

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

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD
1 JANUARY – 30 SEPTEMBER 2018

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

CONSOLIDATED FINANCIAL STATEMENTS

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TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE INTERIM PERIOD AS OF 30 SEPTEMBER 2018**

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

		(Unaudited) Current Year 30 September 2018	(Audited) Prior Year 31 December 2017
ASSETS			
Current Assets		2,386,956	2,601,484
Cash and Cash Equivalents	5	832,020	602,432
Trade Receivables	8	171,567	172,631
<i>Trade Receivables from Related Parties</i>		23,044	3,882
<i>Trade Receivables from Third Parties</i>		148,523	168,749
Other Receivables		9,233	1,642
<i>Other Receivables from Third Parties</i>		9,233	1,642
Inventories	10	1,317,985	1,624,998
Prepaid Expenses	7	34,467	52,555
Other Current Assets		21,684	147,226
Non-Current Assets		8,808,515	8,734,333
Trade Receivables	8	15,067	33,498
<i>Trade Receivables from Third Parties</i>		15,067	33,498
Investments Accounted by Equity Method	3	315,882	315,593
Investment Properties	9	8,464,045	8,282,529
Property, Plant and Equipment		9,069	9,416
Intangible Assets		126	295
<i>Other Intangible Assets</i>		126	295
Prepaid Expenses	7	4,326	93,002
Total Assets		11,195,471	11,335,817

The consolidated financial statements as of 30 September 2018 were signed by the Deputy General Manager İsmail Kazanç and the Accounting Manager Erkan Çetin on 9 November 2018 on behalf of the Board of Directors.

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE INTERIM PERIOD AS OF 30 SEPTEMBER 2018

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

	Notes	(Unaudited) Current Period 30 September 2018	(Audited) Prior Period 31 December 2017
LIABILITIES			
Current Liabilities		2,973,611	2,215,527
Short-Term Borrowings	6	587,392	469,671
Short-Term Portion of Long-Term Borrowings	6	1,859,940	396,372
Other Payables		46,238	35,278
<i>Other Payables to Third Parties</i>		46,238	35,278
Derivative Instruments		20,593	277
Trade Payables	8	106,814	119,224
<i>Trade Payables to Related Parties</i>		14,685	11,171
<i>Trade Payables to Third Parties</i>		92,129	108,053
Payables Related to Employee Benefits		2,568	2,496
Short-Term Provisions		30,113	10,527
<i>Other Short-Term Provisions</i>		30,113	10,527
Other Current Liabilities	7	166,362	5,172
Deferred Income	7	153,591	1,176,510
Non-Current Liabilities		2,937,662	2,741,633
Long-Term Borrowings	6	2,886,085	2,740,433
Long-Term Provisions		1,157	1,200
<i>Long-Term Provisions for Employee Benefits</i>		1,157	1,200
Other Non-Current Liabilities	7	50,420	-
EQUITY		5,284,198	6,378,657
Share Capital	12	1,000,000	1,000,000
Tresuary Shares		(3,230)	(1,195)
Share Premium		25,770	25,770
Restricted Reserves Appropriated From Profit		74,255	65,153
- <i>Legal reserves</i>		74,255	65,153
Retained Earnings		5,229,827	4,833,821
Net Profit/(Loss) for the Period		(1,042,424)	455,108
TOTAL LIABILITIES AND EQUITY		11,195,471	11,335,817

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE INTERIM PERIOD AS OF 30 SEPTEMBER 2018**

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

	Notes	(Unaudited) 1 January- 30 September 2018	(Unaudited) 1 July- 30 September 2018	(Unaudited) 1 January- 30 September 2017	(Unaudited) 1 July- 30 September 2017
PROFIT OR LOSS					
Revenue	13	1,668,432	340,542	430,356	165,570
Cost of Sales (-)	13	(935,663)	(205,248)	(114,682)	(47,844)
GROSS PROFIT		732,769	135,294	315,674	117,726
Administrative Expenses (-)	14	(31,878)	(9,198)	(32,939)	(11,191)
Marketing Expenses (-)	14	(4,552)	(990)	(8,531)	(3,016)
Other Income From Operating Activities		107,383	77,524	24,544	9,907
Other Expenses From Operating Activities (-)		(10,203)	(3,103)	(1,291)	(1,101)
OPERATING PROFIT		793,519	199,527	297,457	112,325
Share of the Company on Profit/(Loss) of Investments Accounted by Equity Method	3	21,710	4,439	16,685	5,962
OPERATING PROFIT BEFORE FINANCE INCOME/(EXPENSES)					
		815,229	203,966	314,142	118,287
Finance Income	15	51,663	22,095	54,836	16,571
Finance Expenses (-)	15	(1,909,316)	(1,200,365)	(254,636)	(117,489)
(LOSS) / PROFIT FOR THE PERIOD		(1,042,424)	(974,304)	114,342	17,369
Gain/(loss) per share from continuing operations	16	(1.04)	(0.97)	0.11	0.02
OTHER COMPREHENSIVE INCOME					
		-	-	-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME		(1,042,424)	(974,304)	114,342	17,369

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD AS OF 30 SEPTEMBER 2018**

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

	Share Capital	Treasury Shares	Share Premium	Restricted Reserves Appropriated from Profit	Retained Earnings	Net Profit/(Loss) for the Period	Equity
1 January 2017	500,004	(1,195)	25,770	53,732	4,222,854	1,172,384	5,973,549
Transfers	-	-	-	11,421	1,160,963	(1,172,384)	-
Dividends	-	-	-	-	(50,000)	-	(50,000)
Total comprehensive income	-	-	-	-	-	114,342	114,342
30 September 2017	500,004	(1,195)	25,770	65,153	5,333,817	114,342	6,037,891
1 January 2018	1,000,000	(1,195)	25,770	65,153	4,833,821	455,108	6,378,657
Transfers	-	-	-	9,102	446,006	(455,108)	-
Dividends	-	-	-	-	(50,000)	-	(50,000)
Transactions with non-controlling shareholders (*)	-	(2,035)	-	-	-	-	(2,035)
Total comprehensive expense	-	-	-	-	-	(1,042,424)	(1,042,424)
30 September 2018	1,000,000	(3,230)	25,770	74,255	5,229,827	(1,042,424)	5,284,198

(*) See: Note 3

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD AS OF 30 SEPTEMBER 2018**

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

		(Unaudited) Current Year 1 January- 30 September 2018	(Unaudited) Prior Year 1 January- 30 September 2017
	Notes		
A. CASH FLOWS FROM OPERATING ACTIVITIES		314,645	38,840
Profit/(Loss) for the Period		(1,042,424)	114,342
Adjustments Related to Reconciliation of Profit for the Period		1,697,268	152,445
Adjustments related to unrealized foreign exchange differences		1,446,771	86,009
Adjustments related to interest income and expenses		227,810	85,940
Adjustments related to depreciation and amortisation expenses		903	1,462
Adjustments related to doubtful trade receivable provision expenses	8	2,049	5,545
Adjustments related to provisions		21,129	(5,039)
Adjustments related to fair value differences of derivative financial instruments		20,316	(4,787)
Adjustments related to undistributed profits of investments accounted by equity method	3	(21,710)	(16,685)
Changes in working capital		(338,446)	(227,307)
Adjustments related to decrease in trade receivables		17,446	51,964
Adjustments related to decrease in trade payables		(18,248)	(11,565)
Adjustments related to increase in inventories		305,499	(412,853)
Adjustments related to decrease in prepaid expenses		18,664	18,649
Adjustments related to increase in deferred income		(1,022,919)	156,776
Decrease in other current/non-current assets due to operations		138,542	(30,017)
Increase in other payables due to operations		222,570	(261)
Cash generated from operations		316,398	39,480
Employment termination benefits payment		(99)	(280)
Other payments		(1,654)	(360)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(80,033)	(83,598)
Dividends received	3	19,386	18,761
Payments for Acquisition of Property, Plant and Equipment and Intangible Assets		(387)	(4,200)
Payments for Acquisition of Investment Properties	9	(99,032)	(98,159)
C. CASH FLOWS FROM FINANCING ACTIVITIES		(112,734)	308,380
Interest received		54,548	45,449
Interest paid		(224,839)	(50,093)
Proceeds from borrowings		736,267	1,954,521
Repayment of borrowings		(628,782)	(1,594,997)
Cash inflows from derivative financial instruments		72	26,950
Cash outflows from derivative financial instruments		-	(23,450)
Dividends paid		(50,000)	(50,000)
Net increase/(decrease) in cash and cash equivalents before the effect of exchange rate changes		121,878	263,622
Effects of exchange rate changes on cash and cash equivalents		110,667	3,137
Net increase/(decrease) in cash and cash equivalents	5	232,545	266,759
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	595,219	507,001
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	827,764	773,760

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Torunlar Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (“Torunlar REIC” or the “Company”) and its subsidiary, TRN Otel İşletmeciliği ve Yatırımları A.Ş. (“TRN”) referred together as a “Group”. The Company was incorporated in 1996 with the trade name of Toray İnşaat Sanayi ve Ticaret A.Ş. in İstanbul, Turkey. With a change in the Articles of Association published on Trade Registry Gazette on 25 January 2008, the Company has been registered with the trade name of Torunlar Gayrimenkul Yatırım Ortaklığı A.Ş. on 21 January 2008. The Company’s stocks have been traded at the Borsa İstanbul since 21 October 2010 and registered to Capital Markets Board (CMB). The Company operates in Turkey. As of 30 September 2018, the total number of the Company’s employees is 125 (31 December 2017: 176) and the main shareholder is the Torun Family.

