

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

**CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AND REVIEW AUDIT REPORT
FOR THE INTERIM PERIOD
1 JANUARY- 30 JUNE 2020**

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



**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REVIEW REPORT (ORIGINALLY ISSUED IN TURKISH)**

**REPORT ON REVIEW OF INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**

To the General Assembly of Torunlar Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

1-Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Torunlar Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its subsidiaries (collectively referred to as the "Group") as at 30 June 2020 and the related condensed consolidated statements of income and other comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Group is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with Turkish Accounting Standard 34 "Interim Financial Reporting" ("TAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

2-Scope of review

We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

3-Conclusion

Based on our review, nothing has come to our attention that causes us to conclude that the accompanying interim condensed consolidated financial information of Torunlar Gayrimenkul Yatırım Ortaklığı Anonim Şirketi is not prepared, in all material respects, in accordance with TAS 34.



4-Other Matter

The consolidated financial statements of the Group as of 31 December 2019 were audited and the interim condensed consolidated interim financial information as of 30 June 2019 and for the six-month period then ended were reviewed by another audit firm whose audit report dated 9 March 2020 expressed an unqualified opinion and whose review report dated 9 August 2019 expressed a conclusion that nothing has come to their attention that not compliance with TAS 34.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

A handwritten signature in blue ink, appearing to read 'B. Özpoyraz', is written over the printed name.

Burak Özpoyraz, SMMM
Partner

Istanbul, 18 August 2020

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TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2020 AND 31 DECEMBER 2019**

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

	Notes	(Reviewed) 30 June 2020	(Audited) 31 December 2019
ASSETS			
Current Assets		1,665,449	1,995,089
Cash and Cash Equivalents	5	493,692	739,111
Trade Receivables	8	110,657	116,289
<i>Trade Receivables from Related Parties</i>		16,924	22,054
<i>Trade Receivables from Third Parties</i>		93,733	94,235
Other Receivables		504	137
<i>Other Receivables from Third Parties</i>		504	137
Inventories	10	1,006,393	1,105,159
Prepaid Expenses	7	34,462	22,111
Other Current Assets		19,741	12,282
Non-Current Assets		11,796,546	11,724,984
Trade Receivables	8	2,309	2,003
<i>Trade Receivables from Third Parties</i>		2,309	2,003
Other Receivables		2,643	9,290
<i>Other Receivables from Third Parties</i>		2,643	9,290
Investments Accounted by Equity Method	3	371,677	394,174
Investment Properties	9	11,359,295	11,267,894
Property, Plant and Equipment		46,714	46,820
Intangible Assets		956	961
<i>Other Intangible Assets</i>		956	961
Prepaid Expenses	7	12,952	3,842
Total Assets		13,461,995	13,720,073

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2020 AND 31 DECEMBER 2019**

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

	Notes	(Reviewed) 30 June 2020	(Audited) 31 December 2019
LIABILITIES			
Current Liabilities		1,768,550	2,211,108
Short-Term Borrowings	6	509,736	165,883
Short-Term Portion of Long-Term Borrowings	6	971,345	1,788,539
Trade Payables	8	120,487	128,330
<i>Trade Payables to Related Parties</i>		68,907	54,141
<i>Trade Payables to Third Parties</i>		51,580	74,189
Payables Related to Employee Benefits		1,577	1,560
Other Payables		74,355	22,371
<i>Other Payables to Related Parties</i>		48,198	-
<i>Other Payables to Third Parties</i>		26,157	22,371
Deferred Income	7	75,206	83,979
Short-Term Provisions		14,583	14,578
<i>Other Short-Term Provisions</i>		14,583	14,578
Other Current Liabilities	7	1,261	5,868
Non-Current Liabilities		3,483,636	3,030,826
Long-Term Borrowings	6	3,482,627	3,029,817
Long-Term Provisions		1,009	1,009
<i>Long-Term Provisions for Employee Benefits</i>		1,009	1,009
EQUITY		8,209,809	8,478,139
Share Capital	12	1,000,000	1,000,000
Treasury Shares		(5,830)	(4,707)
Share Premium		25,770	25,770
Restricted Reserves		74,421	74,255
Prior Years’ Profits		7,382,655	6,517,031
Net (Loss)/ Profit for the Period		(267,207)	865,790
TOTAL LIABILITIES AND EQUITY		13,461,995	13,720,073

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

	Notes	(Reviewed) 1 January - 30 June 2020	(Not Reviewed) 1 April - 30 June 2020	(Reviewed) 1 January - 30 June 2019	(Not Reviewed) 1 April - 30 June 2019
PROFIT OR LOSS					
Revenue	13	450,645	118,267	434,623	228,315
Cost of Sales (-)	13	(206,038)	(68,413)	(126,668)	(72,223)
GROSS PROFIT		244,607	49,854	307,955	156,092
General Administrative Expenses (-)	14	(14,140)	(4,442)	(29,527)	15,017
Marketing Expenses (-)	14	(21,678)	(14,210)	(1,640)	(894)
Other Income from Operating Activities		3,223	1,705	4,607	1,454
Other Expenses from Operating Activities (-)		(3,600)	(1,274)	(4,749)	(2,354)
OPERATING PROFIT		208,412	31,633	276,646	139,281
Share of the Group on Profit/Loss of Investments Accounted by Equity Method	3	12,701	5,429	20,452	11,444
PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		221,113	37,062	297,098	150,725
Finance Income	15	23,196	11,417	21,631	14,135
Finance Expenses (-)	15	(511,516)	(209,984)	(516,046)	(218,374)
LOSS BEFORE TAX		(267,207)	(161,505)	(197,317)	(53,514)
LOSS FOR THE PERIOD		(267,207)	(161,505)	(197,317)	(53,514)
Loss per share from continuing operations	16	(0,27)	(0,16)	(0,20)	(0,05)
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME/ (LOSS)		(267,207)	(161,505)	(197,317)	(53,514)

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS OF 30 JUNE 2020**

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

	Share Capital	Treasury Shares	Share Premium	Restricted Reserves	Prior Years’ Profits	Net Profit/(Loss) for the Period	Total Equity
Opening balance as of 1 January 2019	1,000,000	(3,338)	25,770	74,255	5,229,827	1,287,204	7,613,718
Transfers	-	-	-	-	1,287,204	(1,287,204)	-
Total comprehensive income/ (loss)	-	-	-	-	-	(197,317)	(197,317)
Transactions with non-controlling interest owners	-	(1,137)	-	-	-	-	(1,137)
Closing balance as of 30 June 2019	1,000,000	(4,475)	25,770	74,255	6,517,031	(197,317)	7,415,264
Opening balance as of 1 January 2020	1,000,000	(4,707)	25,770	74,255	6,517,031	865,790	8,478,139
Transfers	-	-	-	166	865,624	(865,790)	-
Total comprehensive income/ (loss)	-	-	-	-	-	(267,207)	(267,207)
Transactions with non-controlling interest owners	-	(1,123)	-	-	-	-	(1,123)
Closing balance as of 30 June 2020	1,000,000	(5,830)	25,770	74,421	7,382,655	(267,207)	8,209,809

