

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

**CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY - 31 MARCH 2020**

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

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TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE INTERIM PERIOD AS OF 31 MARCH 2020**

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

	Notes	(Unaudited) Current Period 31 March 2020	(Audited) Prior Period 31 December 2019
ASSETS			
Current Assets		1,677,829	1,995,089
Cash and Cash Equivalents	5	499,470	739,111
Trade Receivables	8	116,285	116,289
<i>Trade Receivables from Related Parties</i>		19,332	22,054
<i>Trade Receivables from Third Parties</i>		96,953	94,235
Other Receivables		103	137
<i>Other Receivables from Third Parties</i>		103	137
Inventories	10	1,017,633	1,105,159
Prepaid Expenses	7	30,912	22,111
Other Current Assets		13,426	12,282
Non-Current Assets		11,763,607	11,724,984
Trade Receivables	8	4,185	2,003
<i>Trade Receivables from Third Parties</i>	8	4,185	2,003
Other Receivables		3,040	9,290
<i>Other Receivables from Third Parties</i>		3,040	9,290
Investments Accounted by Equity Method	3	390,889	394,174
Investment Properties	9	11,308,417	11,267,894
Property, Plant and Equipment		45,608	46,820
Intangible Assets		891	961
<i>Other Intangible Assets</i>		891	961
Prepaid Expenses	7	10,577	3,842
Total Assets		13,441,436	13,720,073

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE INTERIM PERIOD AS OF 31 MARCH 2020**

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

	Notes	(Unaudited) Current Period 31 March 2020	(Audited) Prior Period 31 December 2019
LIABILITIES			
Current Liabilities		1,945,165	2,211,108
Short-Term Borrowings	6	412,975	165,883
Short-Term Portion of Long-Term Borrowings	6	1,297,976	1,788,539
Trade Payables	8	95,499	128,330
<i>Trade Payables to Related Parties</i>		48,960	54,141
<i>Trade Payables to Third Parties</i>		46,539	74,189
Payables Related to Employee Benefits		2,943	1,560
Other Payables		17,085	22,371
<i>Other Payables to Third Parties</i>		17,085	22,371
Deferred Income	7	87,062	83,979
Short-Term Provisions		18,690	14,578
<i>Other Short-Term Provisions</i>		18,690	14,578
Other Current Liabilities	7	12,935	5,868
Non-Current Liabilities		3,124,956	3,030,826
Long-Term Borrowings	6	3,123,947	3,029,817
Long-Term Provisions		1,009	1,009
<i>Long-Term Provisions for Employee Benefits</i>		1,009	1,009
EQUITY		8,371,315	8,478,139
Share Capital	12	1,000,000	1,000,000
Treasury Shares		(5,830)	(4,707)
Share Premium		25,770	25,770
Restricted Reserves Appropriated from Profit		74,255	74,255
- <i>Legal reserves</i>		74,255	74,255
Prior Years' Profits		7,382,821	6,517,031
Net (Loss)/ Profit for the Period		(105,701)	865,790
TOTAL LIABILITIES AND EQUITY		13,441,436	13,720,073

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

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

1 JANUARY - 31 MARCH 2020

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

	Notes	(Unaudited) 1 January- 31 March 2020	(Unaudited) 1 January- 31 March 2019
PROFIT OR LOSS			
Revenue	13	332,378	206,308
Cost of Sales (-)	13	(137,625)	(54,445)
GROSS PROFIT		194,753	151,863
General Administrative Expenses (-)	14	(9,698)	(14,510)
Marketing Expenses (-)	14	(7,468)	(746)
Other Income from Operating Activities		1,515	3,153
Other Expenses from Operating Activities (-)		(2,325)	(2,395)
OPERATING PROFIT/LOSS		176,777	137,365
Share of the Group on Profit/Loss of Investments Accounted by Equity Method	3	7,272	9,008
OPERATING PROFIT/LOSS BEFORE FINANCE INCOME/(EXPENSES)		184,049	146,373
Finance Income	15	11,778	7,496
Finance Expenses (-)	15	(301,528)	(297,672)
LOSS BEFORE TAX		(105,701)	(143,803)
LOSS FOR THE PERIOD		(105,701)	(143,803)
Earnings/(loss) per share from continuing operations	16	(0.11)	(0.14)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSE)		(105,701)	(143,803)

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2020**

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

	Share Capital	Treasury Shares	Share Premium	Restricted Reserves Appropriated from Profit	Prior years' Profits	Net Profit/ (Loss) for the Period	Total Equity
Opening balance as of 1 January 2019	1,000,000	(3,338)	25,770	74,255	5,229,827	1,287,204	7,613,718
Transfers	-	-	-	-	1,287,204	(1,287,204)	-
Total comprehensive income/ (expense)	-	-	-	-	-	(143,803)	(143,803)
Transactions with non-controlling interest owners	-	(821)	-	-	-	-	(821)
Closing balance as of 31 March 2019	1,000,000	(4,159)	25,770	74,255	6,517,031	(143,803)	7,469,094
Opening balance as of 1 January 2020	1,000,000	(4,707)	25,770	74,255	6,517,031	865,790	8,478,139
Transfers	-	-	-	-	865,790	(865,790)	-
Total comprehensive income/ (expense)	-	-	-	-	-	(105,701)	(105,701)
Transactions with non-controlling interest owners	-	(1,123)	-	-	-	-	(1,123)
Closing balance as of 31 March 2020	1,000,000	(5,830)	25,770	74,255	7,382,821	(105,701)	8,371,315

