY81,665) for Torun Center Project, TRY36,365 for 5. Levent Project, TRY36,031 for Mall of İstanbul project and remaining TRY4,910 for other advanced received.).

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NOTE 8. TRADE RECEIVABLES AND PAYABLES

Current trade receivables	31 March 2022	31 December 2021
Trade receivables	101,229	98,328
Trade receivables from related parties	8,851	13,226
Notes receivables (*)	72,974	12,143
Less: Allowance for doubtful receivables	(22,741)	(22,872)
	160.313	100,825

Non-current trade receivables	31 March 2022	31 December 2021
Notes receivables (*)	4,822	45,355
	4,822	45,355

(*) As of March 31, 2022, TRY11,343 of the short and long-term notes receivable consisted of the 5th Levent project, TRY55,341 from the Torun Center project, TRY10,038 from the mall tenants and the remaining TRY1,074 from other notes receivable (31 December 2021: TRY15,722 of the short and long-term notes receivable consisted of the 5th Levent project, TRY39,945 from Torun Center project and the remaining TRY1,831 from other notes receivable)

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

	31 March 2022	31 December 2021
Opening balance	(22,872)	(24,416)
Provision provided during the year	(276)	(1,081)
Provisions no longer required	407	2,625
Closing balance	(22,741)	(22,872)

Aging of provision for doubtful receivables is as follows:

	31 March 2022	31 December 2021
3 to 6 months	(321)	(1,126)
Over 6 months	(22,420)	(21,746)
	(22,741)	(22,872)

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NOTE 8. TRADE RECEIVABLES AND PAYABLES (Continued)

Short-term trade payables

Short-term trade payables	31 December 2022	31 December 2021
Trade payables	73,980	47,469
Trade payables to related parties	50,270	41,893
	124,250	89,362

As of 31 March 2022 and 31 December 2021, majority of trade payables consist of payables to subcontractors relating to projects in progress.

NOTE 9. INVESTMENT PROPERTIES

Movement schedule of investment properties as of 31 March 2022 and 31 December 2021:

	1 January 2022	Additions	Disposals	Transfers	Change in fair value	31 March 2022
Shopping Malls and Offices						
Mall of İstanbul Shopping Mall	4,800,000	637	-	-	-	4,800,637
Torun Tower	2,700,000	-	-	-	-	2,700,000
Bursa Korupark Shopping Mall	2,150,000	475	-	-	-	2,150,475
Torun Center	2,146,510	-	-	-	-	2,146,510
Mall of Antalya	1,035,065	15	-	-	-	1,035,080
Torium Shopping Mall	750,000	3,361	-	-	-	753,361
Bursa Zafer Plaza Shopping Mall	457,000	-	-	-	-	457,000
Antalya Deepo Shopping Mall	693,520	5	-	-	-	693,525
Mall of İstanbul 2nd Phase						
Office and trade areas	371,750	626	-	-	-	378,859
5. Levent bazaar	220,525	-	-	-	-	220,525
Korupark independent areas	58,917	-	-	-	-	58,917
Torium Dorm 1	26,000	46	-	-	-	26,046
Torium Dorm 2	24,000	-	-	-	-	24,000
Mall of İstanbul						
Residences and Offices	81,510	-	-	-	-	81,510
Investment properties under construction						
Paşabahçe land	1,087,450	59	-	-	-	1,087,509
Karaköy hotel	177,340	539	-	-	-	177,879
Properties held for new projects						
Kayabaşı land	248,805	-	-	-	-	248,805
Mall of İstanbul 3rd Phase	116,550	-	-	-	-	116,550
Antalya Kepez Lands	98,000	-	-	-	-	98,000
	17,242,942	5,763	-	-	-	17,248,705

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NOTE 9. INVESTMENT PROPERTIES (Continued)

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

(*) 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 neighbourhood, Beykoz district and İstanbul city as 827 m² and buildings on these real estates. Title deed processes of real estates have been completed as of 20 September 2012. A project, which will include a five-star hotel and apart hotel on the land purchased, is planned. The building license for the project was received on 7 September 2018.