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

Rüzgarlıbahçe Mahallesi Selvi Çıkmaızı Sokak 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 condensed financial statements for the interim period ended on 30 September 2018 are prepared as consolidated.

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

Company	Operating country	Operating sector	2018 Participation rate %	2017 Participation rate %
TRN Otel İşletmeciliği ve Yatırımları A.Ş.	Turkey	Hotel Management	100	-

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont’d)

Joint Ventures

The Joint Ventures of Torunlar REIC operate in Turkey and their principal activities and joint venture partners as of 30 September 2018 are as follows (Note 2):

<u>Joint Venture</u>	<u>Principal Activity</u>	<u>Joint venture partner</u>
TTA Gayrimenkul Yatırım Geliştirme ve Yönetim A.Ş. (“TTA”)	Shopping mall management	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 year term.

As a result of winning the tender and the agreement made with Samsun Metropolitan Municipality, the earned right as part of the financial leasing is classified as investment property within the scope of 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 TL 450,000 and 50,000 shares which were previously owned by Ahmet Demir and valued nominally as TL 50,000 were transferred to Anaterra Gayrimenkul Yatırım İnşaat ve Ticaret A.Ş. After the transfer, the shareholding structure of TTA is 40% Torunlar REIC, 8% Torunlar Gıda Sanayi Ticaret A.Ş., 1% Aziz Torun, 1% Mehmet Torun and 50% Anaterra Gayrimenkul Yatırım İnşaat ve Ticaret A.Ş. The construction of the TTA Bulvar Samsun Mall project has been started in 2011 and the Mall started to operate in July 2012.

Torunlar Özyazıcı

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

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

As of 31 December 2016, the Torunlar Özyazıcı project partnership, which is a joint venture of the Company, has completed its operations after the sale of all property belonging to the project partnership and completed the dissolution procedures on 30 May 2017. The profit from the dissolution of the project partnership has been accounted in the statement of profit or loss as of 2017.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont’d)

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 AVM and Crowne Plaza Hotel
Netsel Turizm Yatırımları A.Ş. (“Netsel”)	Management of Marmaris Marina

Yeni Gimat

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

Netsel

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

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 TL 0.22 that has been valued at TL 109 as of 12 March 2018. The Group has consolidated TRN Otel İşletmeciliği A.Ş. at the rate of 100% in the interim condensed consolidated financial statements.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.1 Basis of Preparation

Statement of Compliance in TAS

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

The condensed consolidated interim financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013 about the “illustrations of consolidated financial statements and application guidance”.

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

The accompanying condensed consolidated interim financial statements for the period ended 30 September 2018 are prepared in accordance with the Turkish Accounting Standard No:34 “Interim Financial Reporting”. According to TAS 34, entities are allowed to prepare a complete or condensed consolidated set of interim financial statements. In this respect, the Group has preferred to prepare its interim consolidated financial statements for the period as of 31 September 2018 as condensed, and disclosures and notes that are required to be involved in the annual consolidated financial statements prepared according to TAS/IFRS 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 2017; they cannot be interpreted alone as the indicator of the year end performance of the Group. The condensed consolidated interim financial statements of the Group as of 30 September 2018, have been approved by the Board of Directors on 9 November 2018. General Assembly has the right to modify the condensed consolidated interim financial statements.

Summary of Significant Accounting Policies

Significant accounting policies that are used to prepare the Group’s interim condensed financial statements for the period of 30 September 2018 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 2017 dated financial statements. Interim condensed consolidated financial statements must be assessed with the financial statements for the period ended 31 December 2017.

Functional and Presentation Currency

Items included in the interim condensed consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The Group’s functional and presentation currency is thousand TL.

Joint Ventures

Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Group and one or more other parties. The Group exercises such joint control through the power to exercise voting rights relating to shares in the companies as a result of ownership interest directly and indirectly by itself. Joint ventures have been accounted for using the equity method in accordance with clauses of IFRS 11 “Joint Arrangements” which has been effective from 1 January 2013. Under the equity method, investments in the joint ventures are carried in the statement of financial position at cost plus post acquisition changes in the Group’s share of net assets of the joint venture and the comprehensive income reflects the share of the results of operations of the joint ventures. Where there has been a change recognized directly in the equity of the joint ventures, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. When the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method according to the Standard TAS 28.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.1 Basis of Preparation (cont’d)

Joint Ventures (cont’d)

As of 30 September 2018 and 31 December 2017, investments accounted for by the equity method and Joint Ventures which are included in the condensed consolidated interim financial statements by direct and indirect voting rights entity and effective shareholding rates (%) of Torunlar REIC are as follows:

	30 September 2018	31 December 2017
	(%)	(%)
TTA	40.00	40.00

Interest in Joint Ventures on Combined Basis

	30 September 2018	31 December 2017
Current assets	5,668	7,310
Non-current assets	124,913	128,867
Total assets	130,581	136,177
Short-term liabilities	51,293	39,119
Long-term liabilities	36,858	38,307
Equity	42,430	58,751
Total liabilities and equity	130,581	136,177
Net loss for the period	(13,196)	(14,749)

Associates

Investments in Associates, over which the company has significant influence, but which it does not control, are accounted for by the equity method of accounting. The Group’s share of its associates’ post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the company’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.1 Basis of Preparation

Associates (cont’d)

Torunlar REIC’s direct and indirect voting rights as of 30 September 2018 and 31 December 2017 are as follows (%):

	30 September 2018	31 December 2017
	(%)	(%)
Netsel	44.60	44.60
Yeni Gimat	14.83	14.83

Interest in associates on combined basis (*)

	30 September 2018	31 December 2017
Total assets	2,019,218	1,981,809
Total liabilities	36,884	32,806
Net profit for the period	164,854	195,985

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

Interest in Yeni Gimat

	30 September 2018	31 December 2017
Total assets	1,990,411	1,954,235
Total liabilities	26,567	19,698
Net profit for the period	156,315	189,964

Interest in Netsel

	30 September 2018	31 December 2017
Total assets	28,807	27,574
Total liabilities	10,317	13,108
Net profit for the period	8,539	6,021

Offsetting

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

Going concern

The condensed consolidated interim financial statements have been prepared on a going concern basis.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.2. Changes in Accounting Policies

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

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 year 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) Amendments to TFRSs that are mandatorily effective for the current year

TFRS 9	<i>Financial Instruments</i>
TFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to TFRS 2	<i>Classification and Measurement of Share-Based Payment Transactions</i>
TFRS Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
Amendments to TAS 40	<i>Transfers of Investment Property¹</i>
Annual Improvements to TFRS Standards 2014–2016 Cycle	<i>TFRS 1 , TAS 28</i>

TFRS 9 *Financial Instruments*

TFRS 9 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting and supersedes TAS 39 Financial Instruments: Recognition and Measurement standard.

Key requirements of TFRS 9:

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.4. New and Revised Turkish Accounting Standards (cont’d)

- a) Amendments to TFRSs that are mandatorily effective for the current year (cont’d)

TFRS 9 *Financial Instruments* (cont’d)

Key requirements of TFRS 9 (cont’d):

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

The impact of TFRS 9 on the Group’s interim condensed consolidated financial statements are explained below.

Classification and Measurement of Financial Instruments

Regarding the requirements for classification and measurement of TFRS 9, no material effect has been observed in the Group’s equity. As already measured, the financial assets at fair value have been still measured at fair value.