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARY

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2020**

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

Notes	(Unaudited) Current Period 1 January- 31 March 2020	(Unaudited) Prior Period 1 January- 31 March 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES	301,136	109,972
Loss for the Period	(105,701)	(143,803)
Adjustments Related to Reconciliation of Profit for the Period	359,850	284,241
Adjustments related to depreciation and amortisation expenses	263	93
Adjustments related to provisions	4,104	8,197
Adjustments related to doubtful trade receivable provision expenses	(8)	352
Adjustments related to interest income and expenses	15 188,637	81,678
Adjustments related to unrealized foreign exchange differences	174,126	202,929
Adjustments related to undistributed profits of investments accounted for by equity method	3 (7,272)	(9,008)
Changes in working capital	45,604	(30,367)
Adjustments related to decrease in trade receivables	(2,170)	15,672
Increase in other receivables due to operations	6,284	(9,375)
Adjustments related to decrease/(increase) in inventories	87,526	(22,576)
Adjustments related to decrease in prepaid expenses	(16,925)	630
Adjustments related to decrease in trade payables	(32,831)	(19,118)
Increase/(decrease) in other payables due to operations	(5,286)	8,913
Adjustments related to increase/(decrease) in deferred income	3,083	(14,576)
Decrease/(increase) in other current/non-current assets due to operations	5,923	10,063
Cash generated from operations	299,753	110,071
Employment Termination Benefits Payment	1,383	(99)
B. CASH FLOWS FROM INVESTING ACTIVITIES	(30,070)	(3,968)
Cash inflows from the sale of property, plant and equipment and intangible assets	1,019	-
Payments for Acquisition of Property, Plant and Equipment and Intangible Assets	-	(151)
Payments for Acquisition of Investment Properties	9 (40,523)	(10,898)
Dividends received	3 9,434	7,081
C. CASH FLOWS FROM FINANCING ACTIVITIES	(506,332)	78,776
Proceeds from borrowings	762,555	722,058
Repayment of borrowings	(1,007,604)	(568,610)
Interest paid	(277,436)	(82,252)
Interest received	16,153	7,580
Net increase/(decrease) in cash and cash equivalents before the effect of exchange rate changes	(235,266)	184,780
Effects of exchange rate changes on cash and cash equivalents	-	1,704
Net increase/(decrease) in cash and cash equivalents	5 (235,266)	186,484
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5 733,572	203,140
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5 498,306	389,624

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

(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 31 March 2020, the total number of the Company’s employees is 68 (31 December 2019: 66) and the main shareholder is the Torun Family (Note 12).

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

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

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

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

Joint Ventures

The Joint Ventures of Torunlar REIC operate in Turkey and their principal activities and joint venture partners as of 31 March 2019 are as follows (Note 2):

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

TTA

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP (Continued)

Joint Ventures (Continued)

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

In August 2011, 450,000 shares which were previously owned by Turkmall Gayrimenkul Geliştirme Yönetim ve Yatırım A.Ş. and valued nominally as TL 450,000 and 50,000 shares which were previously owned by Ahmet Demir and valued nominally as TL 50,000 were transferred to Anatterra 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% Anatterra Gayrimenkul Yatırım İnşaat ve Ticaret A.Ş. The construction of the TTA Bulvar Samsun Mall project has been started in 2011 and the Mall started to operate in July 2012.

Subsidiary

TRN Otel İşletmeciliği A.Ş.

The Group management has decided to purchase that 100% of the shares of TRN Otel İşletmeciliği ve Yatırımları A.Ş. with a nominal value of 500,000 nominal amount and nominal value of 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 consolidated financial statements.

Associates

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

Associate	Principal Activity
Yeni Gimat GYO A.Ş. (“Yeni Gimat”)	Owner of Ankamall Shopping Mall and Crowne Plaza Hotel
Netsel Turizm Yatırımları A.Ş. (“Netsel”)	Management of Marmaris Marina

Yeni Gimat

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

Netsel

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

(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 Financial Reporting Standards and interpretations (“TFRS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué. The condensed consolidated interim financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013 about the “illustrations of consolidated financial statements and application guidance”.

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

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

The condensed consolidated interim financial statements of the Group as of 31 March 2020, have been approved by the Board of Directors on 8 June 2020. The General Assembly has the right to modify the condensed consolidated interim financial statements.

Functional and Presentation Currency

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

Summary of Significant Accounting Policies

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

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

2.1 Basis of Preparation (Continued)

Joint Ventures

Interests in joint ventures

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

Interests in Joint Ventures on combined basis are as follows:

	31 March 2020	31 December 2019
Current assets	1,312	1,463
Non-current assets	177,658	177,659
Total assets	178,970	179,122
Short-term liabilities	61,136	62,387
Long-term liabilities	15,392	15,392
Equity	102,442	101,343
Total liabilities and equity	178,970	179,122
Net (loss) / profit for the period	1,099	36,589

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

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

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

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

2.1 Basis of Preparation (Continued)

Associates

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

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

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

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

Interest in associates on combined basis (*)

	31 March 2020	31 December 2019
Total assets	2,388,810	2,356,859
Total liabilities	61,524	50,381
Net profit for the period	49,532	367,713

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

Interest in Yeni Gimat

	31 March 2020	31 December 2019
Total assets	2,352,003	2,301,985
Total liabilities	40,759	34,423
Net profit for the period	51,256	344,550

Interest in Netsel

	31 March 2020	31 December 2019
Total assets	36,807	54,874
Total liabilities	20,765	15,958
Net (loss)/ profit for the period	(1,724)	23,163

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

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

2.1 Basis of Preparation (Continued)

Offsetting

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

Going concern

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

2.2. Changes in Accounting Policies

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

2.3 Changes in Accounting Estimates and Errors

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

2.4 New and Revised Turkish Accounting Standards

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

- **Amendment to TFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.
- **Amendment to IAS 28, 'Investments in associates and joint venture'**; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.
- **Amendments to TFRS 3 - definition of a business**; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

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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 (Continued)