As of 31 March 2022 and 31 December 2021, the mortgages on investment properties arising from loans are as follows:

	31 March 2022	31 December 2021		31 March 2022	31 December 2021
	Original Amount	Original Amount	Currency		
Torun Tower	390,000	390,000	US Dollar	5,711,862	5,207,670
Torun Tower	2,000,000	2,000,000	TRY	2,000,000	2,000,000
Mall of İstanbul	150,000	150,000	US Dollar	2,196,870	2,002,950
Mall of Antalya Deepo	130,000	130,000	Euro	2,120,118	1,964,807
Mall of İstanbul	1,906,399	1,906,399	TRY	1,906,399	1,906,399
Bursa Korupark Shopping Mall	1,500,000	1,500,000	TRY	1,500,000	1,500,000
Mall of İstanbul 2nd Phase	375,000	375,000	TRY	375,000	375,000
				15,810,249	14,956,826

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NOTE 10. INVENTORIES

	31 March 2022	31 December 2021
Residences and office projects		
- Torun Center project (1)	409,758	426,572
- 5.Levent project (6)	251,160	248,849
- Mall of Istanbul 2nd Phase (High Residence) (7)	83,146	87,379
- Mall of İstanbul project (2)	10,146	10,146
- Korupark 3rd phase (4)	2,140	2,140
- Torium (5)	438	438
	756,788	775,524
Other Inventories		
- Inventories related with tourism activities	1,551	1,580
	758,339	777,104

- (1) The Torun Center Project consists of sellable area with a total of 175,408 m², segregated as 45,776 m² Office Tower, 36,382 m² Flat Office, 77,988 m² Residence and 15,312 m² Commercial Area. The delivery of Office Tower and Flat Office has started as of 31 December 2018. 160 residences, 47 offices and 47 flat offices have been delivered, and in this context, the Group has recognized revenue amounting to TRY1,125,537 as of 31 March 2022. (31 December 2021: 160 residences, 47 offices and 47 flat offices have been delivered, and in this context, the Group has recognized revenue amounting to TRY939,754). As of 31 March 2022, the Group did not capitalize any financial expense during Torun Center Project (31 December 2021: None).
- (2) TRY237,476 of the 5th Levent project consists of the 2nd Phase costs under construction. TRY16,637 of final sales revenue was obtained between 1 January 2022 and 31 March 2022. As of March 31, 2022, a final sales revenue of TRY2,291,865 was obtained from the beginning of the project, and 10 residences of 1,394.77 m² remain (31 December 2021: sales revenue of TRY2,275,228 was obtained from the beginning of the project, and 13 residences of 1,913.65 m² remain.).
- (3) The Mall of Istanbul 2nd Stage project (High Residence) consists of 100 residences of 18,780 m². As of March 31, 2022, 78 residences of 15,568 m² remained, and TRY14,814 revenue was generated during the period. With the completion of the project, the part amounting to TRY33,344 was transferred from investment properties to inventories.
- (4) In the Mall of Istanbul project, 2 residences with 116.44 m², 12 flat offices with 3,343.88 m² remain in the inventories.
- (5) In the context of 3rd phase of the Korupark project, 8 residences with 1,241.16m² remain in the inventories.
- (6) In Torium project, 2 residences with 189 m² remain in the inventories.

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NOTE 11. PLANT, PROPERTY AND EQUIPMENT

Movements in property, plant and equipment and related accumulated depreciation for the period ending on 31 March 2022 and 31 March 2021 are as follows:

