

**RÖNESANS GAYRİMENKUL YATIRIM
ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTH
INTERIM PERIOD
ENDED 30 JUNE 2018
TOGETHER WITH INDEPENDENT
AUDITOR'S REVIEW REPORT

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT

(ORIGINALLY ISSUED IN TURKISH)



Report on review of interim financial information

To the Board of Directors of Rönesans Gayrimenkul Yatırım Anonim Şirketi

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Rönesans Gayrimenkul Yatırım A.Ş. and its subsidiaries (the "Group") as of 30 June 2018 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standards 34 ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34

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

Burak Özpoyraz, SMMM
Partner

Istanbul, 13 August 2018

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RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

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

ASSETS	Notes	(Reviewed) 30 June 2018	(Audited) 31 December 2017
Current Assets		644,418	972,658
Cash and cash equivalents	25	417,949	693,169
Trade receivables		59,349	44,349
- <i>Trade receivables from related parties</i>	5-6	10,420	16,048
- <i>Trade receivables from third parties</i>	6	48,929	28,301
Other receivables		38,819	55,921
- <i>Other receivables from related parties</i>	5-7	38,620	55,509
- <i>Other receivables from third parties</i>	7	199	412
Inventories	8	54,096	167,787
Prepaid expenses	9	17,583	3,820
Current tax assets	19	675	149
Other current assets	13	55,947	7,463
Non-Current Assets		12,585,439	8,442,496
Other receivables		27,356	55,843
- <i>Other receivables from related parties</i>	5-7	14,284	50,842
- <i>Other receivables from third parties</i>	7	13,072	5,001
Derivative instruments	21	61,709	3,100
Investments accounted for using the equity method	3	1,628,944	1,798,481
Investment properties	10	10,498,603	6,299,142
Property, plant and equipment		2,548	3,008
Intangible assets		253	489
- <i>Other intangible assets</i>		253	489
Prepaid expenses	9	25,660	7
Other non-current assets	13	340,366	282,426
TOTAL ASSETS		13,229,857	9,415,154

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

RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

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

LIABILITIES	Notes	(Reviewed) 30 June 2018	(Audited) 31 December 2017
Current Liabilities		655,269	567,556
Short term portion of long term borrowings	22	277,860	261,649
Trade payables		225,089	161,056
- Trade payables to related parties	5-6	189,530	145,515
- Trade payables to third parties	6	35,559	15,541
Other payables		102,819	10,468
- Other payables to related parties	5-7	145	45
- Other payables to third parties	7	102,674	10,423
Derivative instruments	21	1,117	1,168
Deferred revenue	9	40,112	124,366
Current tax liabilities	19	574	1,696
Payables related to employee benefit obligations	12	3,184	2,880
Short term provisions		4,514	4,273
- Employee benefits	12	2,685	2,284
- Other short-term provisions		1,829	1,989
Non-Current Liabilities		5,903,332	3,191,320
Long term borrowings	22	4,419,560	2,174,752
Other payables		537,790	410,822
- Other payables to related parties	5-7	425,070	314,605
- Other payables to third parties	7	112,720	96,217
Derivative instruments	22	19,028	7,101
Deferred revenue	9	222	-
Long term provisions		1,719	1,610
- Employee benefit obligation	12	1,719	1,610
Deferred tax liabilities	19	925,013	597,035
SHAREHOLDERS' EQUITY		6,671,256	5,656,278
Equity Attributable to Owners of the Parent		6,671,256	5,656,278
Share capital	14	303,717	303,717
Loss on remeasurement of defined benefit obligations		(678)	(678)
Premiums in capital stock	14	630,844	630,844
Retained earnings		5,737,373	4,722,395
TOTAL LIABILITIES		13,229,857	9,415,154

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

RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2018**

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

		<i>(Reviewed)</i>	<i>(Reviewed)</i>
		1 January -	1 January -
		30 June	30 June
	Notes	2018	2017
- Revenue	4-15	349,250	65,732
- Cost of sales (-)	4-15	(181,705)	(31,230)
GROSS PROFIT		167,545	34,502
- Marketing expenses (-)	16	(5,402)	(189)
- General administrative expenses (-)	16	(12,390)	(10,976)
- Other operating income	17	1,286,497	254,133
- Other operating expense (-)	17	(135,559)	(9,239)
OPERATING PROFIT		1,300,691	268,231
- Finance expenses (-)	18	(400,712)	(29,442)
- Share on profit of investments valued using equity method	3	271,289	130,261
PROFIT BEFORE TAXATION		1,171,268	369,050
Tax expenses		(156,290)	(47,366)
- Current tax expense	19	(734)	(3,018)
- Deferred tax expense	19	(155,556)	(44,348)
NET PROFIT FOR THE PERIOD		1,014,978	321,684

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

RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPERENSIVE INCOME
FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2018**

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

	<i>(Reviewed)</i> 1 January - 30 June 2018	<i>(Reviewed)</i> 1 January - 30 June 2017
<u>Notes</u>	<u>2018</u>	<u>2017</u>
PROFIT FOR THE PERIOD	1,014,978	321,684
TOTAL COMPREHENSIVE INCOME	<u>1,014,978</u>	<u>321,684</u>

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

RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2018

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

			Accumulated other comprehensive income or loss that will not be reclassified in profit or loss		
	Paid in capital	Premiums in capital stocks	Loss on remeasurement of defined benefit obligations	Retained earnings	Total
Opening balance as of 1 January 2017	303,717	630,844	(463)	3,610,727	4,544,825
<i>Profit for the year</i>	-	-	-	<i>321,684</i>	<i>321,684</i>
Total comprehensive income	-	-	-	321,684	321,684
Dividends	-	-	-	(55,000)	(55,000)
Balance as of 30 June 2017	303,717	630,844	(463)	3,877,411	4,811,509
Opening balance as of 1 January 2018	303,717	630,844	(678)	4,722,395	5,656,278
<i>Profit for the year</i>	-	-	-	<i>1,014,978</i>	<i>1,014,978</i>
Total comprehensive income	-	-	-	1,014,978	1,014,978
Balance as of 30 June 2018	303,717	630,844	(678)	5,737,373	6,671,256