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARY

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

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

Notes	<i>(Reviewed)</i> 1 January - 30 June 2020	<i>(Reviewed)</i> 1 January - 30 June 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES	360,449	170,505
Loss for the Period	(267,207)	(197,317)
Adjustments Related to Reconciliation of Loss for the Period	512,495	455,684
Adjustments related to depreciation and amortisation expenses	536	177
Adjustments related to provisions	5	28,167
Adjustments related to doubtful trade receivable provision expenses	273	4,539
Adjustments related to interest income and expenses	15 258,474	187,823
Adjustments related to unrealized foreign exchange differences	270,277	257,904
Gain on sales of investment properties	(4,369)	(2,474)
Adjustments related to undistributed profits of investments accounted for by equity method	3 (12,701)	(20,452)
Changes in working capital	115,194	(80,315)
(Increase)/decrease in trade receivables	5,053	28,536
(Increase)/decrease in other assets	6,280	9,741
(Increase)/decrease in inventories	98,766	17,502
(Increase)/decrease in prepaid expenses	(21,461)	1,575
Increase/(decrease) in trade payables	(7,843)	(9,683)
Increase/(decrease) in other payables	51,984	(120,092)
Increase/(decrease) in deferred income	(8,773)	(7,894)
Adjustments related to other increase/(decrease) in working capital	(8,812)	-
Cash generated from operations	360,482	178,052
Employment Termination Benefits Payment	(33)	(265)
Other payments	-	(7,282)
B. CASH FLOWS FROM INVESTING ACTIVITIES	(56,591)	5,838
Cash outflows from purchases of property, plant and equipments and intangible assets	(425)	-
Cash inflows from the sale of property, plant and equipments and intangible assets	-	2,625
Payments for acquisition of investment properties	9 (98,010)	(28,940)
Cash inflows from the sale of investment properties	7,769	3,005
Dividends received	3 34,075	29,148
C. CASH FLOWS FROM FINANCING ACTIVITIES	(547,255)	76,239
Proceeds from borrowings	1,686,097	1,161,535
Repayment of borrowings	(1,932,458)	(957,448)
Interest paid	(326,112)	(149,376)
Interest received	25,218	21,528
Net (decrease)/ increase in cash and cash equivalents before the effect of exchange rate changes	(243,397)	252,582
Effects of exchange rate changes on cash and cash equivalents	-	2,298
Net (decrease)/ increase in cash and cash equivalents	5 (243,397)	254,880
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5 733,572	203,140
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5 490,175	458,020

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

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

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

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

Torunlar REIC purchased 100% of the shares of TRN Otel İşletmeciliği ve Yatırımları A.Ş. as of 13 March 2018. Accordingly, the financial statements are prepared as consolidated as of 30 June 2018. The principal activity of TRN, and the Group’s participation rates are as follows:

	Operating country	Operating sector	30 June 2020 Participation rate %	31 December 2019 Participation rate %
TRN Otel İşletmeciliği ve Yatırımları A.Ş.	Turkey	Hotel Management	100	100

Joint Ventures

The Joint Ventures of Torunlar REIC operate in Turkey and their principal activities and joint venture partners as of 30 June 2020 are as follows (Note 2):

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

TTA

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

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

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP (Continued)

Joint Ventures (Continued)

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

In August 2011, 450,000 shares which were previously owned by Turkmall Gayrimenkul Geliştirme Yönetim ve Yatırım A.Ş. and valued nominally as TRY450,000 and 50,000 shares which were previously owned by Ahmet Demir and valued nominally as TRY50,000 were transferred to Anaterra Gayrimenkul Yatırım İnşaat ve Ticaret A.Ş. After the transfer, the shareholding structure of TTA is 40% Torunlar REIC, 8% Torunlar Gıda Sanayi Ticaret A.Ş., 1% Aziz Torun, 1% Mehmet Torun and 50% Anaterra Gayrimenkul Yatırım İnşaat ve Ticaret A.Ş. The construction of the TTA Bulvar Samsun Mall project has been started in 2011 and the Mall started to operate in July 2012.

Subsidiary

TRN Otel İşletmeciliği A.Ş.

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

Associates

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

Associate

Principal Activity

Yeni Gimat GYO A.Ş. (“Yeni Gimat”)

Owner of Ankamall Shopping Mall
and Crowne Plaza Hotel

Netsel Turizm Yatırımları A.Ş. (“Netsel”)

Management of Marmaris Marina

Yeni Gimat

Yeni Gimat has been incorporated by participation of 1,050 individual shareholders as founding members on 30 July 1999. The Entity owns Ankamall Shopping Mall since 2006 and Ankara Crowne Plaza Hotel since 2007. While the Group owns 14.83% of Yeni Gimat shares and Torunlar family members also own another 5% of Yeni Gimat, as a result the Group has significant influence on Yeni Gimat and is also represented in the Board of Directors. The investment in Yeni Gimat is accounted by the equity method in the consolidated financial statements.

Netsel

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

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

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

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.1 Basis of Preparation

Statement of Compliance in TAS

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

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

The accompanying condensed consolidated interim financial statements for the period ended 30 June 2020 are prepared in accordance with the Turkish Accounting Standard No:34 “Interim Financial Reporting”. According to TAS 34, entities are allowed to prepare a complete or condensed consolidated set of interim financial statements. In this respect, the Group has preferred to prepare its interim consolidated financial statements for the period as of 30 June 2020 as condensed, and disclosures and notes that are required to be involved in the annual consolidated financial statements prepared according to TAS/TFRS are condensed or not included. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

The condensed consolidated interim financial statements of the Group as of 30 June 2020, have been approved by the Board of Directors on 18 August 2020. The General Assembly has the right to modify the condensed consolidated interim financial statements.

Functional and Presentation Currency

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

Summary of Significant Accounting Policies

Significant accounting policies that are used to prepare the Group’s interim condensed financial statements for the period of 30 June 2020 are prepared according to the financial statement formats and guides issued by CMB with the resolution taken in the 7 June 2013 dated and 20/670 numbered meeting, and they are in accordance with the accounting policies explained as detailed in the 31 December 2019 dated financial statements. Interim condensed consolidated financial statements must be assessed with the financial statements for the period ended 31 December 2019.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

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

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

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

2.1 Basis of Preparation (Continued)

Joint Ventures

Interests in joint ventures

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

Interests in Joint Ventures on combined basis are as follows:

	30 June 2020	31 December 2019
Current assets	1,834	1,463
Non-current assets	177,658	177,659
Total assets	179,492	179,122
Short-term liabilities	59,082	62,387
Long-term liabilities	15,392	15,392
Equity	105,018	101,343
Total liabilities and equity	179,492	179,122
Net profit for the period	3,687	36,589

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

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

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

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

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

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

2.1 Basis of Preparation (Continued)

Associates

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

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

Torunlar REIC’s direct and indirect voting rights in the associates as of 30 June 2020 and 31 December 2019 are as follows:

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

Interest in associates on combined basis (*)

	30 June 2020	31 December 2019
Total assets	2,237,982	2,356,859
Total liabilities	53,573	50,381
Net profit for the period	72,774	367,713

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

Interest in Yeni Gimat

	30 June 2020	31 December 2019
Total assets	2,199,555	2,301,985
Total liabilities	34,368	34,423
Net profit for the period	71,317	344,550

Interest in Netsel

	30 June 2020	31 December 2019
Total assets	38,427	54,874
Total liabilities	19,205	15,958
Net profit for the period	1,457	23,163

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

2.1 Basis of Preparation (Continued)

Offsetting

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

Going concern

The Group’s consolidated financial statements have been prepared on a going concern basis.