Trade receivables carried at amortized cost (Note 8) are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Provision amounting to TL 2,138 was provided as of 30 September 2018 after the application of TFRS 9.

Impairment

Financial assets measured at amortized cost will be subject to the impairment provisions of TFRS 9.

The Group expects to apply the simplified approach to recognize lifetime expected credit losses for its trade receivables, finance lease receivables and amounts due from customer under construction contracts as required or permitted by TFRS 9.

TFRS 9 “Financial Instruments” Standard, the last version of which is issued on 19 January 2017, changes the present applications in TAS 39 “Financial Instruments: Recognition and Measurement” standard. Applications related to recognition, classification, measurement and derecognition of financial instruments in TAS 39 are transferred to TFRS 9. The last version of TFRS 9 comprises applications issued in the previous versions of TFRS 9 that is issued incrementally, including a new expected credit loss model in order to calculate impairment in financial assets and the updated applications related to new hedge accounting applications. TFRS 9 is effective for annual accounting periods starting on 1 January 2018 and after.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.4. New and Revised Turkish Accounting Standards (cont’d)

a) Amendments to TFRSs that are mandatorily effective for the current year (cont’d)

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

The standard did not have any effect on the Group’s financial position and performance.

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

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

Amendments to IFRS 10 and TAS 28 have no impact on Group’s condensed consolidated interim financial statements.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.4. New and Revised Turkish Accounting Standards (cont’d)

a) Amendments to TFRSs that are mandatorily effective for the current year (cont’d)

Amendments to TFRS 2 Classification and Measurement of Share-Based Payment Transactions

The amendments clarify the standard in respect of the share-based payment arrangement has a ‘net settlement feature’, such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

Amendments to TFRS 2 have no impact on the Group’s condensed consolidated interim financial statements.

TFRS Interpretation 22 Foreign Currency Transactions and Advance Consideration

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

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

The Interpretations Committee came to the following conclusion:

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

TFRS Interpretation 22 has no impact on the Group’s condensed consolidated interim financial statements.

Amendments to TAS 40 Transfers of Investment Property

The amendments to TAS 40:

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

Amendments to TAS 40 have no impact on the Group’s condensed consolidated interim financial statements.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.4. New and Revised Turkish Accounting Standards (cont’d)

a) Amendments to TFRSs that are mandatorily effective for the current year (cont’d)

Annual Improvements to TFRS Standards 2014–2016 Cycle

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

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

b) New and revised TFRSs in issue but not yet effective

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

TFRS 16	<i>Leases</i> ¹
Amendments to TAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
TFRS Interpretation 23	<i>Uncertainty over Income Tax Treatments</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

TFRS 16 Leases

TFRS 16 specifies how a TAS reporter will recognise, measure, present and disclose leases and supersedes TAS 17 “Leases”. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with TFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, TAS 17.

Amendments to TAS 28 Long-term Interests in Associates and Joint Ventures

This amendment clarifies that an entity applies TFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.4. New and Revised Turkish Accounting Standards (cont’d)

b) New and revised TFRSs in issue but not yet effective (cont’d)

TFRS Interpretation 23 Uncertainty over Income Tax Treatments

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under TAS 12.

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

2.5 Critical Accounting Estimates, Assumptions and Judgements

Critical judgments in applying the Group’s accounting policies

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

The preparation of condensed consolidated interim financial statements requires the use of assumptions and estimates that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues expenses which are reported throughout the period. Even though, these assumptions and estimates rely on the best estimates of the Group management; the actual results might differ from them. The assumptions and critical accounting estimates used in order to prepare the condensed consolidated interim financial statement as of 30 September 2018 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 2017, fair values of the investment properties are determined by independent valuation expert; Lotus Gayrimenkul Danışmanlık ve Değerleme A.Ş. The Group assumes that expenditure amount on investment property has an equivalent effect on fair value of related real estate. Since the valuation reports are performed once a year, the fair values of the investment properties determined by the valuation reports are 2017 used for 30 September 2018 condensed consolidated interim financial statements. As of 30 September 2018, the Group management has assessed the effects on the fair values of the related real estates, and a material impairment risk has not been determined as a result of this assessment.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.5 Critical Accounting Estimates, Assumptions and Judgements (cont’d)

Fair values of investment properties (cont’d)

Significant estimates and assumptions disclosed in the financial statements as of 30 September 2018 and 31 December 2017 are as follows:

	Valuation report date	Valuation method	Discount rate (*)	Rent increase rate p.a	Capitalization rate	Comparable m ² prices in full TL
Antalya Deepo Shopping Mall	5 January 2018	Discounted cash flow	11%	3%	3%	-
Mall of Antalya	5 January 2018	Discounted cash flow	11%	3%	3%	-
Antalya Kepez lands	5 January 2018	Sale comparison	-	-	-	250-1.805
Bursa Korupark Shopping	5 January 2018	Discounted cash flow	11%	3%	3%	-
Torium Shopping Mall	5 January 2018	Discounted cash flow	11%	3%	3%	-
Bursa Zafer Plaza Shopping Mall	5 January 2018	Discounted cash flow	11%	3%	3%	-
İstanbul İstanbul Shopping Mall	5 January 2018	Discounted cash flow	11%	3%	3%	-
Torun Tower	5 January 2018	Sale comparison	-	-	-	8.120-26.440
Paşabahçe project	5 January 2018	Discounted cash flow	11%	4%	4%	3.010-10.100
İstanbul İkitelli						
Kayabaşı land	5 January 2018	Sale comparison	-	-	-	875
İstanbul Beyoğlu						
Kemankeş building	5 January 2018	Sale comparison	-	-	-	38.450-39.700
Bursa Korupark						
independent areas	5 January 2018	Sale comparison	-	-	-	500-4.340
Mall of İstanbul						
residents and offices	5 January 2018	Sale comparison	-	-	-	5.127-10.000
Mall of İstanbul hotel						
convention center and						
residence project	5 January 2018	Discounted cash flow	11%	3%	3%	-
Torun Center	5 January 2018	Sale comparison	-	-	-	10.165 - 25.715

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

If all the variables in the valuations of the real estates with the fair value of TL 5,498,739 valued using the income approach as of 31 December 2017 were fixed and the discount rate used was more than 0.5% and less than 0.5%, the fair values would have been TL 27,494 lower and TL 27,494 higher.

- The Antalya Deepo Shopping Center and Mall of Antalya, which were established on an area of 84,503.61 m² on the territory of Antalya Province, Merkez District, Koyunlar Village, which the Group classified under investment properties as of 30 September 2018 and 31 December 2017. It was opened in October 2004 and 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 5 January 2018 with the report number 2017-581 the aforementioned property’s fair value is TL 578,000 as at 31 December 2017.

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

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.5 Critical Accounting Estimates, Assumptions and Judgements (cont’d)

Fair values of investment properties (cont’d)

- ii. The Group has 57,680 m² of land in the province of Antalya, Merkez District, Koyunlar Village, which is classified under investment properties as of 30 September 2018 and 31 December 2017. Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, as at 5 January 2018 with the report number 2017-579 the aforementioned property’s fair value is TL 78,010 as at 31 December 2017.
- iii. The Bursa Korupark Shopping Center, which was established on the area of 53,185.61 m² in Bursa Province, Osmangazi District, Emek Village, which is classified under investment properties as of 30 September 2018 and 31 December 2017, has been put into service on May 2007. The Management of Shopping Center is conducted by Torun Alışveriş Merkezleri Yatırım ve Yönetim A.Ş. Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report with the number 2017-575, Capital Markets Board’s Serie: IV No:1 Communiqué, dated 5 January 2018, at 31 December 2017, the aforementioned property’s fair value is TL 1,293,000.
- iv. The Mall of İstanbul Shopping Center, which was established on the rentable area of 181,295 m² in İstanbul Province, Başakşehir District, İkitelli – 2 Neighborhood, which is classified under investment properties as of 30 September 2018 and 31 December 2017, has been put into service on 23 May 2014. The management of Shopping Center is conducted by Torun Alışveriş Merkezleri Yatırım ve Yönetim A.Ş. Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 5 January 2018 with the report number 2017-566, the aforementioned property’s fair value is TL 1,860,000 as at 31 December 2017.
- v. As of 30 September 2018 and 31 December 2017, 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 5 January 2018 with the report number 2017-568, the aforementioned property’s fair value is TL 465,200 as at 31 December 2017.
- vi. As of 30 September 2018 and 31 December 2017, 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 5 January 2018 with the report number 2017-570, the aforementioned property’s fair value is TL 754,600 as at 31 December 2017.