	1 January 2022	Additions	Impairment	Disposals (-)	Transfers	31 March 2022
Land improvement	530	-	-	-	-	530
Buildings	723,750	-	-	-	-	723,750
Machine and devices	7,999	-	-	-	-	7,999
Vehicles	2,095	-	-	-	-	2,095
Furniture and fixtures	36,234	6,494	-	-	-	42,728
Special cost	242	-	-	-	-	242
Cost	770,850	6,494	-	-	-	777,344
Land improvement	106	9	-	-	-	115
Buildings	-	3,931	-	-	-	3,931
Machine and devices	1,094	81	-	-	-	1,175
Vehicles	1,704	94	-	-	-	1,798
Furniture and fixtures	13,507	1,799	-	-	-	15,306
Special cost	237	2	-	-	-	239
Amortization and depreciation (-)	16,648	5,916	-	-	-	22,564
Net Book Value	754,202					754,780
	1 January 2021	Additions	Impairment	Disposals (-)	Transfers	31 March 2021
Land improvement	454	76	-	-	-	530
Sales Offices	6,099	-	-	-	-	6,099
Buildings	301,850	6,729	-	-	-	308,579
<i>Dorm building</i>	21,500	-	-	-	-	21,500
<i>Hotel building</i>	280,350	6,729	-	-	-	287,079
Machine and devices	7,999	-	-	-	-	7,999
Vehicles	2,095	-	-	-	-	2,095
Furniture and fixtures	34,918	1,244	-	-	-	36,162
Special cost	242	-	-	-	-	242
Cost	353,657	8,049	-	-	-	361,706
Land improvement	85	8	-	-	-	93
Buildings	1,259	1,712	-	-	-	2,971
Machine and devices	195	337	-	-	-	532
Vehicles	1,320	78	-	-	-	1,398
Furniture and fixtures	4,135	1,739	-	-	-	5,874
Special cost	217	8	-	-	-	225
Amortization and depreciation (-)	7,211	3,882	-	-	-	11,093
Net Book Value	346,446					350,613

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NOTE 12. DERIVATIVE INSTRUMENTS

Derivative instruments as of 31 March 2022 and 31 December 2021 are as follows:

31 March 2022	Fair values			
	Purchase Contract Amount (EUR)	Sale Contract Amount (TRY)	Assets	Liabilities
<i>Derivative instruments for trading</i>				
Forward transactions	60,000	708,709	180,567	-
Short-term derivative instruments	60,000	708,709	180,567	-

31 December 2021	Fair Values			
	Purchase Contract Amount (EUR)	Sales Contract Amount (TRY)	Assets	Liabilities
<i>Derivative instruments for trading</i>				
Forward transactions	45,000	547,662	171,937	-
Short-term derivatives	45,000	547,662	171,937	-

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

NOTE 13. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities

	31 March 2022	31 December 2021
Collaterals received	92,757	102,224

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

In consideration with the present contract terms, the totals of expected minimum operational lease revenues as of 31 March 2022 and 31 December 2021 are as follows:

	31 March 2022	31 December 2021
Between 0-1 years	1,220,317	1,162,207
Between 1-5 years	6,105,561	5,814,820
Between 5-10 years	9,158,342	8,722,230

The minimum operational lease revenue represents lease revenue from Mall of İstanbul Shopping Mall, Korupark Shopping Center, Torium Shopping Mall, Zafer Plaza Shopping Mall and Deepo Shopping Mall and the lease revenues from Ankamall and CP Hotel that are owned by Yeni Gimat-associate of the Group and Bulvar Samsun shopping mall that is owned by joint ventures are not included in minimum operational lease revenue.

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NOTE 13. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES(Continued)

Collaterals, Pledges and Mortgages ('CPM')

Below are the amounts of collaterals, pledges and mortgages of the Group as of 31 March 2022 and 31 December 2021:

CPM's given by the Company Collaterals, Pledges, Mortgages ('GPM')	31 March 2022	31 December 2021
A. CPM's Given for Its Own Legal Personality	15,810,249	14,956,826
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 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	-	-
	15,810,249	14,956,826

The ratio of the other CPMs issued by the entity to the Group's own equity is 158% as of 31 March 2022.