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

RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2018**

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

		<i>(Reviewed)</i>	<i>(Reviewed)</i>
		1 January -	1 January -
		30 June	30 June
	References	2018	2017
A. Cash Flows From Operating Activities			
Profit for the Period		1,014,978	321,684
Adjustments to reconcile net profit			
Adjustments related to depreciation and amortization expense		778	859
Adjustments related to doubtful receivables provisions	6	581	1
Adjustments related to provisions	12-17	915	1,109
Adjustments related to Group's share on net assets of investments in accounted for using the equity method	3	(271,289)	(130,261)
Adjustments related to interest expense / (income)	17-18	70,033	15,768
Realized foreign exchange losses / (gains)	17-18	446,249	37,102
Adjustments related to fair value gains	10-17	(1,071,745)	(225,028)
Adjustments related to derivative instruments carried at fair value (gain) / loss	18	(57,959)	(16,643)
Adjustments related to tax expense	19	156,290	47,366
Adjustments related to sale of tangible assets		-	(53)
Adjustments related to gain on acquisition of subsidiary	24	(116,894)	-
Other adjustments to related to profit and loss		32	23,863
Movements in Working Capital		171,969	75,767
Adjustments related to decrease in financial investments		-	1,001
Adjustments related to increase / (decrease) trade receivables		(8,011)	35,261
Adjustments related to change in other receivables related to operations		(36,390)	(5,666)
Adjustments related to (decrease) / increase inventories	8	113,691	(25,121)
Adjustments related to increase prepaid expenses		(26,917)	1,973
Adjustments related to increase trade payables		58,036	(7,087)
Adjustments related to increase / (decrease) payables related to employee benefits		304	648
Adjustments related to decrease other payables related to operations		98,729	(2,185)
Adjustments related to increase / (decrease) derivative instruments		-	(3,480)
Adjustments related to increase deferred income		(84,495)	56,965
Cash generated by operating activities		286,916	128,076
Retirement pay paid	12	(254)	(482)
Provision paid		(520)	-
Income tax paid		(2,299)	(14,090)
Net cash generated by operations		283,844	113,504

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

RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2018**

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

		<i>(Reviewed)</i>	<i>(Reviewed)</i>
		1 January - 30 June 2018	1 January - 30 June 2017
		<u>2018</u>	<u>2017</u>
B. Cash Flows From Investing Activities			
Net cash outflow on acquire of subsidiary	24	(298,159)	-
Proceeds on disposal of tangible and intangible assets		-	101
Payments for tangible and intangible assets		(59)	(89)
Net cash outflow on acquire of investment property and expenditures		(1,228,746)	(186,345)
Advances given to related parties	5	16,790	7,286
Interest received		4,640	5,028
Change in long term VAT receivables	13	(57,941)	(34,819)
Other cash outflow		746	(35,819)
Net cash used in investing activities		<u>(1,562,729)</u>	<u>(244,657)</u>
C. Cash Flows From Financing Activities			
Proceeds from borrowings		1,673,056	175,519
Repayment of borrowings		(643,178)	(47,568)
Change in non-trade payables to related parties		76,864	14,979
Change in non-trade receivables from related parties		(4,060)	-
Dividends paid		-	(55,000)
Cash receipts from future contracts, forward contracts, option contracts and swap contracts		(1,472)	-
Interest paid		(97,544)	(49,422)
Net cash generated by financing activities		<u>1,003,666</u>	<u>38,508</u>
Net (decrease)/ increase in cash and cash equivalents		(275,220)	(92,645)
D. Cash and cash equivalents at the beginning of the year	25	<u>693,169</u>	<u>746,921</u>
Cash and cash equivalents at the end of the year (A+B+C+D)	25	<u><u>417,949</u></u>	<u><u>654,276</u></u>

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

RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2018

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Rönesans Gayrimenkul Yatırım Anonim Şirketi (“the Company”), was founded on 2 June 2006 in Ankara / Turkey. The registered address of the Company is Aziziye Mahallesi Portakal Çiçeği Sok. No: 33 Yukarı Ayrancı Çankaya/Ankara, Turkey. The ultimate controlling party and the major shareholder of the Company is Rönesans Emlak Geliştirme Holding A.Ş. (“Rönesans Emlak Geliştirme Holding”).

The details of the Company’s shareholders are disclosed in Note 14.

The principal activities of the Company and its subsidiaries and joint ventures (“the Group”) consist of developing shopping malls, office buildings and other commercial real estate projects.

As at 30 June 2018, the Group has 341 employees (31 December 2017: 327).

RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2018

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

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

The subsidiaries of the Group, place of incorporation, the nature of business together with geographical segments are as follows:

<u>Registered name of subsidiary</u>	<u>Short name</u>	<u>Place of incorporation and operation</u>	<u>Nature of business</u>	<u>Geographic segment</u>
Akaretler Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Akaretler	Turkey, Ankara	Real Estate Development	Turkey
Akatlar Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Akatlar	Turkey, Ankara	Real Estate Development	Turkey
Altunizade Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Altunizade	Turkey, Ankara	Real Estate Development	Turkey
Ayazağa Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Ayazağa	Turkey, Ankara	Real Estate Development	Turkey
Bakırköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Bakırköy	Turkey, Ankara	Real Estate Development	Turkey
Bahariye Gayrimenkul Yatırım İnş. Turizm San. ve Tic. A.Ş.	Bahariye	Turkey, Ankara	Real Estate Development	Turkey
Balmumcu Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Balmumcu	Turkey, Ankara	Real Estate Development	Turkey
Bostancı Gayrimenkul Yatırım İnşaat Turizm Eğitim Sanayi ve Ticaret A.Ş.	Bostancı	Turkey, Ankara	Real Estate Development	Turkey
Göksu Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Göksu	Turkey, Ankara	Real Estate Development	Turkey
Kabataş Gayrimenkul Yatırım İnş Tur. San. ve Tic. A.Ş.	Kabataş	Turkey, Ankara	Real Estate Development	Turkey
Kavacık Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Kavacık	Turkey, Ankara	Real Estate Development	Turkey
Kuzguncuk Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Kuzguncuk	Turkey, Ankara	Real Estate Development	Turkey
Kozyatağı Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Kozyatağı	Turkey, Ankara	Real Estate Development	Turkey
Mecidiyeköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Mecidiyeköy	Turkey, Ankara	Real Estate Development	Turkey
Nakkaştepe Gayrimenkul Yatırım İnş. Yön. ve Tic. A.Ş.	Nakkaştepe	Turkey, Ankara	Real Estate Development	Turkey
Mel2 Gayrimenkul Geliştirme Yatırım İnşaat ve Ticaret A.Ş.	Mel2	Turkey, Ankara	Real Estate Development	Turkey
Mel3 Gayrimenkul Geliştirme Yatırım İnşaat ve Ticaret A.Ş.	Mel3	Turkey, Ankara	Real Estate Development	Turkey
Nispetiye Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Nispetiye	Turkey, Ankara	Real Estate Development	Turkey
Pendik Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Pendik	Turkey, Ankara	Real Estate Development	Turkey
Rönesans Yönetim A.Ş.	ROY	Turkey, Ankara	Asset Management	Turkey
Salacak Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Salacak	Turkey, Ankara	Real Estate Development	Turkey
Sancaktepe Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Sancaktepe	Turkey, Ankara	Real Estate Development	Turkey
Tarabya Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Tarabya	Turkey, Ankara	Real Estate Development	Turkey
Salacak Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.-Rönesans Gayrimenkul Yatırım A.Ş. Adi Ortaklığı	Salacak-RGY	Turkey, Ankara	Real Estate Development	Turkey
Kabataş Gayrimenkul Yatırım İnşaat Turizm San. ve Ticaret A.Ş.-Rönesans Gayrimenkul Yatırım A.Ş. Adi Ortaklığı	Kabataş-RGY	Turkey, Ankara	Real Estate Development	Turkey

RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2018

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

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

Joint Ventures:

The Company's joint ventures, center, main business activities and geographic segments is as follows:

<u>Registered name of joint ventures</u>	<u>Short name</u>	<u>Place of incorporation and operation</u>	<u>Nature of business</u>	<u>Geographic segment</u>
Esentepe Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Esentepe	Turkey, Ankara	Real Estate Development	Turkey
Feriköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Feriköy	Turkey, Ankara	Real Estate Development	Turkey
Florya Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Florya	Turkey, Ankara	Real Estate Development	Turkey
Kandilli Gayrimenkul Yatırımları Yönetim İnşaat ve Ticaret A.Ş.	Kandilli	Turkey, Ankara	Real Estate Development	Turkey
Kurtköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Kurtköy	Turkey, Ankara	Real Estate Development	Turkey
Mel4 Gayrimenkul Geliştirme Yatırım İnşaat ve Ticaret A.Ş.	Mel4	Turkey, Ankara	Real Estate Development	Turkey

Approval of consolidated financial statements:

These condensed consolidated financial statements have been approved for issue by the Board of Directors on 13 August 2018 and signed on its behalf by Sercan Yüksel, Head of Finance.

RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2018

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Adoption of New and Revised International Financial Reporting Standards

The following new and revised standards and interpretations are presented below.

a) Standards, amendments and interpretations applicable as at 30 June 2018:

- IFRS 9, ‘Financial instruments’; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- IFRS 15, ‘Revenue from contracts with customers’; effective from annual periods beginning on or after 1 January 2018. IFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- Amendment to IFRS 15, ‘Revenue from contracts with customers’, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- Amendments to IFRS 4, ‘Insurance contracts’ regarding the implementation of IFRS 9, ‘Financial Instruments’; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
 - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
 - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.
- Amendment to IAS 40, ‘Investment property’ relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- Amendments to IFRS 2, ‘Share based payments’ on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.
- Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:
 - IFRS 1, ‘First time adoption of IFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10,
 - IAS 28, ‘Investments in associates and joint venture’ regarding measuring an associate or joint venture at fair value.

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

2.1 Adoption of New and Revised International Financial Reporting Standards (cont’d)

- IFRIC 22, ‘Foreign currency transactions and advance consideration’; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.
- b) Standards, amendments and interpretations that are issued but not effective as at 30 June 2018:
 - Amendment to IFRS 9, ‘Financial instruments’; effective from annual periods beginning on or after 1 January 2019. This amendment confirm 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 IFRS 9.
 - IFRS 16, ‘Leases’; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15 ‘Revenue from Contracts with Customers’ is also applied. 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). IFRS 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 IFRS 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 IFRS 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.

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

2.1 Adoption of New and Revised International Financial Reporting Standards (cont’d)

b) Standards, amendments and interpretations that are issued but not effective as at 30 June 2018:

- **IFRS 17, ‘Insurance contracts’**; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Annual improvements 2015-2017**; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - IFRS 3, ‘Business combinations’, - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - IFRS 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.
- **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.

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

2.2 Basis of representation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments that are measured at respective fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Reporting and measurement currency

Reporting currency

For the purpose of the consolidated financial statements, the results and the consolidated financial position of the Group is expressed in TRY.

Functional currency

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. For the purpose of the consolidated financial statements, the results and financial position of each entity consolidated are expressed in Turkish Lira (“TRY”), which is the functional and presentation currency of the Group.

The exchange rates used for the preparation of consolidated financial statements as of 30 June 2017, 31 December 2017, as follows:

The exchange rates used for the preparation of consolidated financial statements as at 30 June 2018 1 US Dollars= 4.5607 TRY 1 EUR= 5.3092 TRY (31 December 2017 1 US Dollars= 3.7719 TRY 1 EUR= 4.5155 TRY)

Changes in the accounting policies, estimates and errors

Significant changes in accounting policies and accounting errors are applied retrospectively and prior period financial statements are restated (Note 2.2). The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

The condensed consolidated interim financial statements for the period ended June 30, 2018 have been prepared in accordance with the accounting policies consistent with the accounting policies used in the preparation of annual consolidated financial statements for the year ended December 31, 2017. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017.

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

2.2 Basis of representation (cont’d)

Basis of consolidation:

Subsidiaries included in consolidation as at 30 June 2018 and 31 December 2017 are as follows:

Subsidiaries	Effective ownership ratio (%)		Voting power held (%)	
	<u>30 June</u> <u>2018</u>	<u>31 December</u> <u>2017</u>	<u>30 June</u> <u>2018</u>	<u>31 December</u> <u>2017</u>
Akaretler	100.00	100.00	100.00	100.00
Akatlar	100.00	100.00	100.00	100.00
Altunizade	100.00	100.00	100.00	100.00
Ayazağa	100.00	100.00	100.00	100.00
Bahariye	100.00	100.00	100.00	100.00
Bakırköy	100.00	100.00	100.00	100.00
Balmumcu	100.00	100.00	100.00	100.00
Bostancı	100.00	100.00	100.00	100.00
Göksu	100.00	100.00	100.00	100.00
Kabataş	100.00	100.00	100.00	100.00
Kavacık	100.00	100.00	100.00	100.00
Kozyatağı ⁽¹⁾	100.00	50.00	100.00	50.00
Kuzguncuk	100.00	100.00	100.00	100.00
Mecidiyeköy	100.00	100.00	100.00	100.00
Mel2 ⁽¹⁾	100.00	50.00	100.00	50.00
Mel3 ⁽¹⁾	100.00	50.00	100.00	50.00
Nakkaştepe	100.00	100.00	100.00	100.00
Nispetiye	100.00	100.00	100.00	100.00
Pendik	100.00	100.00	100.00	100.00
Rönesans Yönetim	100.00	100.00	100.00	100.00
Salacak	100.00	100.00	100.00	100.00
Sancaktepe	100.00	100.00	100.00	100.00
Tarabya	100.00	100.00	100.00	100.00
Bahariye-RGY	-	100.00	100.00	100.00
Kabataş-RGY	100.00	100.00	100.00	100.00
Salacak-RGY	100.00	100.00	100.00	100.00

⁽¹⁾ After the Group has acquired 50% of the Companies shares on 24 January 2018, Companies are reclassified as subsidiary.