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2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont'd)

2.5 Critical Accounting Estimates, Assumptions and Judgements (cont'd)

Fair values of investment properties (cont'd):

- vii. On the 11,099 m² land located in İstanbul - Şişli 2nd District - which is classified under investment property as of 30 September 2018 and 31 December 2017, 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 5 January 2018 with the report number 2017-563, the aforementioned property's fair value is TL 1,532,000 as at 31 December 2017.
- viii. Bursa Zafer Plaza located on the 9,622 m² land in Bursa - Osmangazi Şehreküstü District - which is classified under investment property as of 30 September 2018 and 31 December 2017 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, dated 5 January 2018 with the report number 2017-574, the aforementioned property's fair value is TL 291,600 as at 31 December 2017.
- ix. The Group owns 60,833 m² land located in İstanbul - Küçükçekmece Kayabaşı District - which is classified under investment property as of 30 September 2018 and 31 December 2017. The usage of this land has not been determined by the management as of balance sheet date and the land is retained for capital appreciation. Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 5 January 2018 with the report number 2017-569 the aforementioned property's fair value is TL 53,230 as at 31 December 2017.
- x. The Group owns a building located on 1,501 m² land in İstanbul - Beyoğlu Kemankeş District - which is classified under investment property as of 30 September 2018 and 31 December 2017. The building is planned to be renovated as a hotel. Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 5 January 2018 with the report number 2017-571 the aforementioned property's fair value is TL 58,170 as at 31 December 2017.

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2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (cont’d)

2.5 Critical Accounting Estimates, Assumptions and Judgements (cont’d)

Fair values of investment properties (cont’d):

- x. As at 30 September 2018 and 31 December 2017 separate unit of Bursa Korupark Shopping Mall located in Bursa - Osmangazi Emek district which is classified under investment properties includes a dolphin pool, social recreation areas, office and depots. Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 5 January 2018 with the report number 2017-576 the aforementioned property’s fair value is TL 20,613 as at 31 December 2017.
- xii. The Group has started to Mall of Istanbul Hotel, Convention Center and Office Project on 18,209 m² land located in İstanbul-Başakşehir district which is classified under investment properties as of 30 September 2018 and 31 December 2017. Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 5 January 2018 with the report number 2017-565 the aforementioned property’s fair value is TL 256,339 as at 31 December 2017.
- xiii. The Group has rented 22 units consisting of 20 offices and 2 residents with a rentable area of 2,177 m² which is located in Istanbul Province, Başakşehir-İkitelli-2 District and is classified under investment properties as of 30 September 2018 and 31 December 2017. Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 5 January 2018 with the report number 2017-564, the aforementioned property’s fair value is TL 19,080 as at 31 December 2017.
- xiv. The Group, as of 30 September 2018 and 31 December 2017, with the final decision that has been given in the context of Group’s business plan, plans to lease in 2017 the rentable area of 68,673 m² which consists of workplaces, offices and commercial units. This area which is located in Torun Center Project in Istanbul Province, Şişli District, Dikilitaş Neighborhood, is classified under investment property as of 31 December 2017 in the consolidated financial statements. Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, dated 5 January 2018 with the report number 2017-562 the aforementioned property’s fair value is TL 1,022,687 as at 31 December 2017.

2.6 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 2014 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. EQUITY INVESTMENTS

	30 September 2018		31 December 2017	
	(%)	TL	(%)	TL
Yeni Gimat	14.83%	291,238	14.83%	286,891
TTA	40.00%	16,972	40.00%	22,250
Netsel	44.60%	7,672	44.60%	6,452
		315,882		315,593

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
At the beginning of the period	315,593	311,991	328,158	296,155
Income and expenses from associates, (net)	26,988	8,131	17,036	6,028
Dividends received from associates	(19,386)	-	(18,761)	-
Liquidation effect of Torunlar-Özyazıcı(*)	-	-	(23,965)	-
Treasury shares (**)	(2,035)	(548)	-	-
Profit or losses from joint ventures, (net)	(5,278)	(3,692)	(351)	(66)
At the End of the Period	315,882	315,882	302,117	302,117

(*) Torunlar Özyazıcı project partnership, which used to be a joint venture of the Group, was terminated after the sale of all of the properties belonging to the project partnership on 30 May 2017. Profit amounting to TL 4,301 as a result of the liquidation of the project partnership has been accounted in the statement of profit or loss and other comprehensive income dated 30 September 2018.

(**) Group’s subsidiary of Yeni Gimat GYO, is a 100% subsidiary of the Anadolu Gayrimenkul Yönetimi A.Ş. As a result of the merger in 2017 the repurchase transaction which is held by the subsidiary between 8 March and 2 May 2018, the shares are classified as treasury shares amounting to TL 2,035.

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

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Yeni Gimat	23,182	8,133	16,136	5,399
TTA	(5,278)	(3,692)	(351)	(66)
Netsel	3,806	(2)	900	629
Total	21,710	4,439	16,685	5,962

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

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4. SEGMENT REPORTING

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

a) The segment information for the reportable segments as of and for the period ended 30 September 2018 is as follows;

	Total revenue from departments	Gross profit	Operating gain/ loss	Income / (expense) from subsidiaries	Finance expenses, net	Profit/(loss) from operations before tax	Capital expenditures (*)
Offices and shopping malls for rent							
Mall of İstanbul Shopping Mall	175,142	135,381	126,151	-	-	126,151	1,762
Korupark Shopping Mall	97,206	79,048	78,549	-	-	78,549	1,342
Torun Tower	62,395	64,070	62,397	-	-	62,397	-
Torium Shopping Mall	42,336	20,058	18,571	-	-	18,571	49,171
Zafer Plaza Shopping Mall	24,300	17,722	17,566	-	-	17,566	-
Antalya Deepo Shopping Mall	28,528	21,795	21,791	-	-	21,791	-
Mall of Antalya Shopping Mall	30,794	19,322	16,603	-	-	16,603	13,337
Antalya Kepez Lands	-	-	-	-	-	-	-
Korupark independent areas	471	471	36	-	-	36	-
Torun Center	1,653	462	462	-	-	462	1,229
Subtotal	462,825	358,329	342,126	-	-	342,126	66,841
Residences and office projects							
Torun Center	21,203	7,799	2,228	-	-	2,228	11,809
Korupark 3rd phase residences	2,771	1,789	1,685	-	-	1,685	-
Mall of İstanbul	-	-	-	-	-	-	3
Torium residences	-	-	-	-	-	-	-
Nishistanbul Project	49	49	(33)	-	-	(33)	-
Subtotal	24,023	9,637	3,880	-	-	3,880	11,812
Projects under construction							
5. Levent Project (**)	1,181,584	364,654	357,149	-	-	357,149	363,543
Paşabahçe project (***)	-	-	-	-	-	-	11,450
Mall of İstanbul hotel convention center and residence project	-	-	-	-	-	-	28,073
Properties held for new projects							
Mall of İstanbul 3rd Phase (Note 9)	-	-	-	-	-	-	-
Kayabaşı land	-	-	-	-	-	-	-
Kemankeş building	-	(45)	(45)	-	-	(45)	-
Associates							
ANKA mall and Hotel (Yeni Gimat)	-	-	-	23,182	-	-	-
Netsel	-	-	-	3,806	-	-	-
TTA	-	-	-	(5,278)	-	-	-
Unallocated	-	194	90,409	-	(1,857,653)	(1,745,534)	-
Total	1,668,432	732,769	793,519	21,710	(1,857,653)	(1,042,424)	481,719

(*) Capital 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.