2.2. Changes in Accounting Policies

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

2.3 Changes in Accounting Estimates and Errors

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

2.4 New and Revised Turkish Accounting Standards

a) Standards, amendments and interpretations applicable as at 30 June 2020:

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, ‘Presentation of financial statements’, and TAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other TFRSs:
 - i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in TAS 1 about immaterial information.
- **Amendments to TFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to TFRS 9, TAS 39 and TFRS 7 – Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

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

2.4 New and Revised Turkish Accounting Standards (Continued)

a) Standards, amendments and interpretations applicable as at 30 June 2020 (Continued):

- **Amendment to TFRS 16, ‘Leases’ – Covid-19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to TFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

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

- **TFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Amendments to TAS 1, Presentation of financial statements’ on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to TAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what TAS 1 means when it refers to the ‘settlement’ of a liability.
- **A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 17 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
 - **Amendments to TFRS 3, ‘Business combinations’** update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. .
 - **Amendments to TAS 16, ‘Property, plant and equipment’** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to TAS 37, ‘Provisions, contingent liabilities and contingent assets’** specify which costs a company includes when assessing whether a contract will be loss-making.

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

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

2.5 Critical Accounting Estimates, Assumptions and Judgements

Impairment of trade receivables

As of 30 June 2020, provision for doubtful receivables has been set aside for trade receivables amounting to TRY23,128 (31 December 2019: TRY22,855). An important part of the doubtful receivables belongs to the tenants, which unexpectedly falls into economic difficulty. Provision for doubtful receivables related to trade receivables is determined based on past default experience. Expected credit loss calculated under TFRS 9 is not a material amount therefore, no provision was made for expected credit losses in the consolidated financial statements.

Critical judgments in applying the Group’s accounting policies

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

The preparation of condensed consolidated interim financial statements requires the use of assumptions and estimates that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues expenses which are reported throughout the period. Even though, these assumptions and estimates rely on the best estimates of the Group management; the actual results might differ from them. The assumptions and critical accounting estimates used in order to prepare the condensed consolidated interim financial statement as of 30 June 2020 have no change in comparison with the prior year. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below:

Fair values of investment properties

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

In 2019, fair values of the investment properties are determined by independent valuation expert; Lotus Gayrimenkul Danışmanlık ve Değerleme A.Ş. The Group assumes that expenditure amount on investment property has an equivalent effect on fair value of related real estate. Since the valuation reports are performed once a year, the fair values of the investment properties determined by the valuation reports are 2019 used for 30 June 2020 condensed consolidated interim financial statements. As of 30 June 2020, the Group management has evaluated the effects on the fair values of the related real estates, and no negative impact has not been determined in relation to the foreseen income for 2020 and actual results for 6 months period as a result of this evaluation.

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

2.5 Critical Accounting Estimates, Assumptions and Judgements (Continued)

Fair values of investment properties (Continued)

Significant estimates and assumptions disclosed in the financial statements as of 30 June 2020 and 31 December 2019 are as follows:

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

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

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

- 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 30 June 2020 and 31 December 2019, was opened in April 2017, respectively. Leasing and management of shopping center is conducted by Torun Alışveriş Merkezleri Yatırım ve Yönetim A.Ş..

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, as at 7 January 2020 with the report number 2019-1645 the aforementioned property’s fair value is TRY1,040,000 as at 31 December 2019.

- 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 30 June 2020 and 31 December 2019.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, as at 7 January 2020 with the report number 2019-1628 the aforementioned property’s fair value is TRY63,265 as at 31 December 2019.

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

2.5 Critical Accounting Estimates, Assumptions and Judgements (Continued)

Fair values of investment properties (Continued)

- iii. The Bursa Korupark Shopping Center, which was established on the area of 53,185.61 m² in Bursa Province, Osmangazi District, Emek Village, which is classified under investment properties as of 30 June 2020 and 31 December 2019, has been put into service on May 2008. The management of the shopping center is conducted by Torun Alışveriş Merkezleri Yatırım ve Yönetim A.Ş.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report with the number 2019-1632, Capital Markets Board’s Serie: IV No:1 Communiqué, dated 7 January 2020, as of 31 December 2019, the aforementioned property’s fair value is TRY1,710,000.

- iv. The Mall of İstanbul Shopping Center, which was established on the rentable area of 181,295 m² in İstanbul Province, Başakşehir District, İkitelli – 2 Neighborhood, which is classified under investment properties as of 30 June 2020 and 31 December 2019, has been put into service on 23 May 2014. The management of the shopping center is conducted by Torun Alışveriş Merkezleri Yatırım ve Yönetim A.Ş..

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1635, the aforementioned property’s fair value is TRY3,000,000 as at 31 December 2019.

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

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

- vi. As of 30 June 2020 and 31 December 2019, the Group has an area of 70,644 m² in the İstanbul Province, Beykoz District which is classified as investment property and has 49 years of usage rights for a 3,935 m² pier and dock. It is planned to make a 5-star Hotel and Apart Hotel project on the land.

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

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

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

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

2.5 Critical Accounting Estimates, Assumptions and Judgements (Continued)

Fair values of investment properties (Continued)

- viii. Bursa Zafer Plaza located on the 9,622 m² land in Bursa - Osmangazi Şhreküstü District - which is classified under investment property as of 30 June 2020 and 31 December 2019 has been opened in October 1999. Rental procedures and management of the Mall is conducted by Zafer Plaza İşletmecilik A.Ş..

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

- ix. The Group owns 60,833 m² land located in İstanbul - Küçükçekmece Kayabaşı District - which is classified under investment property as of 30 June 2020 and 31 December 2019. The usage of this land has not been determined by the management as of balance sheet date and the land is retained for capital appreciation.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1627 the aforementioned property’s fair value is TRY74,215 as at 31 December 2019.

- x. The Group owns a building located on 1,501 m² land in İstanbul - Beyoğlu Kemankeş District - which is classified under investment property as of 30 June 2020 and 31 December 2019. The building is planned to be renovated as a hotel.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1648 the aforementioned property’s fair value is TRY74,970 as at 31 December 2019.