2.4 New and Revised Turkish Accounting Standards (Continued)

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

- **TFRS 16, 'Leases'**; effective from annual periods beginning on or after 1 January 2019. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **IFRIC 23, 'Uncertainty over income tax treatments'**; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.
- **Annual improvements 2015-2017**; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - TFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - TFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
 - IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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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 (Continued)

2.4 New and Revised Turkish Accounting Standards (Continued)

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

- **Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement**; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
 - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
 - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.
 - **Amendments to IAS 1 and IAS 8 on the definition of material**; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:
 - i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in IAS 1 about immaterial information.
 - **Amendments to TFRS 9, IAS 39 and TFRS 7 – Interest rate benchmark reform**; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.
- b) Standards, amendments and interpretations that are issued but not effective as at 31 March 2020:**
- **TFRS 17, 'Insurance contracts'**; effective from annual periods beginning on or after 1 January 2022. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
 - **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities**; effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

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

2.5 Critical Accounting Estimates, Assumptions and Judgements

Impairment of trade receivables

As of 31 March 2020, provision for doubtful receivables has been set aside for trade receivables amounting to TL 22,847 (31 December 2019: TL 22,855). An important part of the doubtful receivables belongs to the tenants, which unexpectedly falls into economic difficulty. Provision for doubtful receivables related to trade receivables is determined based on past default experience. Expected credit loss calculated under TFRS 9 is not a material amount therefore, no provision was made for expected credit losses in the consolidated financial statements.

Critical judgments in applying the Group’s accounting policies

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

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

Fair values of investment properties

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

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

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

2.5 Critical Accounting Estimates, Assumptions and Judgements (Continued)

Fair values of investment properties (Continued)

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

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

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

If all the variables in the valuations of the real estates with the fair value of TL 7,983,085 valued using the income approach as of 31 March 2020 and 31 December 2019 were fixed and the discount rate used was more than 0.5% and less than 0.5%, the fair values would have been TL 39,915 lower and TL 39,915.

- The Antalya Deepo Shopping Center and growth project (Mall of Antalya), which was established on an area of 84,503.61 m² on the territory of Antalya Province, Merkez District, Koyunlar Village, and which the Group classified under investment properties as of 31 March 2020 and 31 Decemer 2019, was opened in April 2017, respectively. Leasing and management of shopping center is conducted by Torun Alışveriş Merkezleri Yatırım ve Yönetim A.Ş..

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

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

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No:1 Communiqué, as at 7 January 2020 with the report number 2019-1628 the aforementioned property’s fair value is TL 63,265 as at 31 December 2019.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

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

2.5 Critical Accounting Estimates, Assumptions and Judgements (Continued)

Fair values of investment properties (Continued)

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

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

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

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1635, the aforementioned property's fair value is TL 3,000,000 as at 31 December 2019.

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

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1633, the aforementioned property's fair value is TL 540,000 as at 31 December 2019.

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

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1644, the aforementioned property's fair value is TL 861,500 as at 31 December 2019.

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

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

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

2.5 Critical Accounting Estimates, Assumptions and Judgements (Continued)

Fair values of investment properties (Continued)

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

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1631, the aforementioned property's fair value is TL 366,700 as at 31 December 2019.

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

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1627 the aforementioned property's fair value is TL 74,215 as at 31 December 2019.

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

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1648 the aforementioned property's fair value is TL 74,970 as at 31 December 2019.

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

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1638 the aforementioned property's fair value is TL 24,093 as at 31 December 2019.

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

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1647 the aforementioned property's fair value is TL 442,585 as at 31 December 2019.

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

2.5 Critical Accounting Estimates, Assumptions and Judgements (Continued)

Fair values of investment properties (Continued)

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

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.’s valuation report in accordance with Capital Markets Board’s Serie: IV No1 Communiqué, dated 7 January 2020 with the report number 2019-1629, the aforementioned property’s fair value is TL 12,100 as at 31 December 2019.

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

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

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 2013 numbered 28660 Capital Markets Board’s Communiqué Serial: III, No: 48.1 a “Amendment on Real Estate Investment Company” published in the Official Gazette dated 23 January 2014 numbered 28891.

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3. INTERESTS IN OTHER ENTITIES

	31 March 2020		31 December 2019	
	(%)	TL	(%)	TL
Yeni Gimat	14.83	342,757	14.83	336,279
TTA	40.00	40,977	40.00	40,538
Netsel	44.60	7,155	44.60	17,357
		390,889		394,174
			1 January- 31 March 2020	1 January- 31 March 2019
Opening balance			394,174	348,425
Income and expenses from associates, (net)			6,832	9,332
Dividends received from associates			(9,434)	(7,081)
Treasury shares (*)			(1,123)	(821)
Income and expenses from joint ventures, (net)			440	(324)
Closing balance			390,889	349,531

(*) As a result of the repurchase of Yeni Gimat GYO A.Ş., which is the Company's subsidiary, in 2020, the shares of Yeni Gimat GYO A.Ş. amounting to TL1,123 are classified as treasury shares.

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

	1 January- 31 March 2020	1 January- 31 December 2019
Yeni Gimat	7,601	9,675
Netsel	(769)	(343)
TTA	440	(324)
Total	7,272	9,008

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

4. SEGMENT REPORTING

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

4. SEGMENT REPORTING (Continued)

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

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

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

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

(***) 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.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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4. SEGMENT REPORTING (Continued)

The segment information for the reportable segments as of and for the period ended 31 March 2019 is as follows:

	Total revenue from departments	Gross profit	Increase in fair value of investment properties	Operating profit/ (loss)	Income / (expense) from subsidiaries	Finance expenses, net	Profit/(loss) from operations before tax	Investment expenditures (*)
Offices and shopping malls for rent								
Mall of İstanbul Shopping Mall	66,588	53,610	-	50,826	-	-	50,826	790
Korupark Shopping Mall	36,110	29,850	-	29,632	-	-	29,632	917
Torun Tower	21,750	21,733	-	22,228	-	-	22,228	-
Torium Shopping Mall	17,520	8,103	-	7,511	-	-	7,511	166
Zafer Plaza Shopping Mall	9,350	7,888	-	7,830	-	-	7,830	-
Antalya Deepo Shopping Mall	10,150	7,841	-	7,712	-	-	7,712	-
Mall of Antalya Shopping Mall	12,791	9,176	-	9,183	-	-	9,183	367
Mall of İstanbul Residences and Offices	629	512	-	512	-	-	512	-
Korupark independent areas	181	143	-	77	-	-	77	-
Torun Center	1,770	1,114	-	701	-	-	701	33
5th Levent Bazaar	673	502	-	502	-	-	502	-
Subtotal	177,512	140,472	-	136,714	-	-	136,714	2,273
Residences and office projects								
Torun Center	1,586	806	-	806	-	-	806	-
Korupark 3rd phase residences	-	76	-	46	-	-	46	-
Mall of İstanbul	-	-	-	-	-	-	-	-
Torium residences	-	-	-	-	-	-	-	-
Nishistanbul Project	43	43	-	17	-	-	17	-
5. Levent Project (**)	27,167	10,466	-	5,428	-	-	5,428	32,092
Subtotal	28,796	11,391	-	6,297	-	-	6,297	32,092
Projects under construction								
Paşabahçe project	-	-	-	-	-	-	-	1,210
Mall of İstanbul hotel convention center and residence project	-	-	-	-	-	-	-	4,696
Properties held for new projects								
Kayabaşı land	-	-	-	-	-	-	-	-
Kemankeş building	-	-	-	-	-	-	-	672
Mall of İstanbul 3. Etap	-	-	-	-	-	-	-	-
Associates								
Ankamall and Hotel (Yeni Gimat)	-	-	-	-	9,675	-	9,675	-
Netsel	-	-	-	-	(343)	-	(343)	-
TTA	-	-	-	-	(324)	-	(324)	-
Unallocated	-	-	-	(5,646)	-	(290,176)	(295,822)	-
Total	206,308	151,863	-	137,365	9,008	(290,176)	(143,803)	40,943

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

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

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5. CASH AND CASH EQUIVALENTS

	31 March 2020	31 December 2019
Cash	499,401	738,866
<i>Demand deposits</i>	2,914	37,188
<i>Time deposits up to 3 months maturity</i>	496,487	701,678
Other cash equivalents	69	245
	499,470	739,111

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

	31 March 2020	31 December 2019
Cash and cash equivalents	499,470	739,111
Less: Interest accrual of time deposits	(1,164)	(5,539)
Cash and cash equivalents in the statement of cash flows	498,306	733,572

Maturities of cash and cash equivalents are as follows:

	31 March 2020	31 December 2019
Up to 30 days	499,470	663,968
30 - 90 days	-	75,143
	499,470	739,111

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

	31 March 2019		31 December 2019	
	Original Amount	TL Equivalent	Original Amount	TL Equivalent
US Dollar	16,034	104,478	12,668	75,250
Eur	6,135	44,264	10,700	71,161
Other	1	8	1	9
		148,750		146,420

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

	31 March 2020	31 December 2019
US Dollars	1.52%	3.75%
Eur	0.35%	-
Turkish Lira	10.87%	23.43%

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6. FINANCIAL LIABILITIES

Financial Liabilities

	31 March 2020	31 December 2019
Bank borrowings	412,975	165,883
Short-term financial borrowings	412,975	165,883
Short-term portions of long-term borrowings	1,262,126	1,756,459
Finance leases	35,850	32,080
Short-term portions of long-term borrowings	1,297,976	1,788,539
Bank borrowings	3,090,032	2,995,888
Finance leases	33,915	33,929
Long-term borrowings	3,123,947	3,029,817
Total borrowings	4,834,898	4,984,239

As of 31 March 2020, there are mortgages amounting to TL 1,900,473 (31 December 2019: TL 2,113,108) given to the banks regarding the financial liabilities amounting to TL 9,304,864 (31 December 2019: TL 8,577,645) on the investment properties.

a) Bank borrowings

	31 March 2020	31 December 2019
Short-term bank borrowings	412,975	165,883
Short-term portions of long-term borrowings	1,262,126	1,756,459
Long-term bank borrowings	3,090,032	2,995,888
Total borrowings	4,765,133	4,918,230

31 March 2020	Weighted avg. effective interest (%) (*)	Currency	Original amount	TL equivalent
Short-term bank borrowings	10.78	TL	257,679	257,679
	2.19	Eur	21,524	155,296
Short-term portion of long-term borrowings	13.07	TL	728,959	728,959
	5.80	US Dollar	25,154	163,903
	3.91	Eur	51,180	369,264
Long-term bank borrowings	13.53	TL	1,772,399	1,772,399
	6.04	US Dollar	83,875	546,530
	4.24	Eur	106,875	771,103
Total bank borrowings				4,765,133

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

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6. FINANCIAL LIABILITIES (Continued)

a) Bank borrowings (Continued)

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

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

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

	31 March 2020	31 December 2019
2021	1,143,116	561,282
2022	1,255,036	1,459,357
2022 and beyond	691,880	975,249
	3,090,032	2,995,888

Obligations under finance lease

The maturities of obligations under finance lease is as follows:

	31 March 2020	31 December 2019
Up to 1 year	35,850	32,080
1 years - 5 years	33,915	33,929
	69,765	66,009

Finance leases consist of US Dollar and EUR. The Group has a finance leases obligation of 5.87% interest rate with original currency of EUR 10,807 and interest rate of 6.27% with original currency US Dollar 52 (31 December 2019: US Dollar 272 and EUR 11,553) as of 31 March 2020.