(***) TL 7,384 of costs for the period comprises capitalization of interest and currency differences under TAS 23. (Note 15)

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4. SEGMENT REPORTING (cont’d)

b) The segment information for the reportable segments as of and for the period ended 30 September 2017 is as follows:

	Total revenue from departments	Gross profit	Operating gain/(loss)	Income / (expense) from subsidiaries	Finance expenses, net	Profit/(loss) from operations before tax	Capital expenditures (*)
Offices and shopping malls for rent							
Mall of İstanbul Shopping Mall	137,121	104,071	102,146	-	-	102,146	4,806
Korupark Shopping Mall	80,045	65,939	65,939	-	-	65,939	641
Torun Tower	55,681	57,590	57,586	-	-	57,586	-
Torium Shopping Mall	38,132	19,944	19,936	-	-	19,936	5,267
Zafer Plaza Shopping Mall	20,700	15,097	15,097	-	-	15,097	-
Antalya Deepo Shopping Mall and Mall of Antalya	28,285	14,177	11,330	-	-	11,330	77,186
Antalya Kepez Lands	165	165	165	-	-	165	-
Korupark independent areas	245	245	245	-	-	245	-
Torun Center	31	23	23	-	-	23	2,626
Subtotal	360,405	277,251	272,467	-	-	272,467	90,526
Residences and office projects							
Torun Center	59,511	29,980	23,312	-	-	23,312	17,444
Korupark 3rd phase residences	7,122	4,845	3,714	-	-	3,714	-
Mall of İstanbul	-	-	-	-	-	-	62
Torium residences	-	-	-	-	-	-	-
Nishistanbul Project	2,246	1,594	1,453	-	-	1,453	-
Subtotal	68,879	36,419	28,479	-	-	28,479	17,506
Projects under construction							
5. Levent Project	703	703	(3,489)	-	-	(3,489)	410,670
Torun Center	-	-	-	-	-	-	-
Mall of İstanbul hotel convention center and residence project	-	-	-	-	-	-	7,633
Properties held for new projects							
Paşabahçe land	-	-	-	-	-	-	-
Kayabaşı land	-	-	-	-	-	-	-
Kemankeş building	-	-	-	-	-	-	-
Associates							
ANKAmall and Hotel (Yeni Gimat)	-	-	-	16,136	-	16,136	-
Netsel	-	-	-	900	-	900	-
TTA	-	-	-	(351)	-	(351)	-
Unallocated	369	1,301	-	-	(199,800)	(199,800)	-
Total	430,356	315,674	297,457	16,685	(199,800)	114,342	526,335

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

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5. CASH AND CASH EQUIVALENTS

	30 September 2018	31 December 2017
Cash on hand	3	1
Cash at banks	831,678	602,340
<i>Demand deposits</i>	2,788	829
<i>Time deposits up to 3 months maturity</i>	828,890	601,511
Other cash equivalents	339	91
	832,020	602,432

As of 30 September 2018 and 31 December 2017, cash and cash equivalents in the statements of cash flows are as follows:

	30 September 2018	31 December 2017
Cash and cash equivalents	832,020	602,432
Less: Interest accrual of time deposits	(4,256)	(7,213)
Cash and cash equivalents in the statement of cash flows	827,764	595,219

Maturities of cash and cash equivalents are as follows:

	30 September 2018	31 December 2017
Up to 30 days	720,614	602,432
30 - 90 days	111,406	-
	832,020	602,432

As of 30 September 2018, the Group does not have 90 days or more time deposits classified as financial investments. (31 December 2017: None).

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

	30 September 2018		31 December 2017	
	Original Amount	TL Equivalent	Original Amount	TL Equivalent
US Dollar	29,941	179,351	46,689	176,108
Euro	44,630	310,202	3,009	13,586
Other	1	9	1	5
		489,562		189,699

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

	30 September 2018	31 December 2017
	(%)	(%)
US Dollar	6.18%	4.05%
Euro	3.04%	2.12%
Turkish Lira	29.10%	14.76%

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6. FINANCIAL LIABILITIES

Financial Liabilities

	30 September 2018	31 December 2017
Financial borrowings		
Bank borrowings	587,392	469,671
Short term financial borrowings	587,392	469,671
Current portion of long-term borrowings	1,822,443	374,690
Finance leases	37,497	21,682
Short-term portions of long-term borrowings	1,859,940	396,372
Bank borrowings	2,814,789	2,669,391
Finance leases	71,296	71,042
Long-term borrowings	2,886,085	2,740,433
Total borrowings	5,333,417	3,606,476

As of 30 September 2018, there are mortgages amounting to TL 2,710,522 (31 December 2017: TL 1,438,978) given to the banks regarding the financial liabilities amounting to TL 8,366,859 (31 December 2017: TL 4,885,676) on the investment properties.

a) Bank borrowings

	30 September 2018	31 December 2017
Short-term bank borrowings	587,392	469,671
Current portion of long-term borrowings	1,822,443	374,690
Long-term bank borrowings	2,814,789	2,669,391
Total borrowings	5,224,624	3,513,752

30 September 2018	Weighted avg. effective interest (*) (%)	Currency	Original amount	TL equivalent
Short-term bank borrowings	15.22	TL	273,563	273,563
	5.04	US Dollar	15,981	95,729
	2.50	Euro	31,379	218,100
Current portion of long-term borrowings	15.16	TL	59,399	59,399
	5.68	US Dollar	261,669	1,567,450
	4.00	Euro	28,141	195,594
Long-term bank borrowings	15.16	TL	178,190	178,190
	5.68	US Dollar	265,003	1,587,421
	4.00	Euro	150,950	1,049,178
Total bank borrowings				5,224,624

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6. FINANCIAL LIABILITIES (cont’d)

31 December 2017	Weighted avg. effective interest (*) (%)	Currency	Original amount	TL equivalent
Short-term bank borrowings	14.75	TL	312,123	312,123
	2.00	Euro	34,891	157,548
Current portion of long-term borrowings	14.75	TL	61,550	61,550
	5.84	US Dollar	58,902	222,173
	3.47	Euro	20,146	90,967
Long-term bank borrowings	14.75	TL	248,566	248,566
	5.47	US Dollar	515,037	1,942,667
	3.94	Euro	105,893	478,158
Total bank borrowings				3,513,752

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

The repayment schedule for long-term bank borrowings as of 30 September 2018 and 31 December 2017 is as follows:

	30 September 2018	31 December 2017
2018	-	1,585,968
2019	1,517,816	452,846
2020	519,855	314,326
2020 and beyond	777,118	316,251
	2,814,789	2,669,391

b) Finance leases

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

	30 September 2018	31 December 2017
Up to 1 year	37,497	21,682
1 years - 5 years	71,296	71,042
	108,793	92,724

Finance leases consist of US Dollar and EUR. The Group has a finance leases obligation of 3.56% interest rate with original currency of EUR 15,164 and interest rate of 4.95% with original currency US Dollar 567 (31 December 2017: US Dollar 688 and EUR 20,891) as of 30 September 2018.

As of 30 September 2018, 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 OTHER SHORT-TERM AND LONG-TERM LIABILITIES

Short-Term Prepaid Expenses	30 September 2018	31 December 2017
Advances given	32,762	44,339
Prepaid expenses	1,705	8,216
	34,467	52,555

Long-Term Prepaid Expenses	30 September 2018	31 December 2017
Advances given (*)	970	89,651
Prepaid expenses	3,356	3,351
	4,326	93,002

(*) As of 31 December 2017, advances given amounting to TL 88,680 is related with purchased land which is 12,131.79 m² and located near Mall Of İstanbul. The Group has been purchased from Başakşehir Municipality with an amount of 75,100 TL + VAT on 10 January 2018 and presented as under investment property in 2018.

Short-Term Deferred Income	30 September 2018	31 December 2017
Advances received (**)	153,591	1,164,658
Deferred income	-	11,852
	153,591	1,176,510

(**) As of 30 September 2018, advances received amounting to TL 125,347 consist of the sales commitments regarding the offices and residential units of 5.Levent Project, TL 10,761 for Torun Center Project, TL 678 for Korupark 3rd Phase and remaining TL 11,729 for Mall of İstanbul and TL 5,076 consist of other advances (31 December 2017: TL 1,153,027 5. Levent Project, TL 6,578 Torun Center Project, 672 TL Korupark 1st-2nd-3rd Phase and remaining TL 4,381 other advances).

Other Short-Term Liabilities	30 September 2018	31 December 2017
Short-term liabilities for project costs (*)	164,938	-
Other	1,424	5,172
	166,362	5,172

Other Long-Term Liabilities	30 September 2018	31 December 2017
Long-term liabilities for project costs (*)	50,420	-
	50,420	-

(*) It comprises cost liabilities regarding 5. Levent project land share.

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8. TRADE RECEIVABLES AND PAYABLES

Current trade receivables	30 September 2018	31 December 2017
Trade receivables	74,616	48,174
Notes receivables (*)	75,629	122,252
Trade receivables from related parties	23,044	3,882
Checks received	10,571	8,567
Less: Allowance for doubtful receivables	(12,293)	(10,244)
	171,567	172,631

Non-current trade receivables	30 September 2018	31 December 2017
Notes receivables (*)	15,067	33,498
	15,067	33,498

(*) As of 30 September 2018, TL 73,474 of long term and short term notes receivable are related to 5. Levent project, TL 1,042 of Mall of Istanbul Project, TL 3,038 of Korupark 3. Phase resident project, TL 3,939 of Torun Center, TL 4,921 of Shopping Mall lessee and the remaining TL 4,282 consist of other notes receivables (31 December 2017: 5.Levent Project TL 146,916, Mall of İstanbul TL 2,047, Korupark 3. Phase TL 5,997, other notes receivables TL 790).