- xi. As at 30 June 2020 and 31 December 2019 separate unit of Bursa Korupark Shopping Mall located in Bursa - Osmangazi Emek district which is classified under investment properties includes a dolphin pool, social recreation areas, office and stores.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1638 the aforementioned property’s fair value is TRY24,093 as at 31 December 2019.

- xii. The Group has started to Mall of Istanbul Hotel, Convention Center and Office Project on 18,209 m² land located in İstanbul-Başakşehir district which is classified under investment properties as of 30 June 2020 and 31 December 2019.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1647 the aforementioned property’s fair value is TRY442,585 as at 31 December 2019.

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

2.5 Critical Accounting Estimates, Assumptions and Judgements (Continued)

Fair values of investment properties (Continued)

- xiii. The Group has rented 22 units consisting of 20 offices and 2 residents with a rentable area of 2,177 m² which is located in Istanbul Province, Başakşehir-İkitelli-2 District and is classified under investment properties as of 30 June 2020 and 31 December 2019.

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

- xiv. In 2018, The Group leased out the rentable area of 68,673 m² which consists of workplaces, offices and commercial units within the Torun Center project and in the address of İstanbul Province, Şişli-Dikilitaş District, as of 30 June 2020 and 31 December 2019.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1643 the aforementioned property’s fair value is TRY1,039,726 as at 31 December 2019.

2.6 Significant Changes Regarding the Current Period

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

2.7 Compliance with the portfolio limitations

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

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3. INTERESTS IN OTHER ENTITIES

	30 June 2020		31 December 2019	
	(%)	TRY	(%)	TRY
Yeni Gimat	14.83	321,097	14.83	336,279
TTA	40.00	42,007	40.00	40,538
Netsel	44.60	8,573	44.60	17,357
		371,677		394,174
	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Opening balance	394,174	390,889	348,425	349,531
Income and expenses from associates, (net)	11,226	4,394	21,052	11,720
Dividends received from associates	(34,075)	(24,641)	(29,148)	(22,067)
Treasury shares (*)	(1,123)	-	(1,137)	(316)
Income and expenses from joint ventures, (net)	1,475	1,035	(600)	(276)
Closing balance	371,677	371,677	338,592	338,592

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

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

	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Yeni Gimat	10,576	2,975	18,483	8,808
TTA	1,475	1,035	(600)	(276)
Netsel	650	1,419	2,569	2,912
Total	12,701	5,429	20,452	11,444

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

4. SEGMENT REPORTING

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

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4. SEGMENT REPORTING (Continued)

The segment information for the reportable segments as of and for the period ended 30 June 2020 is as follows:

	Total revenue from departments	Gross profit	Increase in fair value of investment properties (*)	Operating profit/ (loss)	Income / (expense) from subsidiaries	Finance expenses, net	Profit/(loss) from operations before tax	Investment expenditures (**)
Offices and shopping malls for rent								
Mall of İstanbul Shopping Mall	91,586	61,518	-	59,154	-	-	59,154	2,877
Torun Tower	50,087	47,042	-	47,042	-	-	47,042	-
Korupark Shopping Mall	49,127	39,015	-	38,803	-	-	38,803	106
Torium Shopping Mall	21,596	7,349	-	6,987	-	-	6,987	2,118
Mall of Antalya Shopping Mall	10,317	3,244	-	2,922	-	-	2,922	162
Antalya Deepo Shopping Mall	20,448	16,685	-	16,528	-	-	16,528	624
Zafer Plaza Shopping Mall	9,960	6,992	-	6,992	-	-	6,992	-
Torun Center	4,753	4,521	-	(593)	-	-	(593)	-
5th Levent Bazaar	1,579	1,434	-	1,434	-	-	1,434	-
Torium Student Residence 2	1,819	713	-	543	-	-	543	-
Torium Student Residence 1	1,150	1,115	-	1,115	-	-	1,115	122
Mall of İstanbul Residences and Offices	293	71	-	71	-	-	71	-
Korupark independent areas	201	100	-	100	-	-	100	-
Subtotal	262,916	189,799	-	181,098	-	-	181,098	6,009
Residences and office projects								
5. Levent Project	153,196	40,261	-	19,155	-	-	19,155	11,573
Torun Center	28,383	12,979	-	6,087	-	-	6,087	-
Nishistanbul Project	6,150	1,568	-	1,524	-	-	1,524	-
Korupark 3rd phase residences	-	-	-	-	-	-	-	-
Mall of İstanbul	-	-	-	-	-	-	-	-
Torium residences	-	-	-	-	-	-	-	-
Subtotal	187,729	54,808	-	26,766	-	-	26,766	11,573
Projects under construction								
Mall of İstanbul hotel convention center and residence project	-	-	-	-	-	-	-	83,203
Paşabahçe project	-	-	-	-	-	-	-	5,589
Associates								
Ankamall and Hotel (Yeni Gimat)	-	-	-	-	10,576	-	10,576	-
Netsel	-	-	-	-	650	-	650	-
TTA	-	-	-	-	1,475	-	1,475	-
Unallocated	-	-	-	548	-	(488,320)	(487,772)	-
Total	450,645	244,607	-	208,412	12,701	(488,320)	-267,207	106,374

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

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

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4. SEGMENT REPORTING (Continued)

The segment information for the reportable segments as of and for the period ended 30 June 2019 is as follows:

	Total revenue from departments	Gross profit	Increase in fair value of investment properties	Operating profit/ (loss)	Income / (expense) from subsidiaries	Finance expenses, net	Profit/(loss) from operations before tax	Investment expenditures (*)
Offices and shopping malls for rent								
Mall of İstanbul Shopping Mall	136,699	106,728	-	101,041	-	-	101,041	1.558
Korupark Shopping Mall	75,799	62,585	-	62,110	-	-	62,110	2.662
Torun Tower	43,500	43,410	-	42,448	-	-	42,448	307
Torium Shopping Mall	35,086	15,370	-	14,105	-	-	14,105	431
Zafer Plaza Shopping Mall	17,560	13,316	-	13,199	-	-	13,199	-
Antalya Deepo Shopping Mall	21,226	16,195	-	16,036	-	-	16,036	2.049
Mall of Antalya Shopping Mall	27,680	19,745	-	19,584	-	-	19,584	1.083
Mall of İstanbul Residences and Offices	1,258	994	-	994	-	-	994	-
Korupark independent areas	362	263	-	80	-	-	80	-
Torun Center	2,630	3,431	-	(340)	-	-	(340)	80
5th Levent Bazaar	1,359	783	-	784	-	-	784	-
Subtotal	363,159	282,820	-	270,041	-	-	270,041	8.170
Residences and office projects								
Torun Center	9,278	4,049	-	3,713	-	-	3,713	-
Korupark 3rd phase residences	743	478	-	489	-	-	489	-
Mall of İstanbul	794	-	-	-	-	-	-	-
Torium residences	-	-	-	-	-	-	-	-
Nishistanbul Project	86	83	-	29	-	-	29	-
5. Levent Project (**)	60,563	20,526	-	16,092	-	-	16,092	94.532
Subtotal	71,464	25,135	-	20,323	-	-	20,323	94.532
Projects under construction								
Paşabahçe project	-	-	-	-	-	-	-	2.753
Mall of İstanbul hotel convention center and residence project	-	-	-	-	-	-	-	17.278
Properties held for new projects								
Kayabaşı land	-	-	-	-	-	-	-	-
Kemankeş building	-	-	-	-	-	-	-	-
Mall of İstanbul 3. Phase	-	-	-	-	-	-	-	739
Associates								
Ankamall and Hotel (Yeni Gimat)	-	-	-	-	18,483	-	18,483	-
Netsel	-	-	-	-	2,569	-	2,569	-
TTA	-	-	-	-	(600)	-	(600)	-
Unallocated	-	-	-	(13,718)	-	(494,415)	(508,133)	-
Total	434,623	307,955	-	276,646	20,452	(494,415)	(197,317)	123.472