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

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

	31 March 2020	31 December 2019
Short-Term Prepaid Expenses		
Advances given	20,199	15,577
Prepaid expenses	10,713	6,534
	30,912	22,111

Long-Term Prepaid Expenses

Prepaid expenses	9,607	2,872
Order advances given	970	970
	10,577	3,842

	31 March 2020	31 December 2019
Short-Term Deferred Income		
Advances received (*)	75,995	75,224
Deferred income	11,067	8,755
	87,062	83,979

(*) As of 31 March 2020, from the sales commitments regarding the offices and residential units that are not delivered consist of advances received amounting to TL65,333 for 5th Levent Project, TL3,514 for Mall of İstanbul project, TL3,723 for Korupark and remaining TL3,425 consist of other advances (31 December 2019: TL26,819 5. Levent Project, TL34,427 Mall of İstanbul project, TL2,822 Korupark 3rd Phase, TL6,352 for Torun Center and remaining and remaining TL4,804 other advances).

	31 March 2020	31 December 2019
Other Short-Term Liabilities		
Prepaid taxes and funds	12,864	5,838
Accrued expenses	71	30
	12,935	5,868

8. TRADE RECEIVABLES AND PAYABLES

	31 March 2020	31 December 2019
Current trade receivables		
Trade receivables	77,394	82,271
Notes receivables (*)	42,406	34,819
Trade receivables from related parties	19,332	22,054
Less: Allowance for doubtful receivables	(22,847)	(22,855)
	116,285	116,289

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8. TRADE RECEIVABLES AND PAYABLES (Continued)

Non-current trade receivables	31 March 2020	31 December 2019
Notes receivables (*)	4,185	2,003
	4,185	2,003

(*) As of 31 March 2020, TL 22,503 of long-term and short-term notes receivable are related to 5th Levent project, TL 6,454 of Mall of İstanbul project, TL 6,238 of Korupark project and the remaining TL 11,396 consist of other notes receivables (31 December 2019: TL 32,407 of long-term and short-term notes receivable are related to 5. Levent project, and the remaining TL 4,415 consist of other notes receivables).

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

	31 March 2020	31 December 2019
Opening balance	(22,855)	(13,762)
Provision provided during the period	-	(9,248)
Provisions no longer required	8	155
Closing balance	(22,847)	(22,855)

Aging of provision for doubtful receivables is as follows:

	31 March 2020	31 December 2019
3 to 6 months	(54)	(62)
Over 6 months	(22,793)	(22,793)
	(22,847)	(22,855)

Short-term trade payables

	31 March 2020	31 December 2019
Trade payables to related parties	48,960	54,141
Trade payables	38,915	68,372
Notes payable	7,624	5,817
	95,499	128,330

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

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9. INVESTMENT PROPERTIES

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

	1 January 2020	Additions	Disposals	Transfers	Change in fair value	31 March 2020
Shopping Malls and Offices						
MOI Shopping Mall	3,000,000	226	-	-	-	3,000,226
Torun Tower	1,853,000	-	-	-	-	1,853,000
Bursa Korupark Shopping Mall	1,710,000	121	-	-	-	1,710,121
Torun Center	1,039,726	-	-	-	-	1,039,726
Mall of Antalya	575,000	259	-	-	-	575,259
Torium Shopping Mall	540,000	1,247	-	-	-	541,247
Antalya Deepo Shopping Mall	465,000	134	-	-	-	465,134
Bursa Zafer Plaza Shopping Mall	366,700	-	-	-	-	366,700
5. Levent bazaar	71,620	-	-	-	-	71,620
Korupark independent areas	24,093	-	-	-	-	24,093
Torium Student Residence (**)	22,300	70	-	-	-	22,370
Mall of İstanbul Residences and Offices	12,100	-	-	-	-	12,100
Investment properties under construction						
Paşabahçe land (*)	861,500	1,219	-	-	-	862,719
Mall of İstanbul hotel, congress center and office project	442,585	37,247	-	-	-	479,832
Karaköy hotel	74,970	-	-	-	-	74,970
Properties held for new projects						
Kayabaşı land	74,215	-	-	-	-	74,215
Mall of İstanbul 3rd Phase	71,820	-	-	-	-	71,820
Antalya Kepez Lands	63,265	-	-	-	-	63,265
	11,267,894	40,523	-	-	-	11,308,417

(*) The Group has purchased a real estate after a successful tender at a price of TL 355 million from R.T. Prime Ministry Privatization Administration. The aforementioned purchase contains real estates as follows: Block 195, Lot 7 as 54,870 m2; Block 209, Lot 3 as 16,212 m2; Block 200, lot 3 in Paşabahçe neighborhood, Beykoz district and İstanbul city as 827 m2 and buildings on these real estates. Title deed processes of real estates have been completed as of 20 September 2012. A project, which will include a five-star hotel and apart hotel on the land purchased, is planned. The building license for the project was received on 7 September 2017.

(**) The land cost related to the dorm near the Torium Shopping Center was reclassified from property, plant and equipment to investment properties since it was rented to third parties.