	<u>31 March 2022</u>		<u>31 December 2021</u>	
	<u>Foreign currency</u>	<u>TRY equivalent</u>	<u>Foreign currency</u>	<u>TRY equivalent</u>
US Dollar	7,908,732	7,908,732	540,000	7,210,620
Euro	2,120,118	2,120,118	130,000	1,964,807
TRY	5,781,399	5,781,399	5,781,399	5,781,399
		15,810,249		14,956,826

As of 31 March 2022, mortgages on investment properties of the Group is TRY15,810,249 (31 December 2021: TRY14,956,826) (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.

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NOTE 14. EQUITY

The Group increased its issued capital from TRY176,100,000 to TRY224,000,000 through public offering. A total TRY56,352,942 nominal value of shares were offered to the public, consisting of TRY47,900,000 to be issued from the capital increase and additional shares TRY8,452,942 owned by current shareholders. The compulsory prospectus of the public offering was registered by the İstanbul Trade Registry Office on 7 October 2010 and announced in the Trade Registry no: 7669 on 14 October 2010 pages between 641-735 totally 95 pages. The Group's quoted shares are traded in the İstanbul Stock Exchange as from 21 October 2010.

The board of directors decided in its meeting dated 10 May 2012 to increase its paid-up capital of TRY224,000,000 to TRY 500,000,000 within the cap of TRY1,000,000,000 registered capital, through a bonus issue by adding TRY276,000,000 out of a total of TRY301,770,000 share premium, transactions related to capital increase was completed on 16 August 2012.

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

Group's shareholders and capital structure as of 31 March 2022 and 31 December 2021 is as follows:

	(%)	Group A (thousand)	Group B (thousand)	Group C (thousand)	31 March 2022	31 December 2021
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	Less than 0.01	-	16	-	16	16
Other shareholders	Less than 0.01	-	-	8	8	8
Other (Public quotation)	25.16	-	-	251,572	251,572	251,572
Nominal capital		200,470	200,470	599,060	1,000,000	1,000,000

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

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

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

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

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NOTE 15. REVENUE AND COST OF SALES

	1 January- 31 March 2022	1 January- 31 March 2021
Rent income	263,172	125,763
Residence and office sales income	236,064	100,347
Common area income	68,744	26,180
Hotel income	25,559	6,937
Other	6	2,162
Sales income	593,545	261,389
Cost of residence and office sales	(68,515)	(34,968)
Common area expenses	(25,722)	(25,924)
Rent expenses and management fees of shopping malls	(9,723)	(3,404)
Hotel expences	(4,542)	(3,056)
Other	(264)	(321)
Cost of Sales	(108,766)	(67,673)
Gross profit	484,779	193,716

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

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

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022**

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NOTE 16. MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	1 January- 31 March 2022	1 January- 31 March 2021
General administrative expenses		
Taxes, due and fees	(5,792)	(4,342)
Depreciation expenses	(5,775)	(3,882)
Personnel expenses	(2,925)	(2,084)
Property expenses	(3,066)	(1,174)
Consultancy expenses	(619)	(415)
Borsa İstanbul, CMB and CRA expenses	(304)	(241)
Transportation and travel expenses	(266)	(153)
Provisions for legal cases and doubtful receivables	(38)	(145)
Other	(115)	(156)
	(18,900)	(12,592)

	1 January- 31 March 2022	1 January- 31 March 2021
Marketing expenses		
Marketing expenses for residence sales	(23,676)	(510)
Advertising and promotion expenses	(2,009)	(1,035)
Personnel expenses	(675)	(373)
Depreciation expenses	(141)	(32)
Consultancy expenses	(38)	(165)
Other	(180)	(158)
	(26,719)	(2,273)

NOTE 17. FINANCE INCOME/EXPENSES

	1 January- 31 March 2022	1 January- 31 March 2021
Finance income		
Interest income on time deposits	15,901	11,387
Financial income from derivative instruments	8,630	4,585
	24,531	15,972

	1 January- 31 March 2022	1 January- 31 March 2021
Finance expenses		
Foreign exchange losses, net (*)	(194,158)	(111,108)
Interest expense	(126,364)	(208,910)
	(320,522)	(320,018)

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

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NOTE 18. (LOSS)/EARNINGS PER SHARE