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

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

2.2 Basis of representation (cont’d)

Basis of consolidation: (cont’d)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- the size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group’s ownership interests in existing subsidiaries

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

2.2 Basis of representation (cont’d)

Investments in joint ventures:

Joint venture	Principle activity	Place of incorporation	Proportion of ownership interest and voting power held by the Group	
			30 June 2018	31 December 2017
Esentepe	Real Estate Development	Turkey, Ankara	50.00	50.00
Feriköy	Real Estate Development	Turkey, Ankara	50.00	50.00
Florya	Real Estate Development	Turkey, Ankara	50.00	50.00
Kandilli	Real Estate Development	Turkey, Ankara	50.00	50.00
Kozyatağı ⁽¹⁾	Real Estate Development	Turkey, Ankara	-	50.00
Kurtköy	Real Estate Development	Turkey, Ankara	50.00	50.00
Mel 2 ⁽¹⁾	Real Estate Development	Turkey, Ankara	-	50.00
Mel 3 ⁽¹⁾	Real Estate Development	Turkey, Ankara	-	50.00
Mel 4	Real Estate Development	Turkey, Ankara	50.00	50.00

⁽¹⁾ After the Group has acquired other 50% of the Companies shares on 24 January 2018, Companies are reclassified as subsidiary.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint 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.

2.3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

2.3.1 Critical judgments in applying the entity’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 financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are concluded that the Group’s investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group’s deferred taxation on investment properties, the Group management has determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognized deferred taxes on changes in fair value of investment properties.

Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. In the subsidiaries of the Group, there are deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. As a result of the assessment made, the Group has recognized deferred tax assets in certain entities because it is probable that taxable profit will be available sufficient to recognize deferred tax assets in those entities.

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

2.3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

2.3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Determination of fair values of investment properties and investment properties under development

The fair value of investment property is based on valuations, performed by independent valuers, who hold recognized and relevant professional qualifications and who have recent experience in the location and category of the investment properties being valued. The valuations are based primarily on comparable rents, discount rates, yields and sales prices from recent market transactions on an arm’s lengths basis, using the Discounted Cash Flow technique, Market comparison and income capitalization approach for investment properties.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. For each of the following financial instrument, valuation techniques and assumptions are used. Fair value of non-derivative financial instruments which is determined for disclosure purposes, is determined based on the present value of future principal and interest cashflows. These cashflows are calculated based on discount rate prevailing at the reporting date.

3. INTERESTS IN OTHER ENTITIES

The details of Group’s joint ventures valued by using equity method as at 30 June 2018 and 31 December 2017 are as follows:

The fair values of investment properties under development and investment properties of joint ventures are given below:

Joint venture	Project Name	Place of property	30 June 2018	31 December 2017
Esentepe	Optimum İzmir SHC ^{(1) (3)}	İzmir, Turkey	1,168,920	996,170
Feriköy	Optimum İstanbul SHC ^{(1) (3)}	İstanbul, Turkey	639,110	544,425
Florya	Konak ⁽¹⁾	İzmir, Turkey	171,155	160,060
Kandilli	Ümraniye Tepeüstü ⁽¹⁾	İstanbul, Turkey	79,668	76,153
Kozyatağı	Kozzy SHC ^{(1) (2) (3)}	İstanbul, Turkey	-	94,737
Kurtköy	Optimum Ankara SHC ^{(1) (3)}	Ankara, Turkey	459,710	380,240
Mel 2	Samsun Piazza SHC and Hotel ^{(1) (2) (3)}	Samsun, Turkey	-	478,500
Mel 3	Kahramanmaraş Piazza SHC ^{(1) (2)}	Kahramanmaraş, Turkey	-	249,715
Mel 4	Şanlıurfa Piazza SHC ^{(1) (3)}	Şanlıurfa, Turkey	240,165	216,015
			<u>2,758,728</u>	<u>3,196,015</u>

⁽¹⁾ Amount presents the value of the projects multiplied with the Company’s share.

⁽²⁾ After the Group has acquired 50% of the companies shares on 24 January 2018, Companies are reclassified as subsidiary.

⁽³⁾ Assets are secured with mortgage, pledge, lien or other security interest to secure borrowings.

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3. INTERESTS IN OTHER ENTITIES (cont'd)

b) Joint ventures (cont'd)

30 June 2018	Esentepe	Feriköy	Florya	Kandilli	Kurtköy	Mel4	Kozyatağı ⁽¹⁾	Mel2 ⁽¹⁾	Mel3 ⁽¹⁾	Total
Cash	71,247	29,554	103	1,758	17,317	3,574	-	-	-	123,553
VAT receivable	-	-	-	-	-	5,996	-	-	-	5,996
Other current assets	15,589	10,708	617	87	6,640	5,802	-	-	-	39,443
Current Assets	86,836	40,262	720	1,845	23,957	15,372	-	-	-	168,992
Investment properties	2,337,840	1,278,220	342,310	159,335	919,420	480,330	-	-	-	5,517,455
VAT receivable	-	-	6,579	17,056	-	-	-	-	-	23,635
Other non-current assets	311,381	433,394	44	-	113,185	1	-	-	-	858,005
Non-Current Assets	2,649,221	1,711,614	348,933	176,391	1,032,605	480,331	-	-	-	6,399,095
Total Assets	2,736,057	1,751,876	349,653	178,236	1,056,562	495,703	-	-	-	6,568,087
Borrowings	26,434	2,286	-	-	11,579	28,196	-	-	-	68,495
Other current liabilities	31,878	8,489	776	39	6,167	3,662	-	-	-	51,011
Current Liabilities	58,312	10,775	776	39	17,746	31,858	-	-	-	119,506
Borrowings	1,029,985	690,196	-	-	474,313	170,358	-	-	-	2,364,852
Deferred tax liabilities	330,991	219,314	43,927	10,329	144,448	41,524	-	-	-	790,533
Other non-current liabilities	4,350	568	-	-	1,103	29,287	-	-	-	35,308
Non-Current Liabilities	1,365,326	910,078	43,927	10,329	619,864	241,169	-	-	-	3,190,693
Total Liabilities	1,423,638	920,853	44,703	10,368	637,610	273,027	-	-	-	3,310,199
Net Assets of Joint Ventures	1,312,419	831,023	304,950	167,868	418,952	222,676	-	-	-	3,257,888
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	50%	50%	50%	50%	
Carrying amount of the Group's interest in joint ventures	656,209	415,512	152,475	83,934	209,476	111,338	-	-	-	1,628,944
Share of Group on VAT receivable	-	-	3,290	8,528	-	2,998	-	-	-	14,816
Share of Group on investment properties	1,168,920	639,110	171,155	79,668	459,710	240,165	-	-	-	2,758,728
Share of Group on total assets	1,368,029	875,938	174,827	89,118	528,281	247,852	-	-	-	3,284,045
Share of Group on deferred tax liabilities	165,496	109,657	21,964	5,165	72,224	20,762	-	-	-	395,268
Share of Group on total liabilities	711,819	460,427	22,352	5,184	318,805	136,514	-	-	-	1,655,100

⁽¹⁾ After the Group has acquired 50% of the Companies shares on 24 January 2018, Companies are reclassified as subsidiary.