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9. INVESTMENT PROPERTIES (Continued)

	1 January 2019	Additions	Disposals	Transfers	Change in fair value	31 December 2019
Shopping Malls and Offices						
MOI Shopping Mall	2,590,000	4,207	(85)	-	405,878	3,000,000
Torun Tower	1,724,000	307	-	-	128,693	1,853,000
Bursa Korupark Shopping Mall	1,540,000	3,790	(127)	-	166,337	1,710,000
Torun Center	1,086,976	2,662	(8,673)	-	(41,239)	1,039,726
Torium Shopping Mall	490,000	4,708	(8)	-	45,300	540,000
Antalya Deepo Shopping Mall	410,000	270	-	-	54,730	465,000
Mall of Antalya	490,000	2,423	-	-	82,577	575,000
Bursa Zafer Plaza Shopping Mall	352,400	-	-	-	14,300	366,700
Mall of İstanbul						
Residences and Offices	13,550	-	-	(2,180)	730	12,100
Korupark independent areas	22,433	-	-	-	1,660	24,093
5. Levent bazaar	52,930	45	-	-	18,645	71,620
Torium Student Residence (**)	-	-	-	53,160	(30,860)	22,300
Investment properties under construction						
Paşabahçe project (*)	801,100	6,956	-	-	53,444	861,500
Mall of İstanbul hotel, congress center and office project	313,344	84,397	-	17,414	27,430	442,585
Karaköy hotel	61,660	974	-	-	12,336	74,970
Properties held for new projects						
Antalya Kepez Lands	62,235	-	-	-	1,030	63,265
Kayabaşı land	64,785	-	-	-	9,430	74,215
Mall of İstanbul 3rd Phase	68,120	-	-	-	3,700	71,820
	10,143,533	110,739	(8,893)	68,394	954,121	11,267,894

(*) The Group has purchased a real estate after a successful tender at a price of TL 355 million from R.T. Prime Ministry Privatization Administration. The aforementioned purchase contains real estates as follows: Block 195, Lot 7 as 54,870 m²; Block 209, Lot 3 as 16,212 m²; Block 200, lot 3 in Paşabahçe neighborhood, Beykoz district and İstanbul city as 827 m² and buildings on these real estates. Title deed processes of real estates have been completed as of 20 September 2012. A project, which will include a five-star hotel and apart hotel on the land purchased, is planned.

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

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

	31 March 2020	31 December 2019		31 March 2020	31 December 2019
	Original Amount	Original Amount	Currency		
Torun Tower	390,000	390,000	US Dollar	2,541,240	2,316,678
Paşabahçe land	375,000	375,000	US Dollar	2,443,500	2,227,575
Mall of İstanbul	150,000	150,000	US Dollar	977,400	891,030
Mall of İstanbul	406,399	406,399	TL	406,399	406,399
Bursa Korupark Shopping Mall	225,000	225,000	EUR	1,623,375	1,496,385
Mall of Antalya - Deepo	130,000	130,000	EUR	937,950	864,578
Mall of İstanbul 2nd Phase	375,000	375,000	TL	375,000	375,000
				9,304,864	8,577,645

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10. INVENTORIES

	31 March 2020	31 December 2019
Residences and office projects		
Completed Projects		
- 5.Levent project (*****)	509,708	590,641
- Torun Center project (*)	483,367	489,960
- Mall of İstanbul project (**)	10,731	10,731
- Nishistanbul (***)	11,249	11,249
- Korupark 3rd phase (****)	2,140	2,140
- Torium (*****)	438	438
	1,017,633	1,105,159

Provision for impairment of inventories amounting to TL 67 has been recognised for Torium Residences (31 December 2019: TL 67); TL 1,398 (31 December 2019: TL 1,398) for Nishistanbul total of TL 1,465 (31 December 2019: TL 1,465) as of 31 March 2020.

- (*) The Torun Center Project consists of sellable area with a total of 175,408 m², segregated as 45,776 m² Office Tower, 36,382 m² Horizontal Office, 77,988 m² Residence and 15,312 m² Commercial Area. The delivery of Office Tower and Horizontal Office has started as of 31 December 2017. 101 residences, 47 offices and 43 Horizontal offices have been delivered, and in this context, the Group has recognised revenue amounting to TL 22,849 between 1 January - 31 March 2020. (31 December 2019: 94 residences, 47 offices and 42 horizontal offices and in this context the Group has collected revenue TL 593,999). As of 31 March 2020, 616,848 TL of final sales revenue has been obtained since the beginning of the project. As of 31 March 2020, the Group did not capitalized any financial expense during Torun Center Project (31 December 2019: None).
- (**) In the Mall of İstanbul project, 2 residences with 116.44 m², 12 flat offices with 3,343.88 m², and 1 office with 323.00 m² have been remained in the inventories.
- (***) There are 1 office (gross 260 m²) and 5 stores (gross 1,206 m²) registered in Nishistanbul project.
- (****) In the context of 3rd phase of the Korupark project, 9 residences with 1,371.76 m² have been remained in the inventories.
- (*****) In Torium project, 2 residences with 189 m² have been remained in the inventories.
- (*****) Between the dates of 1 January 2020 and 31 March 2020, TL 119,461 of final sales revenue was obtained and as of 31 March 2020, the final sales revenue of TL 1,766,729 was obtained from the beginning of the project, 254 residences with 38,214.24 m² have been remained in inventories. (31 December 2019: 1,759 residences have been sold by having firm sale income amounting to TL 1,647,268 in return, and 327 residences with 50,317.01 m² have been remained in inventories.)

11. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities

	31 March 2020	31 December 2019
Collaterals received	139,049	135,272

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

In consideration with the present contract terms, the totals of expected minimum operational lease revenues as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Between 0 - 1 years	540,708	735,656
Between 1 - 5 years	4,399,185	4,189,700
Between 5 - 10 years	6,174,866	6,156,696

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11. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

Collaterals, Pledges and Mortgages (“CPM”)

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

	31 March 2020	31 December 2019
CPM’s given by the Company Collaterals, Pledges, Mortgages (“GPM”)		
A.CPM’s Given for Its Own Legal Personality	9,455,266	8,729,842
B.CPM’s Given on Behalf of Fully Consolidated Companies	-	-
C. CPM’s Given for Continuation of its Economic Activities on Behalf of Third Parties	-	-
D. Total Amount of Other CPM’s		
i) Total Amount of CPM’s Given on Behalf of the Majority Shareholder	-	-
ii) Total Amount of CPM’s Given to on Behalf of Other Group Companies 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	-	-
	9,455,266	8,729,842

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

The ratio of the other CPMs issued by the entity to the Group’s own equity is 0% as of 31 March 2020.