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

Movement of provision for doubtful receivables	30 September 2018	30 September 2017
Opening balance	(10,244)	(6,732)
Provision provided during the period	(2,049)	(6,118)
Provisions no longer required	-	573
Closing balance	(12,293)	(12,277)

Aging of provision for doubtful receivables is as follows:

	30 September 2018	30 September 2017
3 to 6 months	-	(1,192)
Over 6 months	(10,244)	(11,085)
	(10,244)	(12,277)

Short-term trade payables	30 September 2018	30 September 2017
Trade payables	89,665	103,553
Trade payables to related parties	14,685	11,171
Notes payable	2,464	4,500
	106,814	119,224

As of 30 September 2018 and 31 December 2017, majority of trade payables consist of payables to subcontractors relating to projects in progress.

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9. INVESTMENT PROPERTIES

Movement schedule of investment properties as of 30 September 2018 and 31 December 2017:

	1 January 2018	Additions	Disposals	Transfers	Change in fair value	30 September 2018
Shopping Malls and Offices						
MOI Shopping Mall	1,860,000	1,763	-	-	-	1,861,763
Torun Tower	1,532,000	-	-	-	-	1,532,000
Bursa Korupark Shopping Mall	1,293,000	1,342	-	-	-	1,294,342
Torun Center	1,022,687	1,229	-	-	-	1,023,916
Torium Shopping Mall (*)	465,200	49,171	-	-	-	514,371
Antalya Deepo Shopping Mall and Mall of Antalya	578,000	13,337	-	-	-	591,337
Bursa Zafer Plaza Shopping Mall	291,600	-	-	-	-	291,600
Mall of İstanbul Residences and offices	19,080	3	-	-	-	19,083
Korupark independent areas	20,613	-	-	-	-	20,613
Investment properties under construction						
Mall of İstanbul hotel, congress center and residence project	256,339	28,076	-	-	-	284,415
Paşabahçe project (***)	754,600	11,450	-	-	-	766,050
Properties held for new-projects						
Antalya Kepez Lands	78,010	-	-	-	-	78,010
Kemankeş building	58,170	45	-	-	-	58,215
Kayabaşı land	53,230	-	-	-	-	53,230
Mall of İstanbul 3rd Phase (**)	-	75,100	-	-	-	75,100
	8,282,529	181,516	-	-	-	8,464,045

(*) Expenditures made during the period comprise investment expenses of student residences that are planned to be constructed in the Torium Shopping Mall.

(**) The Group Management paid the cost for the real estate that is registered in İstanbul city, Başakşehir district, İkitelli-2 neighbourhood, Block 858, Lot 3 as 12,131.79 m², in 2013 and recognized it under “Prepaid expenses”. Since the deed transfer of the land was occurred from Başakşehir Municipality on 10 January 2018, it was presented “Investment Property” as of 30 September 2018.

(***) TL 7,384 of costs for the period comprises capitalization of interest and currency differences under TAS 23. (Note 15)

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9. INVESTMENT PROPERTIES (cont’d)

	1 January 2017	Additions	Disposals	Transfers	Change in fair value	30 September 2017
Shopping Malls and Offices						
MOI Shopping Mall	1,640,914	4,806	-	-	-	1,645,720
Torun Tower	1,492,410	-	-	-	-	1,492,410
Bursa Korupark Shopping Mall	1,201,798	641	-	-	-	1,202,439
Torun Center	1,028,193	2,626	-	-	-	1,030,819
Torium Shopping Mall	525,190	5,267	-	-	-	530,457
Antalya Deepo Shopping Mall and Mall of Antalya (*)	513,370	77,186	-	-	-	590,556
Bursa Zafer Plaza Shopping Mall	329,020	-	-	-	-	329,020
Mall of İstanbul						-
Residences and Offices	24,441	62	-	-	-	24,503
Korupark independent areas	21,730	-	-	-	-	21,730
Investment properties under construction						
Mall of İstanbul hotel congress center and office Project	206,861	7,571	-	-	-	214,432
Properties held for new-projects						
Paşabahçe land (**)	607,330	-	-	-	-	607,330
Antalya Kepez Lands	61,650	-	-	-	-	61,650
Kemankeş building	51,731	-	-	-	-	51,731
Kayabaşı land	49,246	-	-	-	-	49,246
	7,753,884	98,159	-	-	-	7,852,043

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

(**) The Group has purchased a see-side in Bosphorus after a successful tender at a price of TL 355 million from Privatization Administration. Mentioned 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 as 827 m² and buildings on these real estates. Title deed processes of real estates have been completed as of 20 September 2012. Torunlar REIC is planning to develop a project on this land which will include a five-star hotel and apart hotel. The management of the hotel and apart hotel that are planned to be constructed will be held by TRN, the subsidiary of the Group.

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9. INVESTMENT PROPERTIES (cont’d)

Mortgages on investment properties regarding bank borrowings as at 30 September 2018 and 31 December 2017 are as follows:

	30 September 2018	31 December 2017		30 September 2018	31 December 2017
	Original Amount	Original Amount	Currency Type		
Torun Tower	390,000	390,000	US Dollar	2,336,178	1,471,041
Paşabahçe project	375,000	375,000	US Dollar	2,246,325	1,414,463
Mall of İstanbul Shopping Mall	150,000	150,000	US Dollar	898,530	565,785
Mall of İstanbul Shopping Mall	406,399	406,399	TL	406,399	406,399
Bursa Korupark Shopping Mall	225,000	225,000	Euro	1,563,863	1,015,989
Antalya Deepo Shopping Mall and Mall of Antalya	130,000	-	Euro	903,565	-
Mall of İstanbul 2nd Phase	12,000	12,000	TL	12,000	12,000
				8,366,860	4,885,677

10. INVENTORIES

	30 September 2018	31 December 2017
Short-term inventories		
Residences and office projects		
Completed Projects		
- Torun Center project (*)	293,366	301,326
- Mall of İstanbul project (**)	29,094	30,558
- Nishistanbul (***)	12,495	12,495
- Korupark 3rd phase (****)	2,684	3,560
- Torium (*****)	438	438
Non-Completed Projects		
- 5.Levent project (*****)	658,865	961,806
- Torun center project (*)	321,043	314,815
	1,317,985	1,624,998

Impairment provision amounting to TL 67 has been recognised for Torium Residences (31 December 2017: TL 67); TL 1,448 (31 December 2017: 1,448) for Nishistanbul total of TL 1,515 (31 December 2017: TL 1,515) as of 30 September 2018.

(*) 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. 81 residences, 46 offices and 39 Horizontal offices have been delivered in this context the Group has recognised revenue amounting to TL 560,242 as of 30 September 2018. (31 December 2017: 81 residences, 45 offices and 39 horizontal offices and in this context the Group has collected revenue TL 541,849). As of 30 September 2018, the Group did not capitalized any financial expense during Torun Center Project (31 December 2017: None).

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10. INVENTORIES (cont'd)

(**) Construction license of Mall of İstanbul Project was taken on 18 March 2011. The Project with 656,528 m² construction area comprising 129,186 m² shopping mall, 97,700 m² residence, 8,433 m² office and 421,209 m² is mixed-use project. Project construction has started in March 2011. Residence and office transfers started on 24 December 2013 and the shopping mall opened its door to the visitors on 23 May 2014. Based on the valuation report numbered 2011/TGYO/10 and dated 31 March 2011, which was prepared by Prime Gayrimenkul Değerleme ve Danışmanlık A.Ş., the fair value of land including 146,039 m² sellable residences and offices was determined as TL 203,233 and the value of land belonging to residences and offices to be sold after Project completion has been transferred to inventories. The Group has started to deliver the projects on 24 December 2013 and has delivered 1,078 residences, 133 offices and 21 horizontal offices and in this context the Group has recognised revenue amounting TL 984,897 as of 30 September 2018. As of 30 September 2018, 1 residence has been delivered and TL 361 final sales income from this sale (31 December 2017: 1,077 residences, 133 offices and 21 horizontal offices and in this context the Group has recognised revenue amounting TL 623,824).

(***) There are 1 offices (gross 260 m²) and 7 retail units (gross 1,718 m²) registered in Nishistanbul project in İstanbul, Yenibosna, plate 243DS3A, Block 338, and Lot 1.