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3. INTERESTS IN OTHER ENTITIES (cont’d)

b) Joint ventures (cont’d)

31 December 2017	Esentepe	Feriköy	Florya	Kandilli	Kozyatağı	Kurtköy	Mel2	Mel3	Mel4	Total
Cash	43,956	86,396	294	1,640	5,000	34,504	23,916	3,490	1,626	200,822
VAT receivable	11,620	-	-	-	2,280	-	16,528	5,062	8,926	44,416
Other current assets	245	5,324	17	10	-	6,796	1,314	3,206	1,308	18,220
Current Assets	55,821	91,720	311	1,650	7,280	41,300	41,758	11,758	11,860	263,458
Investment properties	1,992,340	1,088,850	320,120	152,306	189,474	760,480	957,000	499,430	432,030	6,392,030
VAT receivable	-	-	6,530	-	14,800	-	-	-	-	21,330
Other non-current assets	244,562	286,864	43	17,080	48,590	55,388	3,579	-	2,456	658,562
Non-Current Assets	2,236,902	1,375,714	326,693	169,386	252,864	815,868	960,579	499,430	434,486	7,071,922
Total Assets	2,292,723	1,467,434	327,004	171,036	260,144	857,168	1,002,337	511,188	446,346	7,335,380
Borrowings	18,062	1,944	-	-	7,621	9,089	40,527	22,535	24,017	123,795
Other current liabilities	27,894	9,207	593	22	3,706	5,682	3,704	4,033	5,765	60,606
Current Liabilities	45,956	11,151	593	22	11,327	14,771	44,231	26,568	29,782	184,401
Borrowings	888,923	587,015	-	-	99,973	396,803	319,923	168,067	156,816	2,617,520
Deferred tax liabilities	271,485	182,942	39,662	8,941	31,892	119,365	93,257	40,259	30,127	817,930
Other non-current liabilities	3,034	654	1	1	2,105	7,274	62,521	24,466	18,514	118,570
Non-Current Liabilities	1,163,442	770,611	39,663	8,942	133,970	523,442	475,701	232,792	205,457	3,554,020
Total Liabilities	1,209,398	781,762	40,256	8,964	145,297	538,213	519,932	259,360	235,239	3,738,421
Net Assets of Joint Ventures	1,083,325	685,672	286,748	162,072	114,847	318,955	482,405	251,828	211,107	3,596,959
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	50%	50%	50%	50%	
Carrying amount of the Group's interest in joint ventures	541,662	342,836	143,374	81,036	57,424	159,478	241,203	125,914	105,554	1,798,481
Share of Group on VAT receivable	5,810	-	3,265	-	8,540	-	8,264	2,531	4,463	32,873
Share of Group on investment properties	996,170	544,425	160,060	76,153	94,737	380,240	478,500	249,715	216,015	3,196,015
Share of Group on total assets	1,146,362	733,717	163,503	85,518	130,072	428,584	501,169	255,594	223,173	3,667,692
Share of Group on deferred tax liabilities	135,743	91,471	19,831	4,471	15,946	59,683	46,629	20,130	15,064	408,968
Share of Group on total liabilities	604,700	390,882	20,129	4,483	72,650	269,108	259,968	129,682	117,621	1,869,223

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

3. INTERESTS IN OTHER ENTITIES (cont’d)

b) Joint ventures (cont’d)

30 June 2018	Esentepe	Feriköy	Florya	Kandilli	Kurtköy	Mel4	Kozyatağı	Mel2	Mel3	Total
Revenue	83,271	46,178	-	-	35,398	23,509	2,096	8,318	4,241	203,011
Cost	(14,564)	(9,582)	-	-	(7,935)	(6,075)	(570)	(1,763)	(1,025)	(41,514)
Operating expenses	(3,417)	(2,504)	-	-	(1,929)	(837)	(644)	(232)	(135)	(9,698)
Interest income from bank deposit	248	81	1	19	160	41	-	22	13	585
Interest expense financial debts	(11,423)	(8,568)	-	-	(8,667)	(5,371)	(500)	(1,813)	(1,057)	(37,399)
Other	234,486	156,119	21,326	7,225	108,051	11,697	2,088	20,814	10,906	572,712
Income tax expense	(59,506)	(36,372)	(4,265)	(1,449)	(25,083)	(11,396)	(918)	(3,541)	(2,584)	(145,114)
Net profit for the year	229,095	145,352	17,062	5,795	99,995	11,568	1,551	21,806	10,359	542,583
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	50%	50%	50%	50%	
Share of Group on revenue	41,636	23,089	-	-	17,699	11,755	1,048	4,159	2,120	101,506
Share of Group on cost	(7,282)	(4,791)	-	-	(3,968)	(3,038)	(285)	(882)	(513)	(20,759)
Share of Group on operating expenses	(1,709)	(1,252)	-	-	(965)	(419)	(322)	(116)	(68)	(4,851)
Share of Group on interest income from bank deposit	124	41	1	10	80	21	-	11	7	295
Share of Group on interest expenses of borrowings	(5,712)	(4,284)	-	-	(4,334)	(2,686)	(250)	(907)	(529)	(18,702)
Share of Group on other income / (expense)	117,243	78,060	10,663	3,613	54,026	5,849	1,044	10,407	5,453	286,358
Share of Group on income tax expense	(29,753)	(18,186)	(2,133)	(725)	(12,542)	(5,698)	(459)	(1,770)	(1,292)	(72,558)
Share of Group on profit for the year	114,547	72,677	8,531	2,898	49,996	5,784	776	10,902	5,178	271,289

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3. INTERESTS IN OTHER ENTITIES (cont’d)

b) Joint ventures (cont’d)