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

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

	1 January- 31 March 2022	1 January- 31 March 2021
Net profit of shareholders	169,466	(117,129)
Weighted average number of ordinary shares (Full TRY)	1,000,000,000	1,000,000,000
Earnings per share (Full TRY)	0.17	(0.12)

NOTE 19. BENEFITS PROVIDED FOR MEMBER OF KEY MANAGEMENT

	1 January- 31 March 2022	1 January- 31 March 2021
Salaries and premium	1,029	704
	1,029	704

NOTE 20. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Foreign currency position

Foreign currency denominated assets, liabilities and off-balance sheet accounts give rise to foreign exchange exposure. The Group does not have any export or import activity in 31 March 2022 and 31 December 2021.

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

	31 March 2022	31 December 2021
Assets	403,235	173,957
Liabilities	(2,207,003)	(2,167,559)
Net balance sheet position	(1,803,768)	(1,993,602)

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NOTE 20. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)**Foreign currency position (Continued)**

The table below summaries foreign currency position risk of the Group as of 31 March 2022. The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent are as follows:

31 March 2022	Euro	US Dollar	TRY Amount
Current Assets			
Monetary financial assets	458	9,997	153,786
Tangible assets	11,072	-	180,567
Other assets	-	20	293
Trade receivables	-	4,686	68,589
Total assets	11,530	14,703	403,235
Short-term liabilities			
Trade payables	(359)	(541)	(13,790)
Financial liabilities	(48,250)	(8,333)	(909,380)
Other short-term liabilities	(1,922)	(1,566)	(54,320)
Long-term liabilities			
Financial liabilities	(46,875)	(31,667)	(1,229,105)
Other long-term liabilities	(25)	-	(408)
Total liabilities	(97,431)	(42,107)	(2,207,003)
Net balance sheet position	(85,901)	(27,404)	(1,803,768)
Assets from off balance sheet derivative instruments	60,000	-	978,516
Net foreign currency liability position	(25,901)	(27,404)	(825,252)

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NOTE 20. 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 2021. The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent are as follows:

	Euro	US Dollar	TRY Amount
Current Assets			
Monetary financial assets	964	5,690	90,392
Other assets	40	91	1,816
Trade receivables	2	6,131	81,749
Total assets	1,006	11,912	173,957
Short-term liabilities			
Trade payables	(219)	(138)	(5,146)
Financial liabilities	(51,562)	-	(779,297)
Other short-term liabilities	(4,620)	(1,727)	(92,889)
Long-term liabilities			
Financial liabilities	(50,025)	(40,000)	(1,290,197)
Other long-term liabilities	(2)	-	(30)
Total liabilities	(106,428)	(41,865)	(2,167,559)
Net balance sheet position	(105,422)	(29,953)	(1,993,602)
Net foreign currency liability position	(105,422)	(29,953)	(1,993,602)
Assets from off balance sheet derivative instruments	45,000	-	678,902
Net foreign currency liability position	(60,422)	(29,953)	(1,314,700)

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

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NOTE 20. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)**Foreign currency position (Continued)**

Foreign currency sensitivity analysis as of 31 March 2022 and 31 December 2021 are as follows:

31 March 2022	Gain/Loss		Equity	
	Appreciation	Depreciation	Appreciation	Depreciation
10% fluctuation in USD rate				
USD net asset/liability	(40,184)	40,184	(40,184)	40,184
Secured portion from USD risk	-	-	-	-
USD net effect	(40,184)	40,184	(40,184)	40,184
10% fluctuation in EUR rate				
EUR net asset/liability	(158,210)	158,210	(158,210)	158,210
Secured portion from EUR risk	-	-	-	-
EUR net effect	(158,210)	158,210	(158,210)	158,210
31 December 2021	Gain/Loss		Equity	
	Appreciation	Depreciation	Appreciation	Depreciation
10% fluctuation in USD rate				
USD net asset/liability	(39,996)	39,996	(39,996)	39,996
Secured portion from USD risk	-	-	-	-
USD net effect	(39,996)	39,996	(39,996)	39,996
10% fluctuation in EUR rate				
EUR net asset/liability	(91,321)	91,321	(91,321)	91,321
Secured portion from EUR risk	-	-	-	-
EUR net effect	(91,321)	91,321	(91,321)	91,321

NOTE 21. SUBSEQUENT EVENTS

TMS 29, 'Financial reporting in hyper-inflationary economies', will most likely be applicable for entities with a functional currency of the Turkish Lira for annual and interim accounting periods ending on or after 30 June 2022.