(****) In the context of 3rd phase of the Korupark project, there are 17 blocks, 678 residences and 2 offices where on 20 March 2011 construction and on 30 April 2011 pre-sales started. As of 30 September 2018, 667 residences were sold with 100,204 m² and transferred to buyers (31 December 2017: 99,532 m 663 residences).

(*****) As of 30 September 2018, 53 residences (gross 5.723 m²), from the total 51 sellable units (gross 5.534 m²) have been sold and 2 residential units have been remained with gross 189 m² in the Group inventories. There was no delivered real estate in the first 6 months of 2018.

(*****) As of 30 Sseptember 2018, 53 residences (gross 5.723 m²), from the total 51 sellable units (gross 5.534 m²) have been sold and 2 residential units have been remained with gross 189 m² in the Group inventories. There was no delivered real estate in the first 6 months of 2018.

(*****) As of 30 September 2018, 1,690 residences were sold and transferred to buyers. (31 December 2017: 173)

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11. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities are as follows:

	30 September 2018	31 December 2017
Collaterals received	161,339	201,867

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

In consideration with the present contract terms, the totals of expected minimum operational lease revenues as of 30 September 2018 and 31 December 2017 are as follows:

	30 September 2018	31 December 2017
Between 0-1 years	580,000	518,832
Between 1-5 years	3,498,000	1,594,887
Between 5-10 years	6,916,000	4,319,737

The minimum operational lease revenue represents lease revenue from Mall of İstanbul, Torun Tower, Mall of Antalya, Torun Center, Korupark Shopping Mall, Torium Shopping Mall, Zafer Plaza Shopping Mall and Deepo Shopping Mall and the lease revenues from ANKAmall, Crowne Plaza Otel and Netsel Marina that are owned by Yeni Gimat-associate of the Group and Bulvar Samsun shopping mall that is owned by joint ventures are not included in minimum operational lease revenue.

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11. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

Below are the amounts of collaterals, pledges and mortgages of the Group as of 30 September 2018 and 31 December 2017:

	30 September 2018	31 December 2017
CPM's given by the company		
Collaterals, Pledges, Mortgages ("GPM")		
A.CPM's Given for Its Own Legal Personality	8,545,142	4,995,799
B.CPM's Given on Behalf of Fully Consolidated Companies	-	-
C. CPM's Given for Continuation of its Economic Activities on Behalf of Third Parties	-	-
D. Total Amount of Other CPM's		
i) Total Amount of CPM's Given on Behalf of the Majority Shareholder	-	-
ii) Total Amount of CPM's Given to on Behalf of Other Group Companies hich are not in Scope of B and C	-	-
iii) Total Amount of CPM's Given on Behalf of Third Parties which are not in Scope of C	-	-
	8,545,142	4,995,799

The ratio of the other CPMs issued by the entity to the Group's own equity is 0% as of 30 September 2018 (31 December 2017: 0%).

As of 30 September 2018 mortgages on investment properties of the Group is TL 8,366,860 (31 December 2017: TL 4,885,676).

	30 September 2018		31 December 2017	
	Foreign currency	TL equivalent	Foreign currency	TL equivalent
US Dollar	915,000	5,481,033	915,000	3,451,289
Euro	355,000	2,467,428	225,000	1,015,988
TL	418,399	418,399	418,399	418,399
		8,366,860		4,885,676

The lease revenues from Korupark Shopping Mall, Mall of Istanbul and Torun Tower are pledged against borrowings.

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

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12. EQUITY

The Company increased its issued capital from TL 176,100,000 to TL 224,000,000 through public offering. A total TL 56,352,942 nominal value of shares were offered to the public, consisting of TL 47,900,000 to be issued from the capital increase and additional shares TL 8,452,942 owned by current shareholders. The compulsory prospectus of the public offering was registered by the İstanbul Trade Registry Office on 7 October 2010 and announced in the Trade Registry no: 7669 on 14 October 2010 pages between 641-735 totally 95 pages. The Company's quoted shares are traded in the İstanbul Stock Exchange as from 21 October 2010.

The board of directors decided in its meeting dated 10 May 2012 to increase its paid-up capital of TL 224,000,000 to TL 500,000,000 within the cap of TL 1,000,000,000 registered capital, through a bonus issue by adding TL 276,000,000 out of a total of TL 301,770,000 share premium, transactions related to capital increase was completed on 16 August 2012.

Legal reserves were provided from the net profit in 2017 and TL 50,000 of the profit was divided as the first dividend, and the remaining amount was transferred to extraordinary shares as per the Communiqué on Principles of Financial Reporting in Capital Markets of CMB (II-14.1), Tax Procedure Law, and Communiqué on Dividends of CMB (II-19.1).

The Company has increased its capital that is increased to TL 500,004 to TL 1,000,000 by providing all of it from the Extraordinary Shares within TL 1,000,000 registered equity ceiling, with capital increase through bonus issues by TL 499,996 on 22 December 2017.

Company's shareholders and capital structure as of 30 September 2018 and 31 December 2017 as below:

Shareholders	(%)	A Group (thousand)	B Group (thousand)	C Group (thousand)	30 September 2018
Aziz Torun	37.41	200,328	-	173,740	374,068
Mehmet Torun	37.40	-	200,312	173,740	374,052
Torunlar Gıda San. ve Tic. A.Ş.	0.02	142	142	-	284
Mahmut Karabıyık	less than 0.01	-	16	-	16
Other shareholders	less than 0.01	-	-	8	8
Other (Public quotation)	25.16	-	-	251,572	251,572
Nominal capital		200,470	200,470	599,060	1,000,000

Shareholders	(%)	A Group (thousand)	B Group (thousand)	C Group (thousand)	31 December 2017
Aziz Torun	37.41	200,328	-	173,740	374,068
Mehmet Torun	37.40	-	200,312	173,740	374,052
Torunlar Gıda San. ve Tic. A.Ş.	0.02	142	142	-	284
Mahmut Karabıyık	less than 0.01	-	16	-	16
Other shareholders	less than 0.01	-	-	8	8
Other (Public quotation)	25.16	-	-	251,572	251,572
Nominal capital		200,470	200,470	599,060	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.

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12. EQUITY (cont’d)

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

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

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

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13. REVENUE AND COST OF SALES

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Sales income				
Rent income	378,683	140,984	300,833	108,027
Residence and office sales income	1,205,607	166,834	68,822	34,736
Common area income	80,999	31,621	60,356	22,801
Other	3,143	1,103	345	6
	1,668,432	340,542	430,356	165,570
Cost of sales				
Cost of residence and office sales	(834,254)	(170,461)	(19,260)	(6,831)
Common area expenses	(88,506)	(30,231)	(82,126)	(36,953)
Rent expenses and management fees of shopping malls	(12,847)	(4,549)	(11,502)	(3,671)
Other	(56)	(7)	(1,794)	(389)
	(935,663)	(205,248)	(114,682)	(47,844)
Gross profit	732,769	135,294	315,674	117,726

Operational lease revenues mainly consist of rent income from shopping malls and Torun Tower and Torun Center office building. Shopping malls in operation are Mall of İstanbul, Ankara ANKAmall, Bursa Korupark, Bursa Zafer Plaza, Antalya Deepo, Antalya Mall of Antalya, 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, Antalya Mall of Antalya 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 of the common area expenses charged to tenants.

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

General Administrative Expenses

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Taxes and funds	(16,728)	(4,984)	(11,345)	(3,890)
Provisions for doubtful receivables (net)	(2,138)	-	(6,025)	(551)
Personnel expenses	(6,094)	(2,362)	(6,833)	(2,987)
Donations	(1,982)	(191)	(2,970)	(1,512)
Property expenses	(2,446)	(889)	(1,818)	(642)
Consultancy expenses	(619)	(292)	(669)	(243)
Depreciation expenses	(903)	(205)	(949)	(319)
Transportation and travel expenses	(81)	(16)	(334)	(73)
BIST expenses	(325)	(108)	(248)	(80)
Other	(562)	(151)	(1,748)	(894)
	(31,878)	(9,198)	(32,939)	(11,191)

Marketing Expenses

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Advertising expenses (*)	(1,849)	(115)	(3,774)	(262)
Personnel expenses	(1,391)	(465)	(1,293)	(379)
Depreciation expenses	(397)	(39)	(513)	(171)
Marketing expenses for residence sales	-	-	(342)	(18)
Consultancy expenses	(60)	-	(2,085)	(2,006)
Other	(855)	(371)	(524)	(180)
	(4,552)	(990)	(8,531)	(3,016)

(*) As of 30 September 2018; TL 1,675 (31 December 2017: TL 3,235) of the advertising expenses are related to 5. Levent project, TL 34 (31 December 2017: TL 51) of it related to Mall of İstanbul, TL 9 (31 December 2017: TL 230) of it related to the advertising expenses of Torun Center project, TL 43 (31 December 2017: TL 148) of it related to the advertising expenses of Korupark and the rest of it related to the Group’s publicity expenses.