30 June 2017	Esentepe	Feriköy	Florya	Kandilli	Kozyatağı	Kurtköy	Mel2	Mel3	Mel4	Göksu	Total
Revenue	53,059	37,873	-	-	9,648	30,251	35,882	20,971	18,224	33,849	239,757
Cost	(11,963)	(9,121)	-	-	(3,595)	(7,600)	(8,265)	(6,119)	(5,912)	(9,026)	(61,601)
Operating expenses	(2,981)	(1,650)	-	-	(319)	(1,358)	(1,036)	(841)	(772)	(961)	(9,918)
Interest income from bank deposit	257	238	2	14	47	284	119	67	36	120	1,184
Interest expense of borrowings	(7,174)	(6,829)	-	-	(2,218)	(6,038)	(7,347)	(4,759)	(4,838)	(10,609)	(49,812)
Other	52,508	40,334	3,087	6,914	(2,340)	265	29,814	18,682	18,847	39,742	207,853
Income tax expense	(17,590)	(12,146)	(634)	(1,386)	(514)	(3,468)	(9,854)	(5,604)	(5,121)	(10,629)	(66,946)
Net profit for the year	66,116	48,699	2,455	5,542	709	12,336	39,313	22,397	20,464	42,486	260,517
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	
Share of Group on revenue	26,529	18,937	-	-	4,824	15,125	17,941	10,485	9,112	16,924	119,877
Share of Group on cost	(5,982)	(4,561)	-	-	(1,797)	(3,800)	(4,133)	(3,060)	(2,956)	(4,513)	(30,802)
Share of Group on operating expenses	(1,490)	(825)	-	-	(159)	(679)	(518)	(421)	(386)	(481)	(4,959)
Share of Group on interest income from bank deposit	129	119	1	7	23	142	60	34	18	60	593
Share of Group on interest expense of borrowings	(3,587)	(3,415)	-	-	(1,109)	(3,019)	(3,674)	(2,380)	(2,419)	(5,304)	(24,907)
Share of Group on other income / (expense)	26,254	20,167	1,543	3,457	(1,170)	132	14,909	9,343	9,426	19,871	103,932
Share of Group on income tax expense	(8,795)	(6,073)	(317)	(693)	(257)	(1,734)	(4,927)	(2,802)	(2,560)	(5,315)	(33,473)
Share of Group on profit for the year	33,058	24,349	1,227	2,771	355	6,167	19,658	11,199	10,235	21,242	130,261

(*)After the Group acquired 50% of company shares on 16 August 2017, Göksu is reclassified as subsidiary.

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4. SEGMENTAL REPORTING

The Group identifies and presents segment reporting in accordance with IFRS 8, Operating Segments. The information on operating segments is based on internal reports which are periodically reviewed by the management of the Company.

The management of the Company reviews assets, liabilities, deferred tax liabilities, value added tax receivable, net operating income, operating expense, interest income from time deposit, interest expense of borrowings, tax expense and capital expenditures real estate projects for the purpose of determining resources to be allocated to segments and assessing the performance of each segment.

The total assets, total liabilities, deferred tax liabilities, net operating income, operating expense, value added tax receivable, interest income from bank deposit, interest expense of borrowings, tax expense and capital expenditures of the Group’s real estate projects are as follows:

a) Total Assets

Company Name	Project Name	30 June 2018	31 December 2017
Balmumcu	Antalya	20,528	19,978
Kabataş Rönesans	Beachtown	403,635	313,028
Nakkaştepe	Bayraklı	301,266	280,757
Nisbetiye	Bursa	112,602	101,756
Tarabya	Hilltown SHC and Office	1,895,418	1,636,155
Pendik	İzmit	15,261	14,547
Mel3	Kahramanmaraş Piazza SHC	594,099	255,594
Altunizade	Karşıyaka	1,037,864	753,891
Florya	Konak	174,807	163,502
Kozyatağı	Kozzy SHC	240,126	130,072
Bostancı	Küçükyalı Office and School	633,452	559,075
Salacak	Maltepe Piazza	2,073,574	1,852,202
Bakırköy	Maltepe Park	1,082,171	-
Kavacık	Mamak	69,362	64,162
Kuzguncuk	Optimum Antalya	129,770	115,850
Göksu	Optimum Adana SHC	1,111,656	948,084
Kurtköy	Optimum Ankara SHC	476,564	428,584
Feriköy	Optimum İstanbul SHC	658,737	733,717
Esentepe	Optimum İzmir SHC	1,211,832	1,146,362
Mecidiyeköy	RönesansBiz Mecidiyeköy	238,739	208,075
Mel2	Samsun Piazza SHC and Hotel	1,176,627	501,169
Salacak Rönesans	Salacak Rönesans	586	426
Sancaktepe	Seyrantepe	39,766	38,052
Akatlar	Silivri	35,456	34,207
Mel4	Şanlıurfa Piazza SHC	247,783	223,173
Kandilli	Ümraniye Tepetüstü	89,118	85,518
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	622,348	475,130
Rönesans Yönetim	Rönesans Yönetim	8,411	14,742
Other	Other	1,194	537
Combined		14,702,752	11,098,345
Less : Joint ventures (Note 3)		(3,284,045)	(3,667,692)
Less : Consolidation eliminations and adjustments		1,811,150	1,984,501
Consolidated		13,229,857	9,415,154

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4. SEGMENTAL REPORTING (cont’d)

b) Total Liabilities

Company Name	Project Name	30 June 2018	31 December 2017
Balmumcu	Antalya	114	6
Kabataş Rönesans	Beachtown	105,150	85,756
Nakkaştepe	Bayraklı	25,052	21,004
Nisbetiye	Bursa	10,191	8,459
Tarabya	Hilltown SHC and Office	959,118	851,829
Pendik	İzmit	1,640	1,446
Mel3	Kahramanmaraş Piazza SHC	54,898	122,682
Altunizade	Karşıyaka	389,089	198,993
Florya	Konak	22,289	20,129
Kozyatağı	Kozzy SHC	163,944	72,650
Bostancı	Küçükyalı Office and School	104,076	246,775
Salacak	Maltepe Piazza	1,194,946	1,109,605
Bakırköy	Maltepe Park SHC	38,622	-
Kavacık	Mamak	11,881	10,842
Kuzguncuk	Optimum Antalya	3,503	810
Göksu	Optimum Adana SHC	702,529	605,728
Kurtköy	Optimum Ankara SHC	318,135	269,108
Feriköy	Optimum İstanbul SHC	459,735	390,881
Esentepe	Optimum İzmir SHC	699,284	604,700
Mecidiyeköy	RönesansBiz Mecidiyeköy	91,371	81,734
Mel2	Samsun Piazza SHC and Hotel	528,506	243,968
Salacak Rönesans	Salacak Rönesans	120	12,793
Sancaktepe	Seyrantepe	2,365	1,619
Akatlar	Silivri	4,965	4,721
Mel4	Şanlıurfa Piazza SHC	121,938	110,392
Kandilli	Ümraniye Tepeüstü	5,183	4,483
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	2,007,622	352,606
Rönesans Yönetim	Rönesans Yönetim	5,143	8,341
Other	Other	83	18
Combined		8,031,492	5,442,078
Less : Joint ventures (Note 3)		(1,655,100)	(1,869,223)
Less : Consolidation eliminations and adjustments		182,209	186,021
Consolidated		6,558,601	3,758,876