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NOTE 22. ADDITIONAL NOTES: CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS

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

Financial Statements Main Account Items	Related Regulations	31 March 2022	31 December 2021
A Money and capital markets instruments	Series:III, No:48.1, Art.24/(b)	521,817	241,595
B Properties, projects based on properties and rights based on properties	Series:III, No:48.1, Art.24/(a)	18,729,243	18,742,216
C Subsidiaries	Series:III, No:48.1, Art.24/(b)	530,964	516,326
Due to related parties (non-trade)	Series:III, No:48.1, Art.23/(f)	-	-
Other Assets		457,434	401,362
D Total assets	Series:III, No:48.1, Art.3/(p)	20,239,458	19,901,499
E Financial liabilities	Series:III, No:48.1, Art.31	5,191,062	5,026,194
F Other financial liabilities	Series:III, No:48.1, Art.31	-	-
G Finance leases	Series:III, No:48.1, Art.31	5,799	11,819
H Due from related parties (non-trade)	Series:III, No:48.1, Art.23(f)	25,813	22,830
I Shareholders Equity	Series:III, No:48.1, Art.31	14,692,834	14,521,558
Other liabilities		323,950	319,098
D Total liabilities	Series:III, No:48.1, Art.3/(p)	20,239,458	19,901,499

Financial Information	Related Regulations	31 March 2022	31 December 2021
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)	521,817	241,595
A2 TRY and foreign currency time and demand deposits	Series:III, No:48.1, Art.24/(b)	521,817	241,595
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	95,580	95,580
K Mortgage amount on non-owned land to be developed	Series:III, No:48.1, Art.28(e)	-	-
L Total investments for money and capital market instruments in a single entity	Series:III, No:48.1, Art.22(I)	386,576	219,909

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NOTE 22. ADDITIONAL NOTES: CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS (Continued)

Portfolio Restrictions	Related Regulations	31 March 2022	31 December 2021	Maximum/Minimum Rate
1 Mortgage amount on non-owed land to be developed (K/D)	Series:III, No:48.1a, Art.22/(e)	%0	0%	<10%
2 Properties, projects based on properties and rights based on properties (B+A1)/D)	Series:III, No:48.1, Art.24/(a),(b)	%95	95%	>50%
3 Money and capital market instruments and affiliates (A+C-A1)/D)	Series:III, No:48.1, Art.24/(b)	%3	2%	<50%
4 Foreign properties, projects based on properties rights based on properties affiliates capital, market instruments (A3+B1+C1)/D)	Series:III, No:48.1, Art.24/(d)	%0	0%	<49%
5 Idle lands(B2/D)	Series:III, No:48.1, Art.24/(c)	%0	0%	<20%
6 Investment in affiliated operating companies (C2/D)	Series:III, No:48.1, Art.28/1(a)	%0	0%	<10%
7 Borrowing limit (E+F+G+H+J)/I	Series:III, No:48.1, Art.31	%36	32%	<500%
8 TRYand foreign currency time and demand deposits (A2-A1)/D)	Series:III, No:48.1, Art.24/(b)	%0	0%	<10%
9 Total investments for money and capital market instruments in a single entity	Series:III, No:48.1, Art.22(I)	%2	1%	<10%

Associate	Participation rate	Participation amount	
	(%)	31 March 2022	31 December 2021
Yeni Gimat	14.83	433,536	410,461
TTA	40.00	79,743	79,337
Netsel	44.60	17,201	26,044
TRN	99.99	484	484
		530,964	516,326

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