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15. FINANCIAL INCOME / EXPENSES

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Financial income				
Interest income on time deposits	51,663	22,095	49,703	16,561
Gains on derivative financial instruments	-	-	5,133	10
	51,663	22,095	54,836	16,571
Financial expenses				
Foreign exchange losses, net	(1,600,625)	(1,058,854)	(118,646)	(73,667)
Interest expense	(283,919)	(129,274)	(135,643)	(43,822)
Losses on derivative financial instruments	(20,244)	(11,912)	(347)	-
Commission expenses	(4,528)	(325)	-	-
	(1,909,316)	(1,200,365)	(254,636)	(117,489)

(*) 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.

16. EARNINGS / (LOSS) PER SHARE

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

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

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Net profit/(loss) of shareholders	(1,042,424)	(974,304)	114,342	17,369
Weighted average number of ordinary shares (Full TL)	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Earnings/(loss) per share (Full TL)	(1.04)	(0.97)	0.11	0.02

As stated in Note 2.6, the Group’s weighted average number of shares are calculated by including retrospective effects of capital increase by bonus issue.

17. BENEFITS PROVIDED FOR MEMBER OF KEY MANAGEMENT

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Salaries and Premium	1,893	707	1,609	575
	1,893	707	1,609	575

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

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18. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Foreign currency position

Foreign currency denominated assets, liabilities and off-balance sheet accounts give rise to foreign exchange exposure.

The Group does not have any export or import activity in 30 September 2018 and 31 December 2017.

The original currency amounts of assets and liabilities denominated in foreign currencies are as follows:

	30 September 2018	31 December 2017
Assets	510,426	209,710
Liabilities	(4,854,128)	(2,916,196)
Net Balance Sheet Position	(4,343,702)	(2,706,486)

The table below summaries foreign currency position risk of the Group as of 30 September 2018. The original currency amounts of assets and liabilities denominated in foreign currencies and the total TL equivalent are as follows:

	Euro	US Dollar	TL equivalent
Current assets			
Monetary financial assets	44,893	29,941	491,381
Other Assets	1,705	988	17,769
Trade Receivables	-	213	1,276
Total assets	46,598	31,142	510,426
Short-term liabilities			
Trade payables	(1,103)	(498)	(10,650)
Financial liabilities	(66,370)	(278,127)	(2,127,338)
Long-term liabilities			
Financial liabilities	(162,317)	(265,092)	(2,716,140)
Total liabilities	(229,790)	(543,717)	(4,854,128)
Net balance sheet position	(183,192)	(512,575)	(4,343,702)
Assets from off-balance sheet derivative instruments	-	-	-
Liabilities from off-balance sheet derivative instruments	(3,083)	140	(20,591)
Foreign currency balance sheet net position of derivatives	(3,083)	140	(20,591)
Net foreign currency liability position	(186,275)	(512,435)	(4,364,293)

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18. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Effect of the 20% fluctuation in foreign currency rate against TL is as follows:

Against Euro	(258,941)
Against US Dollar	(613,918)
Net foreign currency position	(872,859)

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

	Euro	US Dollar	TL equivalent
Current assets			
Monetary financial assets	3,009	46,689	189,699
Other assets	2,933	1,269	18,031
Trade receivables	-	525	1,980
Total assets	5,942	48,483	209,710
Short term liabilities			
Trade payables	(3,622)	(2,207)	(24,680)
Financial liabilities	(55,037)	(58,902)	(470,688)
Long term liabilities			
Financial liabilities	(105,893)	(515,037)	(2,420,828)
Total liabilities	(164,552)	(576,146)	(2,916,196)
Net balance sheet position	(158,610)	(527,663)	(2,706,486)
Assets from off-balance sheet derivative instruments	-	-	-
Liabilities from off-balance sheet derivative instruments	(277)	-	(1,251)
Net foreign currency liability position	(158,887)	(527,663)	(2,707,737)

Effect of the % 10 fluctuation in foreign currency rate against TL is as follows:

Against Euro	(71,745)
Against US Dollar	(199,029)
Net foreign currency position	(270,774)

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19. SUBSEQUENT EVENTS

According to the application communiqué numbered 32 related to the Resolution No. 32/51 regarding the protection of the value of Turkish Currency that is issued on 6 October 2018, it is obligatory for lease contracts issued in foreign currencies to be determined in Turkish Lira. It is determined that the related Communiqué will be effective as of 1 November 2018, and as EURO 1 = 5.5795, US Dollar 1= TL 4.6298.

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

The information below are the condensed information from the interim condensed consolidated financial statements and prepared within the scope of the provisions related to control of compliance with the portfolio limitations 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 September 2018	31 December 2017
A Money and capital markets instruments	Series:III, No:48.1, Art.24/(b)	832,020	602,432
B Properties, projects based on properties and rights based on properties	Series:III, No:48.1, Art.24/(a)	9,782,030	9,907,527
C Subsidiaries	Series:III, No:48.1, Art.24/(b)	315,882	315,593
Due to related parties (non trade)	Series:III, No:48.1, Art.23/(f)	-	-
Other assets		265,539	510,265
D Total assets	Series:III, No:48.1, Art.3/(p)	11,195,471	11,335,817
E Financial liabilities	Series:III, No:48.1.1, Art.31	5,224,624	3,513,752
F Other financial liabilities	Series:III, No:48.1.1, Art.31	-	-
G Finance leases	Series:III, No:48.1.1, Art.31	108,793	92,724
H Due from related parties(non trade)	Series:III, No:48.1, Art.23(f)	-	-
I Shareholders Equity	Series:III, No:48.1, Art.31	5,284,198	6,378,657
Other liabilities		577,856	1,350,684
D Total liabilities	Series:III, No:48.1, Art.3/(p)	11,195,471	11,335,817

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20. ADDITIONAL NOTES: CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS (cont’d)

Financial Information	Related Regulations	30 September 2018	31 December 2017	
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)	832,020	602,432	
A2 TL and foreign currency time and demand deposits	Series:III, No:48.1, Art.24/(b)	832,020	602,432	
A3 Foreign capital market instruments	Series:III, No:48.1, Art.24/(d)	-	-	
B1 Foreign properties, projects based on properties and rights based on properties	Series:III, No:48.1, Art.24/(d)	-	-	
B2 Idle lands	Series:III, No:48.1, Art.24/(c)	-	-	
C1 Foreign affiliates	Series:III, No:48.1, Art.24/(d)	-	-	
C2 Investments in affiliated operating companies	Series:III, No:48.1, Art.28/1(a)	-	-	
J Non-cash loans	Series:III, No:48.1, Art.31	178,282	110,123	
K Mortgage amount on non-owned land to be developed	Series:III, No:48.1, Art.28(e)	-	-	
L Total investments for money and capital market instruments in a single entity	Series:III, No:48.1, Art.22(1)	-	-	
Portfolio Restrictions	Related Regulations	30 September 2018	31 December 2017	Maximum/ Minimum Rate
1 Mortgage amount on non-owed land to be developed (K/D)	Series:III, No:48.1a, Art.22/(e)	0%	0%	<10%
2 Properties, projects based on properties and rights based on properties (B+A1)/D)	Series:III, No:48.1a, Art.24/(a),(b)	95%	93%	>50%
3 Money and capital market instruments and affiliates (A+C-A1)/D)	Series:III, No:48.1a, Art.24/(b)	3%	3%	>50%
4 Foreign properties, projects based on properties rights based on properties affiliates capital, 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	104%	58%	<500%
8 TL and foreign currency time and demand deposits (A2-A1)/D)	Series:III, No:48.1, Art.24/(b)	0%	0%	<10%
9 Total investments for money and capital market instruments in a single entity	Series:III, No:48.1, Art.22/(1)	0%	0%	<10%

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AS OF 30 SEPTEMBER 2018**

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

**20. ADDITIONAL NOTES: CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS
(cont’d)**

Associate	Participation rate (%)	Participation amount	
		30 September 2018	31 December 2017
Yeni Gimat	14.83	291,238	286,891
TTA	40.00	16,972	22,250
Netsel	44.60	7,672	6,452
		315,882	315,593