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4. SEGMENTAL REPORTING (cont’d)

c) Deferred Tax Liabilities

Company Name	Project Name	30 June 2018	31 December 2017
Balmumcu	Antalya	114	5
Kabataş Rönesans	Beachtown	70,749	53,782
Nakkaştepe	Bayraklı	24,993	20,941
Nispetiye	Bursa	10,109	8,377
Tarabya	Hilltown SHC and Office	173,278	147,067
Pendik	İzmit	1,539	1,445
Mel3	Kahramanmaraş Piazza SHC	49,874	20,130
Altunzade	Karşıyaka	79,278	58,694
Florya	Konak	21,964	19,831
Kozyatağı	Kozzy SHC	34,612	15,946
Bostancı	Küçükyalı Office and School	74,247	57,559
Salacak	Maltepe Piazza	73,137	92,294
Bakırköy	Maltepe Park	37,324	-
Kavacık	Mamak	11,854	10,838
Kuzguncuk	Optimum Antalya	3,257	707
Göksu	Optimum Adana SHC	134,487	111,274
Kurtköy	Optimum Ankara SHC	72,224	59,683
Feriköy	Optimum İstanbul SHC	109,657	91,471
Esentepe	Optimum İzmir SHC	165,496	135,743
Mecidiyeköy	RönesansBiz Mecidiyeköy	33,123	27,862
Mel2	Samsun Piazza SHC and Hotel	123,958	46,629
Sancaktepe	Seyrantepe	2,109	1,471
Akatlar	Silivri	4,963	4,719
Mel4	Şanlıurfa Piazza SHC	20,762	15,064
Kandilli	Ümraniye Tepetüstü	5,165	4,471
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	(17,992)	-
	Combined	1,320,281	1,006,003
	Less : Joint ventures (Note 3)	(395,268)	(408,968)
	Consolidated	925,013	597,035

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4. SEGMENTAL REPORTING (cont’d)

d) Value Added Tax (“VAT”) Receivable

Company Name	Project Name	30 June 2018	31 December 2017
Balmumcu	Antalya	86	72
Kabataş Rönesans	Beachtown	2,064	1,764
Nakkaştepe	Bayraklı	24,891	24,858
Nisbetiye	Bursa	494	487
Tarabya	Hilltown SHC and Office	88,409	93,868
Pendik	İzmit	73	68
Mel3	Kahramanmaraş Piazza SHC	1,798	2,531
Altunizade	Karşıyaka	66,357	42,403
Florya	Konak	3,290	3,265
Bostancı	Küçükyalı Office and School	8,488	12,182
Salacak	Maltepe Piazza	132,007	98,754
Bakırköy	Maltepe Park	45,273	-
Kavacık	Mamak	72	65
Kuzguncuk	Optimum Antalya	15,390	15,268
Esentepe	Optimum İzmir SHC	-	5,810
Mecidiyeköy	RönesansBiz Mecidiyeköy	-	45
Mel2	Samsun Piazza SHC and Hotel	9,917	8,264
Salacak Rönesans	Salacak Rönesans	128	-
Akatlar	Silivri	58	54
Mel4	Şanlıurfa Piazza SHC	2,998	4,463
Kandilli	Ümraniye Tepeüstü	8,528	8,540
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	429	-
Rönesans Yönetim	Rönesans Yönetim	332	-
Other	Other	48	1
Combined		411,130	322,762
Less : Joint ventures (Note 3)		(14,816)	(32,873)
Consolidated		396,314	289,889

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4. SEGMENTAL REPORTING (cont’d)

e) Gross Profit

Company Name	Project Name	30 June 2018			30 June 2017		
		Revenue	Cost	Gross Profit	Revenue	Cost	Gross Profit
Tarabya ⁽¹⁾	Hilltown SHC and Office	56,031	(17,577)	38,454	-	-	-
Mel3	Kahramanmaraş Piazza SHC	22,163	(5,977)	16,186	10,485	(3,060)	7,425
Kozyatağı	Kozzy SHC	11,120	(3,994)	7,126	4,824	(1,797)	3,027
Bostancı	Küçükyalı Office and School	26,158	(5,840)	20,318	23,686	(4,903)	18,783
Salacak ⁽²⁾	Maltepe Piazza	121,965	(113,279)	8,686	-	-	-
Bakırköy ⁽⁴⁾	Maltepe Park SHC	1,364	(77)	1,287	-	-	-
Göksu	Optimum Adana SHC	43,373	(9,676)	33,697	16,924	(4,513)	12,411
Kurtköy	Optimum Ankara SHC	17,699	(3,968)	13,731	15,125	(3,800)	11,325
Feriköy	Optimum İstanbul SHC	23,089	(4,791)	18,298	18,937	(4,561)	14,376
Esentepe	Optimum İzmir SHC	41,636	(7,282)	34,354	26,529	(5,982)	20,547
Mecidiyeköy	RönesansBiz Mecidiyeköy	7,781	(1,734)	6,047	6,514	(1,747)	4,767
Mel2	Samsun Piazza SHC and Hotel	42,399	(9,128)	33,271	17,941	(4,133)	13,808
Sancaktepe ⁽³⁾	Seyrantepe	960	-	960	1,080	-	1,080
Mel4	Şanlıurfa Piazza SHC	11,754	(3,038)	8,716	9,112	(2,956)	6,156
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	10,037	(3,761)	6,276	15,660	(10,270)	5,390
Rönesans Yönetim	Rönesans Yönetim	20,137	(18,265)	1,872	9,688	(5,202)	4,486
Other	Other	-	-	-	-	(4)	(4)
	Combined	457,666	(208,387)	249,279	176,505	(52,928)	123,577
	Less : Joint ventures (Note 3)	(101,506)	20,759	(80,747)	(119,877)	30,802	(89,075)
	Less : Consolidation eliminations and adjustments	(6,910)	5,923	(987)	9,104	(9,104)	-
	Consolidated	349,250	(181,705)	167,545	65,732	(31,230)	34,502

⁽¹⁾ Hilltown SHC and Office has opened in October 2017.

⁽²⁾ Maltepe Piazza has opened in April 2018.

⁽³⁾ The amount includes storehouse rent income.

⁽⁴⁾ Maltepe Park SHC has purchased on 26 June 2018.