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

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

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5. CASH AND CASH EQUIVALENTS

	30 June 2020	31 December 2019
Cash	493,488	738,866
<i>Demand deposits</i>	3,206	37,188
<i>Time deposits up to 3 months maturity</i>	490,282	701,678
Other cash equivalents	204	245
	493,692	739,111

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

	30 June 2020	31 December 2019
Cash and cash equivalents	493,692	739,111
Less: Interest accrual of time deposits	(3,517)	(5,539)
Cash and cash equivalents in the statement of cash flows	490,175	733,572

Maturities of cash and cash equivalents are as follows:

	30 June 2020	31 December 2019
Up to 30 days	493,692	663,968
30 - 90 days	-	75,143
	493,692	739,111

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

	30 June 2020		31 December 2019	
	Original Amount	TRY Equivalent	Original Amount	TRY Equivalent
US Dollar	6,051	41,402	12,668	75,250
Euro	435	3,353	10,700	71,161
Other	1	8	1	9
		44,763		146,420

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

	30 June 2020	31 December 2019
US Dollars	2.00%	3.75%
Euro	0.75%	-
Turkish Lira	9.00%	23.43%

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6. FINANCIAL LIABILITIES

Financial Liabilities

	30 June 2020	31 December 2019
Bank borrowings	509,736	165,883
Short-term financial borrowings	509,736	165,883
Short-term portions of long-term borrowings	935,767	1,756,459
Finance leases	35,578	32,080
Short-term portions of long-term borrowings	971,345	1,788,539
Bank borrowings	3,480,993	2,995,888
Finance leases	1,634	33,929
Long-term borrowings	3,482,627	3,029,817
Total borrowings	4,963,708	4,984,239

As of 30 June 2020, there are mortgages amounting to TRY1,807,513 (31 December 2019: TRY2,113,108) given to the banks regarding the financial liabilities amounting to TRY11,278,423 (31 December 2019: TRY8,577,645) on the investment properties.

a) Bank borrowings

	30 June 2020	31 December 2019
Short-term bank borrowings	509,736	165,883
Short-term portions of long-term borrowings	935,767	1,756,459
Long-term bank borrowings	3,480,993	2,995,888
Total borrowings	4,926,496	4,918,230

30 June 2020	Weighted avg. effective interest (%) (*)	Currency	Original amount	TRY equivalent
Short-term bank borrowings	10.78	TRY	343,593	343,593
	2.19	Euro	21,554	166,143
Short-term portion of long-term borrowings	13.07	TRY	657,600	657,600
	5.80	US Dollar	23,598	161,461
	3.91	Euro	15,141	116,706
Long-term bank borrowings	13.53	TRY	2,281,361	2,281,361
	6.04	US Dollar	70,611	483,136
	4.24	Euro	92,953	716,496
Total bank borrowings				4,926,496

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

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6. FINANCIAL LIABILITIES (Continued)

a) Bank borrowings (Continued)

31 December 2019	Weighted avg. effective interest (%) (*)	Currency	Original amount	TRY equivalent
Short-term bank borrowings	20.99	TRY	165,883	165,883
Short-term portion of long-term borrowings	17.56	TRY	929,262	929,262
	6.56	US Dollar	46,056	273,584
	4.23	Euro	83,243	553,613
Long-term bank borrowings	21.56	TRY	1,683,333	1,683,333
	6.06	US Dollar	92,208	547,736
	4.58	Euro	115,000	764,819
Total bank borrowings				4,918,230

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

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

	30 June 2020	31 December 2019
2021	1,039,767	561,282
2022	1,579,931	1,459,357
2022 and beyond	861,295	975,249
	3,480,993	2,995,888

Obligations under finance lease

The maturities of obligations under finance lease is as follows:

	30 June 2020	31 December 2019
Up to 1 year	35,578	32,080
1 years - 5 years	1,634	33,929
	37,212	66,009

Finance leases consist of US Dollar and EUR. The Group has a finance leases obligation of 5.87% interest rate with original currency of EUR4,828 and interest rate of 5.87% with original currency (31 December 2019: US Dollar272 and EUR11,553) as of 30 June 2020.

As of 30 June 2020, a significant part of the finance leases consists of financial lease obligations related to the shopping malls which are sold to Ak Finansal Kiralama A.Ş. regarding the sell and leaseback agreement that was made on 27 May 2016 and which are represented as the investment properties (Note 2).

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

	30 June 2020	31 December 2019
Short-Term Prepaid Expenses		
Advances given	20,795	15,577
Prepaid expenses	13,667	6,534
	34,462	22,111

Long-Term Prepaid Expenses

Prepaid expenses	11,982	2,872
Order advances given	970	970
	12,952	3,842

	30 June 2020	31 December 2019
Short-Term Deferred Income		
Advances received (*)	65,545	75,224
Deferred income	9,661	8,755
	75,206	83,979

(*) As of 30 June 2020, from the sales commitments regarding the offices and residential units that are not delivered consist of advances received amounting to TRY30,126 for 5. Levent Project, TRY24,689 for Mall of İstanbul project, TRY126 for Korupark and remaining TRY6,699 consist of other advances (31 December 2019: TRY26,819 5. Levent Project, TRY34,427 Mall of İstanbul project, TRY2,822 Korupark 3rd Phase, TRY6,352 for Torun Center and remaining and remaining TRY4,804 other advances).