	<u>31 March 2020</u>		<u>31 December 2019</u>	
	Foreign currency	TL equivalent	Foreign currency	TL equivalent
US Dollar	915,000	5,962,140	915,000	5,435,283
Eur	355,000	2,561,325	355,000	2,360,963
TL	781,399	781,399	781,399	781,399
		9,304,864		8,577,645

As of 31 March 2020, mortgages on investment properties of the Group is TL 9,304,864 (31 December 2019: TL 8,577,645) (Note 9). Lease income from Korupark Shopping Mall, Mall of İstanbul Shopping Mall, Mall of Antalya, Antalya Deepo Shopping Mall and Torun Tower is alienated regarding the loans used.

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

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12. EQUITY

The Group 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 Group's quoted shares are traded in the İstanbul Stock Exchange as from 21 October 2010.

The board of directors decided in its meeting dated 10 May 2012 to increase its paid-up capital of 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.

The Group 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.

Group's shareholders and capital structure as of 31 March 2020 and 31 December 2019 is as follows:

	(%)	Group A (thousand)	Group B (thousand)	Group C (thousand)	31 March 2019	31 December 2019
Aziz Torun	37.41	200,328	-	173,740	374,068	374,068
Mehmet Torun	37.41	-	200,312	173,740	374,052	374,052
Torunlar Gıda San. ve Tic. A.Ş.	0.03	142	142	-	284	284
Mahmut Karabıyık	low than 0.01	-	16	-	16	16
Other shareholders	low than 0.01	-	-	8	8	8
Other (Public quotation)	25.16	-	-	251,572	251,572	251,572
Nominal capital		200,470	200,470	599,060	1,000,000	1,000,000

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

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

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

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020**

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

13. REVENUE AND COST OF SALES

	1 January- 31 March 2020	1 January- 31 March 2019
Sales income		
Rent income	160,890	145,355
Residence and office sales income	142,310	28,796
Common area income	28,015	31,116
Other	1,163	1,041
	332,378	206,308
Cost of sales		
Cost of residence and office sales	(97,937)	(17,510)
Common area expenses	(34,143)	(32,223)
Rent expenses and management fees of shopping malls	(5,545)	(3,776)
Other	-	(936)
	(137,625)	(54,445)
Gross profit	194,753	151,863

Operational lease revenues mainly consist of rent income from shopping malls and Torun Tower office building. Shopping malls in operation are Mall of İstanbul, Ankara ANKAmall, Bursa Korupark, Bursa Zafer Plaza, Antalya Deepo, 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 is managed by the related party Torun AVM Yatırım ve Yönetim A.Ş. ("Torun Shopping Mall"), the management of Bursa Zafer Plaza is conducted by Zafer Plaza İşletmeciliği A.Ş.

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

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

	1 January- 31 March 2020	1 January- 31 March 2019
General administrative expenses		
Taxes, due and fees	(4,283)	(7,814)
Property expenses	(2,801)	(1,956)
Personnel expenses	(1,804)	(1,623)
Consultancy expenses	(244)	(271)
Transportation and travel expenses	(172)	(212)
Borsa İstanbul, CMB and CRA expenses	(141)	(212)
Depreciation expenses	(118)	(93)
Provisions for legal cases and doubtful receivables	(96)	(136)
Donations	-	(1,168)
Other	(39)	(1,025)
	(9,698)	(14,510)

	1 January- 31 March 2020	1 January- 31 March 2019
Marketing expenses		
Marketing expenses for residence sales	(3,856)	(19)
Advertising and promotion expenses	(2,838)	(80)
Personnel expenses	(488)	(388)
Depreciation expenses	(145)	(147)
Consultancy expenses	(73)	-
Other	(68)	(112)
	(7,468)	(746)

15. FINANCE INCOME / EXPENSES

	1 January- 31 March 2020	1 January- 31 March 2019
Finance income		
Interest income on time deposits	11,778	7,496
	11,778	7,496

	1 January- 31 March 2020	1 January- 31 March 2019
Finance expenses		
Interest expense	(200,407)	(89,526)
Foreign exchange losses, net (*)	(101,121)	(208,146)
	(301,528)	(297,672)

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

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16. (LOSS) / EARNINGS PER SHARE

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

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

	1 January- 31 March 2020	1 January- 31 March 2019
Net loss of shareholders	(105,701)	(143,803)
Weighted average number of ordinary shares (Full TL)	1,000,000,000	1,000,000,000
Loss per share (Full TL)	(0.11)	(0.14)

17. BENEFITS PROVIDED FOR MEMBER OF KEY MANAGEMENT

	1 January- 31 March 2020	1 January- 31 March 2019
Salaries and premium	658	624
	658	624

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

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 31 March 2020 and 31 December 2019.

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

	31 March 2020	31 December 2019
Assets	155,321	149,679
Liabilities	(2,171,329)	(2,176,608)
Net balance sheet position	(2,016,008)	(2,026,929)

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

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

31 March 2020	Eur	US Dollar	TL Amount
Current Assets			
Monetary financial assets	6,135	16,034	148,742
Other assets	4	17	140
Trade receivables	123	852	6,439
Total assets	6,262	16,903	155,321
Short-term liabilities			
Trade payables	(540)	(524)	(7,310)
Financial liabilities	(77,810)	(25,203)	(725,622)
Other short-term liabilities	(4,954)	(1,696)	(46,794)
Long-term liabilities			
Financial liabilities	(106,875)	(83,875)	(1,317,633)
Other long-term liabilities	(10,208)	(49)	(73,970)
Total liabilities	(200,387)	(111,347)	(2,171,329)
Net balance sheet position	(194,125)	(94,444)	(2,016,008)
Assets from off balance sheet derivative instruments	-	-	-
Liabilities from off balance sheet derivative instruments	-	-	-
Net foreign currency liability position	(194,125)	(94,444)	(2,016,008)