	30 June 2020	31 December 2019
Other Short-Term Liabilities		
Prepaid taxes and funds	843	5,838
Accrued expenses	418	30
	1,261	5,868

Other Long-Term Liabilities

Long-term liabilities for project costs (*)	14,583	14,578
	14,583	14,578

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

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8. TRADE RECEIVABLES AND PAYABLES

Current trade receivables	30 June 2020	31 December 2019
Trade receivables	82,226	82,271
Notes receivables (*)	34,635	34,819
Trade receivables from related parties	16,924	22,054
Less: Allowance for doubtful receivables	(23,128)	(22,855)
	110,657	116,289

Non-current trade receivables	30 June 2020	31 December 2019
Notes receivables (*)	2,309	2,003
	2,309	2,003

(*) As of 30 June 2020, TRY17,938 of long-term and short-term notes receivable are related to 5. Levent project, TRY1,021 of Mall of İstanbul project, Korupark project and the remaining TRY630, consist of other cheques and notes receivables TRY17,355 (31 December 2019: TRY32,407 of long-term and short-term notes receivable are related to 5. Levent project, and the remaining TRY4,415 consist of other notes receivables).

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

	30 June 2020	31 December 2019
Opening balance	(22,855)	(13,762)
Provision provided during the period	(280)	(9,248)
Provisions no longer required	7	155
Closing balance	(23,128)	(22,855)

Aging of provision for doubtful receivables is as follows:

	30 June 2020	31 December 2019
3 to 6 months	(55)	(62)
Over 6 months	(23,073)	(22,793)
	(23,128)	(22,855)

Short-term trade payables

	30 June 2020	31 December 2019
Trade payables to related parties	68,907	54,141
Trade payables	47,547	68,372
Notes payable	4,033	5,817
	120,487	128,330

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

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9. INVESTMENT PROPERTIES

Movement schedule of investment properties as of 30 June 2020 and 31 December 2019:

	1 January 2020	Additions	Disposals	Transfers	Change in fair value	30 June 2020
Shopping Malls and Offices						
MOI Shopping Mall	3,000,000	2,877	-	-	-	3,002,877
Torun Tower	1,853,000	-	-	-	-	1,853,000
Bursa Korupark Shopping Mall	1,710,000	106	-	-	-	1,710,106
Torun Center	1,039,726	-	(3,400)	-	-	1,036,326
Mall of Antalya	575,000	162	-	-	-	575,162
Torium Shopping Mall	540,000	2,118	-	-	-	542,118
Antalya Deepo Shopping Mall	465,000	624	-	-	-	465,624
Bursa Zafer Plaza Shopping Mall	366,700	-	-	-	-	366,700
5. Levent bazaar	71,620	-	-	-	-	71,620
Korupark independent areas	24,093	-	-	-	-	24,093
Torium Student Residence	22,300	122	-	-	-	22,422
Mall of İstanbul						
Residences and Offices	12,100	-	-	-	-	12,100
Investment properties under construction						
Paşabahçe land (*)	861,500	5,589	-	-	-	867,089
Mall of İstanbul hotel, congress center and office project	442,585	83,203	-	-	-	525,788
Karaköy hotel	74,970	-	-	-	-	74,970
Properties held for new projects						
Kayabaşı land	74,215	-	-	-	-	74,215
Mall of İstanbul 3rd Phase	71,820	-	-	-	-	71,820
Antalya Kepez Lands	63,265	-	-	-	-	63,265
	11,267,894	94,801	(3,400)	-	-	11,359,295

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

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9. INVESTMENT PROPERTIES (Continued)

	1 January 2019	Additions	Disposals	Transfers	Change in fair value	30 June 2019
Shopping Malls and Offices						
MOI Shopping Mall	2,590,000	1,558	-	-	-	2,591,558
Torun Tower	1,724,000	307	-	-	-	1,724,307
Bursa Korupark Shopping Mall	1,540,000	2,662	-	-	-	1,542,662
Torun Center	1,086,976	80	(3,667)	-	-	1,083,389
Torium Shopping Mall	490,000	431	-	-	-	490,431
Antalya Deepo Shopping Mall	410,000	2,049	-	-	-	412,049
Mall of Antalya	490,000	1,083	-	-	-	491,083
Bursa Zafer Plaza Shopping Mall	352,400	-	-	-	-	352,400
Mall of İstanbul Residences and Offices	13,550	-	-	-	-	13,550
Korupark independent areas	22,433	-	-	-	-	22,433
5. Levent (**)	52,930	-	-	-	-	52,930
Investment properties under construction						
Paşabahçe land (*)	801,100	2,753	-	-	-	803,853
Mall of İstanbul hotel congress center and office Project (***)	313,344	17,278	-	-	-	330,622
Properties held for new-projects						
Antalya Kepez Lands	62,235	-	-	-	-	62,235
Kemankeş building	61,660	739	-	-	-	62,399
Kayabaşı land	64,785	-	-	-	-	64,785
Mall of İstanbul 3rd Phase	68,120	-	-	-	-	68,120
	10,143,533	28,940	(3,667)	-	-	10,168,806

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

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

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

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9. INVESTMENT PROPERTIES (Continued)

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

	30 June 2020	31 December 2019		30 June 2020	31 December 2019
	Original Amount	Original Amount	Currency		
Bursa Korupark Shopping Mall	1,500,000	-	TRY	1,500,000	-
Torun Tower	390,000	390,000	US Dollar	2,668,458	2,316,678
Paşabahçe land	375,000	375,000	US Dollar	2,565,825	2,227,575
Bursa Korupark Shopping Mall	225,000	225,000	Euro	1,734,345	1,496,385
Mall of İstanbul	150,000	150,000	US Dollar	1,026,330	891,030
Mall of Antalya - Deepo	130,000	130,000	Euro	1,002,066	864,578
Mall of İstanbul	406,399	406,399	TRY	406,399	406,399
Mall of İstanbul 2nd Phase	375,000	375,000	TRY	375,000	375,000
				11,278,423	8,577,645

10. INVENTORIES

30 June 2020 31 December 2019

Residences and office projects

Completed Projects

- 5.Levent project (*****)	505,014	590,641
- Torun Center project (*)	481,403	489,960
- Mall of İstanbul project (**)	10,731	10,731
- Nishistanbul (***)	6,667	11,249
- Korupark 3rd phase (****)	2,140	2,140
- Torium (*****)	438	438

1,006,393 1,105,159

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

- (*) 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 Horizontal Office, 77,988 m² Residence and 15,312 m² Commercial Area. The delivery of Office Tower and Horizontal Office has started as of 31 December 2017. 103 residences, 47 offices and 43 Horizontal offices have been delivered, and in this context, the Group has recognised revenue amounting to TRY28,383 between 1 January - 30 June 2020. (31 December 2019: 94 residences, 47 offices and 42 horizontal offices and in this context the Group has collected revenue TRY593,999). As of 30 June 2020, TRY622,382 of final sales revenue has been obtained since the beginning of the project. As of 30 June 2020, the Group did not capitalize any financial expense during Torun Center Project (31 December 2019: None).
- (**) In the Mall of İstanbul project, 2 residences with 116.44 m², 12 flat offices with 3,343.88 m², and 1 office with 323.00 m² have been remained in the inventories.
- (***) There are 4 stores (gross 842 m²) registered in Nishistanbul project. (31 December 2019 there are 1 office (gross 260 m²) and 5 stores (gross 1,206 m²) registered in Nishistanbul project.)
- (****) In the context of 3rd phase of the Korupark project, 9 residences with 1,371.76 m² have been remained in the inventories.
- (***** In Torium project, 2 residences with 189 m² have been remained in the inventories.
- (***** Between the dates of 1 January 2020 - 30 June 2020, TRY153,196 of final sales revenue was obtained and as of 30 June 2020, the final sales revenue of TRY1,800,464 was obtained from the beginning of the project, 238 residences with 35,151 m² have been remained in inventories. (31 December 2019: 1,759 residences with 254,446.28 m² have been sold from 2,086 residences with 304,763.29 m² by having firm sale income amounting to TRY1,647,268 in return, and 327 residences with 50,317.01 m² have been remained in inventories.)