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

Foreign currency position (Continued)

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

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

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

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

Foreign currency position (Continued)

Foreign currency sensitivity analysis as of 31 March 2020 and 31 December 2019 are as follows:

31 March 2020	Gain / Loss		Equity	
	Appreciation	Depreciation	Appreciation	Depreciation
20% fluctuation in USD rate				
USD net asset/liability	(123,079)	123,079	(123,079)	123,079
Secured portion from USD risk	-	-	-	-
USD net effect	(123,079)	123,079	(123,079)	123,079
20% fluctuation in EUR rate				
EUR net asset/liability	(280,122)	280,122	(280,122)	280,122
Secured portion from EUR risk	-	-	-	-
EUR net effect	(280,122)	280,122	(280,122)	280,122
31 December 2019	Gain / Loss		Equity	
	Appreciation	Depreciation	Appreciation	Depreciation
20% fluctuation in USD rate				
USD net asset/liability	(149,448)	149,448	(149,448)	149,448
Secured portion from USD risk	-	-	-	-
USD net effect	(149,448)	149,448	(149,448)	149,448
20% fluctuation in EUR rate				
EUR net asset/liability	(255,938)	255,938	(255,938)	255,938
Secured portion from EUR risk	-	-	-	-
EUR net effect	(255,938)	255,938	(255,938)	255,938

19. SUBSEQUENT EVENTS

In the last period of 2019, information about China-based Covid 19 (Coronavirus) began to come and a limited number of cases were reported to the World Health Organization. In the first months of 2020, virus spread continued internationally and its negative effect started to increase. During the approval date of the consolidated financial statements in the case is continuing its development in Turkey and would be greater than anticipated impact on the international market are considered. Currencies and exchanges recorded value in the markets in which the Group carries out its activities, and raw material prices have dropped significantly. Since the situation is still developing, the Group management continues to evaluate the potential effects of the outbreak on the Group's activities. Group management evaluated this outbreak as a non-adjusting event. Possible impairments and provisions will be evaluated in the 2020 financial statements.

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

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

Financial Statements Main Account Items	Related Regulations	31 March 2020	31 December 2019
A Money and capital markets instruments	Series:III, No:48.1, Art.24/(b)	499,470	738,885
B Properties, projects based on properties and rights based on properties	Series:III, No:48.1, Art.24/(a)	12,326,050	12,373,053
C Subsidiaries	Series:III, No:48.1, Art.24/(b)	390,889	394,658
Due to related parties (non-trade)	Series:III, No:48.1, Art.23/(f)	-	-
Other assets		225,027	207,492
D Total assets	Series:III, No:48.1, Art.3/(p)	13,441,436	13,714,088
E Financial liabilities	Series:III, No:48.1.1, Art.31	4,765,133	4,915,580
F Other financial liabilities	Series:III, No:48.1.1, Art.31	-	-
G Finance leases	Series:III, No:48.1.1, Art.31	69,765	66,009
H Due from related parties (non-trade)	Series:III, No:48.1, Art.23(f)	-	-
I Shareholders Equity	Series:III, No:48.1, Art.31	8,371,315	8,478,964
Other liabilities		235,223	253,535
D Total liabilities	Series:III, No:48.1, Art.3/(p)	13,441,436	13,714,088

Financial Information	Related Regulations	31 March 2020	31 December 2019
A1 The portion of money and capital market instruments held for payment of properties for the following 3 years	Series:III, No:48.1, Art.24/(b)	499,470	738,885
A2 TL and foreign currency time and demand deposits	Series:III, No:48.1, Art.24/(b)	499,470	738,885
A3 Foreign capital market instruments	Series:III, No:48.1, Art.24/(d)	-	-
B1 Foreign properties, projects based on properties and rights based on properties	Series:III, No:48.1, Art.24/(d)	-	-
B2 Idle lands	Series:III, No:48.1, Art.24/(c)	-	-
C1 Foreign affiliates	Series:III, No:48.1, Art.24/(d)	-	-
C2 Investments in affiliated operating companies	Series:III, No:48.1, Art.28/1(a)	-	-
J Non-cash loans	Series:III, No:48.1, Art.31	150,402	152,197
K Mortgage amount on non-owned land to be developed	Series:III, No:48.1, Art.28(e)	-	-
L Total investments for money and capital market instruments in a single entity	Series:III, No:48.1, Art.22(t)	-	-

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

Portfolio Restrictions	Related Regulations	31 March 2020	31 December 2019	Maximum Minimum Rate
1 Mortgage amount on non-owned land to be developed (K/D)	Series:III, No:48.1a, Art.22/(e)	0%	0%	<10%
2 Properties, projects based on properties and rights based on properties (B+A1)/D	Series:III, No:48.1a, Art.24/(a),(b)	95%	96%	>50%
3 Money and capital market instruments and affiliates (A+C-A1)/D	Series:III, No:48.1a, Art.24/(b)	3%	3%	<50%
4 Foreign properties, projects based on properties rights based on properties affiliates capital, market instruments (A3+B1+C1)/D	Series:III, No:48.1a, Art.24/(d)	0%	0%	<49%
5 Idle lands(B2/D)	Series:III, No:48.1a, Art.24/(c)	0%	0%	<20%
6 Investment in affiliated operating companies (C2/D)	Series:III, No:48.1a, Art.28/1/(a)	0%	0%	<10%
7 Borrowing limit (E+F+G+H+J)/I	Series:III, No:48.1, Art.31	60%	61%	<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%

Associate	Participation rate	Participation amount	
	(%)	31 March 2020	31 December 2019
Yeni Gimat	14.83	342,757	336,279
TTA	40.00	40,977	40,538
Netsel	44.60	7,155	17,357
		390,889	394,174

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