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11. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities

	30 June 2020	31 December 2019
Collaterals received	179,041	135,272

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

Collaterals, Pledges and Mortgages (“CPM”)

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

	30 June 2020	31 December 2019
CPM’s given by the Company Collaterals, Pledges, Mortgages (“GPM”)		
A.CPM’s Given for Its Own Legal Personality	11,431,490	8,729,842
B.CPM’s Given on Behalf of Fully Consolidated Companies	-	-
C. CPM’s Given for Continuation of its Economic Activities on Behalf of Third Parties	-	-
D. Total Amount of Other CPM’s		
i) Total Amount of CPM’s Given on Behalf of the Majority Shareholder	-	-
ii) Total Amount of CPM’s Given to on Behalf of Other Group Companies which are not in Scope of B and C	-	-
iii) Total Amount of CPM’s Given on Behalf of Third Parties which are not in Scope of C	-	-
	11,431,490	8,729,842

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11. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

The ratio of the other CPMs issued by the entity to the Group’s own equity is 0% as of 30 June 2020.

	30 June 2020		31 December 2019	
	Foreign currency	TRY equivalent	Foreign currency	TRY equivalent
US Dollar	915,000	6,260,613	915,000	5,435,283
Euro	355,000	2,736,411	355,000	2,360,963
TRY	2,281,399	2,281,399	781,399	781,399
		11,278,423		8,577,645

As of 30 June 2020, mortgages on investment properties of the Group is TRY11,278,423 (31 December 2019: TRY8,577,645) (Note 9). Lease income from Korupark Shopping Mall, Mall of Istanbul Shopping Mall, Mall of Antalya, Antalya Deepo Shopping Mall and Torun Tower is alienated regarding the loans used.

The Group also stands as the guarantor of the borrowings that will be used by the buyers of the residences until the completion of residences and transfer of deeds to the contracting parties in relation to sale of residences through loans.

12. EQUITY

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

The board of directors decided in its meeting dated 10 May 2012 to increase its paid-up capital of TRY224,000,000 to TRY500,000,000 within the cap of TRY1,000,000,000 registered capital, through a bonus issue by adding TRY276,000,000 out of a total of TRY301,770,000 share premium, transactions related to capital increase was completed on 16 August 2012.

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

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12. EQUITY (Continued)

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

	(%)	Group A (thousand)	Group B (thousand)	Group C (thousand)	30 June 2020	31 December 2019
Aziz Torun	37.41	200,328	-	173,740	374,068	374,068
Mehmet Torun	37.41	-	200,312	173,740	374,052	374,052
Torunlar Gıda San. ve Tic. A.Ş.	0.03	142	142	-	284	284
Mahmut Karabıyık	low than 0.01	-	16	-	16	16
Other shareholders	low than 0.01	-	-	8	8	8
Other (Public quotation)	25.16	-	-	251,572	251,572	251,572
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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13. REVENUE AND COST OF SALES

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Sales income				
Rent income	211,744	51,807	297,694	152,339
Residence and office sales income	187,729	45,419	71,464	42,668
Common area income	49,068	20,100	63,893	32,777
Other	2,104	941	1,572	531
	450,645	118,267	434,623	228,315
Cost of sales				
Cost of residence and office sales	(132,921)	(34,984)	(46,329)	(28,819)
Common area expenses	(66,214)	(32,907)	(72,535)	(40,312)
Rent expenses and management fees of shopping malls	(6,903)	(522)	(6,136)	(2,360)
Other	-	-	(1,668)	(732)
	(206,038)	(68,413)	(126,668)	(72,223)
Gross profit	244,607	49,854	307,955	156,092

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.

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

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

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
General administrative expenses				
Taxes, due and fees	(5,077)	(797)	(12,120)	(4,306)
Property expenses	(4,001)	(1,200)	(5,396)	(3,440)
Personnel expenses	(3,634)	(1,849)	(3,453)	(1,830)
Consultancy expenses	(428)	(254)	(592)	(321)
Transportation and travel expenses	(289)	(117)	(462)	(250)
Depreciation expenses	(198)	(80)	(177)	(84)
Borsa İstanbul, CMB and CRA expenses	(141)	-	(234)	(22)
Provisions for legal cases and doubtful receivables	(115)	(19)	(4,539)	(4,403)
Donations	(10)	(10)	(1,175)	(7)
Other	(247)	(116)	(1,379)	(354)
	(14,140)	(4,442)	(29,527)	(15,017)
	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Marketing expenses				
Residence sales marketing expenses (*)	(16,283)	(12,427)	-	-
Advertising and promotion expenses	(3,978)	(1,140)	(157)	(77)
Personnel expenses	(787)	(299)	(792)	(404)
Depreciation expenses	(338)	(193)	(335)	(188)
Consultancy expenses	(103)	(30)	-	-
Other	(189)	(121)	(356)	(225)
	(21,678)	(14,210)	(1,640)	(894)

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

15. FINANCE INCOME / EXPENSES

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Finance income				
Interest income on time deposits	23,196	11,417	21,631	14,135
	23,196	11,417	21,631	14,135
	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Finance expenses				
Interest expense	(281,670)	(81,207)	(306,592)	(98,446)
Foreign exchange losses, net (*)	(229,846)	(128,777)	(209,454)	(119,928)
	(511,516)	(209,984)	(516,046)	(218,374)

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

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16. (LOSS) / EARNINGS PER SHARE

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

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

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Net losses of shareholders	(267,207)	(161,505)	(68,120)	(218,467)
Weighted average number of ordinary shares (Full TRY)	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Loss per share (Full TRY)	(0,27)	(0,16)	(0,07)	(0,22)

17. RELATED PARTY DISCLOSURES

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

Receivables from related parties	30 June 2020	31 December 2019
Torun AVM (*)	11,428	17,46
Zafer Plaza İşletmeciliği A.Ş.	5,411	4,837
PRN Perakende Mağazacılık ve Tic. A.Ş.	33	77
Other	52	41
	16,924	22,501

Payables to related parties	30 June 2020	31 December 2019
Torun Yapı San. ve Tic. A.Ş. (***)	49,197	31,462
Torun AVM (*)	11,977	15,344
Torunlar Family (**)	7,733	7,734
	68,907	54,540

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

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

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

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17. RELATED PARTY DISCLOSURES (Continued)

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

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Sales to related parties				
Zafer Plaza İşletmeciliği A.Ş.	9,960	960	17,716	8,299
Torun AVM	7,603	313	14,841	7,182
Other	110	20	1,924	858
	17,673	1,293	34,481	16,339

Zafer Plaza İşletmeciliği A.Ş. operates Zafer Plaza Shopping Mall owned by the Company. In accordance with the administration contract signed for Zafer Plaza Shopping Mall, Torunlar REIC had rental income amounting to TRY9,960 for the period 30 June 2020 and TRY17,716 for the period 30 June 2019.

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Purchases from related parties				
Torun Yapı San. ve Tic. A.Ş. (*)	90,873	49,729	25,801	17,060
Torun AVM	27,905	7,551	41,921	20,857
Torunlar Gıda	570	278	803	301
PRN Perakende Mağazacılık ve Tic. A.Ş.	-	-	115	58
Other	476	476	8	8
	119,824	58,034	68,648	38,284

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

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

Interest Income	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Torunlar Gıda	215	18	-	-
Torun AVM	-	-	562	20
Other	205	143	122	77
	420	161	684	97

Interest Expenses	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Torun AVM	253	135	-	-
Torun Yapı	335	334	509	206
Torunlar Gıda	134	134	250	69
	722	603	759	275

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Salaries and premiums	1,381	723	1,318	694

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

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18. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Foreign currency position

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

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

	30 June 2020	31 December 2019
Assets	48,663	149,679
Liabilities	(1,707,163)	(2,176,608)
Net balance sheet position	(1,658,500)	(2,026,929)

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

30 June 2020	Euro	US Dollar	TRY Amount
Current Assets			
Monetary financial assets	435	6,051	44,755
Other assets	207	8	1,655
Trade receivables	113	202	2,253
Total assets	755	6,261	48,663
Short-term liabilities			
Trade payables	(704)	(560)	(9,256)
Financial liabilities	(41,310)	(23,598)	(479,888)
Other short-term liabilities	(834)	(1,509)	(16,754)
Long-term liabilities			
Financial liabilities	(92,952)	(70,611)	(1,199,631)
Other long-term liabilities	(212)	-	(1,634)
Total liabilities	(136,012)	(96,278)	(1,707,163)
Net balance sheet position	(135,257)	(90,017)	(1,658,500)

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

Against Euro	(1,042,588)
Against US Dollar	(123,183)
Net foreign currency liability position	(1,165,771)

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

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

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

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

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

Against Euro	(1.279.688)
Against the US Dollar	(747.241)
Net foreign currency position	(2.026.929)

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19. SUBSEQUENT EVENTS

On 7 August 2020, Aziz Torun, one of the shareholders of the company, made a stock purchase transaction with a total nominal amount of TRY150.000 at a price range of TRY3.48- 3.51.

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

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

Financial Statements Main Account Items	Related Regulations	30 June 2020	31 December 2019
A Money and capital markets instruments	Series:III, No:48.1, Art.24/(b)	493,516	738,885
B Properties, projects based on properties and rights based on properties	Series:III, No:48.1, Art.24/(a)	12,388,426	12,373,053
C Subsidiaries	Series:III, No:48.1, Art.24/(b)	372,161	394,658
Due to related parties (non-trade)	Series:III, No:48.1, Art.23/(f)	-	-
Other assets		203,885	207,364
D Total assets	Series:III, No:48.1, Art.3/(p)	13,457,988	13,713,960
E Financial liabilities	Series:III, No:48.1.1, Art.31	4,925,096	4,915,580
F Other financial liabilities	Series:III, No:48.1.1, Art.31	-	-
G Finance leases	Series:III, No:48.1.1, Art.31	37,212	66,009
H Due from related parties (non-trade)	Series:III, No:48.1, Art.23(f)	-	-
I Shareholders Equity	Series:III, No:48.1, Art.31	8,210,015	8,478,836
Other liabilities		285,665	253,535
D Total liabilities	Series:III, No:48.1, Art.3/(p)	13,457,988	13,713,960

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

Financial Information	Related Regulations	30 June 2020	31 December 2019
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)	493,516	738,885
A2 TRY and foreign currency time and demand deposits	Series:III, No:48.1, Art.24/(b)	493,516	738,885
A3 Foreign capital market instruments	Series:III, No:48.1, Art.24/(d)	-	-
B1 Foreign properties, projects based on properties and rights based on properties	Series:III, No:48.1, Art.24/(d)	-	-
B2 Idle lands	Series:III, No:48.1, Art.24/(c)	-	-
C1 Foreign affiliates	Series:III, No:48.1, Art.24/(d)	-	-
C2 Investments in affiliated operating companies	Series:III, No:48.1, Art.28/1(a)	-	-
J Non-cash loans	Series:III, No:48.1, Art.31	153,067	152,197
K Mortgage amount on non-owned land to be developed	Series:III, No:48.1, Art.28(e)	-	-
L Total investments for money and capital market instruments in a single entity	Series:III, No:48.1, Art.22(i)	482,879	729,818

Portfolio Restrictions	Related Regulations	30 June 2020	31 December 2019	Maximum Minimum Rate
1 Mortgage amount on non-owned land to be developed (K/D)	Series:III, No:48.1a, Art.22/(e)	0%	0%	<10%
2 Properties, projects based on properties and rights based on properties (B+A1)/D)	Series:III, No:48.1a, Art.24/(a),(b)	96%	96%	>50%
3 Money and capital market instruments and affiliates (A+C-A1)/D)	Series:III, No:48.1a, Art.24/(b)	3%	3%	<50%
4 Foreign properties, projects based on properties rights based on properties affiliates capital, market instruments (A3+B1+C1)/D)	Series:III, No:48.1a, Art.24/(d)	0%	0%	<49%
5 Idle lands(B2/D)	Series:III, No:48.1a, Art.24/(c)	0%	0%	<20%
6 Investment in affiliated operating companies (C2/D)	Series:III, No:48.1a, Art.28/1/(a)	0%	0%	<10%
7 Borrowing limit (E+F+G+H+J)/I	Series:III, No:48.1, Art.31	62%	61%	<500%
8 TRY and foreign currency time and demand deposits (A2-A1)/D)	Series:III, No:48.1, Art.24/(b)	0%	0%	<10%
9 Total investments for money and capital market instruments in a single entity	Series:III, No:48.1, Art.22/(1)	4%	5%	<10%

Associate	Participation rate (%)	Participation amount	
		30 June 2020	31 December 2019
Yeni Gimat	14.83	321,097	336,279
TTA	40.00	42,007	40,538
Netsel	44.60	8,573	17,357
TRN	99.99	484	484
		372,161	394,658