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4. SEGMENTAL REPORTING (cont’d)

f) Operating Expenses

<u>Company Name</u>	<u>Project Name</u>	<u>30 June 2018</u>	<u>30 June 2017</u>
Tarabya	Hilltown SHC and Office	3,948	-
Mel3	Kahramanmaraş Piazza SHC	1,036	421
Kozyatağı	Kozzy SHC	193	159
Bostancı	Küçükyalı Office and School	317	374
Salacak	Maltepe Piazza	1,910	40
Göksu	Optimum Adana SHC	1,035	481
Kurtköy	Optimum Ankara SHC	964	679
Feriköy	Optimum İstanbul SHC	1,252	825
Esentepe	Optimum İzmir SHC	1,708	1,490
Mecidiyeköy	RönesansBiz Mecidiyeköy	313	293
Mel2	Samsun Piazza SHC and Hotel	1,725	518
Salacak Rönesans	Salacak Rönesans	10	13
Mel4	Şanlıurfa Piazza SHC	418	386
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	4,402	7,341
Rönesans Yönetim	Rönesans Yönetim	6,412	4,117
Other	Other	64	64
	Combined	25,707	17,201
	Less : Joint ventures (Note 3)	(4,851)	(4,959)
	Less : Consolidation eliminations and adjustments	(3,064)	(1,077)
	Consolidated	17,792	11,165

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4. SEGMENTAL REPORTING (cont’d)

g) Interest income from bank deposit

Company Name	Project Name	30 June 2018	30 June 2017
Nakkaştepe	Bayraklı	-	1
Tarabya	Hilltown SHC and Office	147	16
Mel3	Kahramanmaraş Piazza SHC	65	34
Altunizade	Karşıyaka	30	2
Florya	Konak	1	1
Kozyatağı	Kozzy SHC	15	23
Bostancı	Küçükyalı Office and School	141	91
Salacak	Maltepe Piazza	85	32
Kuzguncuk	Optimum Antalya	-	6
Göksu	Optimum Adana SHC	107	60
Kurtköy	Optimum Ankara SHC	80	142
Feriköy	Optimum İstanbul SHC	40	119
Esentepe	Optimum İzmir SHC	124	129
Mecidiyeköy	RönesansBiz Mecidiyeköy	59	33
Mel2	Samsun Piazza SHC and Hotel	143	60
Sancaktepe	Seyrantepe	26	15
Mel4	Şanlıurfa Piazza SHC	21	18
Kandilli	Ümraniye Tepeüstü	10	7
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	3,495	1,196
Rönesans Yönetim	Rönesans Yönetim	79	99
Other	Other	9	1
Combined		4,677	2,085
Less : Joint ventures (Note 3)		(295)	(593)
Consolidated		4,382	1,492

RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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4. SEGMENTAL REPORTING (cont’d)**h) Interest expenses of borrowings**

<u>Company Name</u>	<u>Project Name</u>	<u>30 June 2018</u>	<u>30 June 2017</u>
Tarabya	Hilltown SHC and Office	15,035	-
Mel3	Kahramanmaraş Piazza SHC	4,661	2,380
Kozyatağı	Kozzy SHC	2,347	1,109
Bostancı	Küçükyalı Office and School	4,091	4,355
Göksu	Optimum Adana SHC	13,097	5,304
Kurtköy	Optimum Ankara SHC	4,334	3,019
Feriköy	Optimum İstanbul SHC	4,284	3,415
Esentepe	Optimum İzmir SHC	5,712	3,587
Mecidiyeköy	RönesansBiz Mecidiyeköy	1,047	1,133
Mel2	Samsun Piazza SHC and Hotel	7,404	3,674
Mel4	Şanlıurfa Piazza SHC	2,686	2,419
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	28,677	10,280
	Combined	93,375	40,675
	Less : Joint ventures (Note 3)	(18,702)	(24,907)
	Consolidated	74,673	15,768

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4. SEGMENTAL REPORTING (cont’d)

i) Tax expense

Company Name	Project Name	30 June 2018	30 June 2017
Balmumcu	Antalya	(108)	3
Kabataş Rönesans	Beachtown	(16,967)	-
Nakkaştepe	Bayraklı	(4,052)	(1,141)
Nisbetiye	Bursa	(1,732)	(232)
Tarabya	Hilltown SHC and Office	(26,203)	(12,308)
Pendik	İzmit	(95)	(77)
Mel3	Kahramanmaraş Piazza SHC	(8,323)	(2,802)
Altunizade	Karşıyaka	(20,584)	(3,554)
Florya	Konak	(2,133)	(317)
Kozyatağı	Kozzy SHC	(2,261)	(257)
Bostancı	Küçükyalı Office and School	(16,688)	(6,872)
Salacak	Maltepe Piazza	20,127	(17,024)
Bakırköy	Maltepe Park SHC	(37,330)	-
Kavacık	Mamak	(1,016)	(640)
Kuzguncuk	Optimum Antalya	(2,550)	(1,638)
Göksu	Optimum Adana SHC	(23,213)	(5,315)
Kurtköy	Optimum Ankara SHC	(12,541)	(1,734)
Feriköy	Optimum İstanbul SHC	(18,186)	(6,073)
Esentepe	Optimum İzmir SHC	(29,753)	(8,795)
Mecidiyeköy	RönesansBiz Mecidiyeköy	(5,261)	(860)
Mel2	Samsun Piazza SHC and Hotel	(28,932)	(4,927)
Salacak Rönesans	Salacak Rönesans	2	3
Sancaktepe	Seyrantepe	(986)	(306)
Akatlar	Silivri	(244)	(218)
Mel4	Şanlıurfa Piazza SHC	(5,698)	(2,560)
Kandilli	Ümraniye Tepeüstü	(724)	(693)
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	16,952	(2,084)
Rönesans Yönetim	Rönesans Yönetim	(350)	(427)
Other	Other	1	9
Combined		(228,848)	(80,839)
Less : Joint ventures (Note 3)		72,558	33,473
Consolidated		(156,290)	(47,366)

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4. SEGMENTAL REPORTING (cont’d)

j) Capital Expenditures (*)

Company Name	Project Name	30 June 2018	31 December 2017
Balmumcu	Antalya	19,892	19,771
Kabataş Rönesans	Beachtown	47,478	42,340
Nakkaştepe	Bayraklı	151,151	150,957
Nisbetiye	Bursa	59,529	59,408
Tarabya	Hilltown SHC and Office	815,422	767,042
Pendik	İzmit	7,446	7,315
Mel3	Kahramanmaraş Piazza SHC	197,112	98,151
Altunizade	Karşıyaka	500,626	375,841
Florya	Konak	61,470	61,038
Kozyatağı	Kozzy SHC	45,857	21,819
Bostancı	Küçükyalı Office and School	213,331	209,761
Salacak	Maltepe Piazza	1,292,839	908,430
Bakırköy	Maltepe Park SHC	848,828	-
Kavacık	Mamak	10,049	9,979
Kuzguncuk	Optimum Antalya	89,567	88,734
Göksu	Optimum Adana SHC	316,347	313,634
Kurtköy	Optimum Ankara SHC	48,989	47,392
Feriköy	Optimum İstanbul SHC	98,136	97,063
Esentepe	Optimum İzmir SHC	335,577	334,155
Mecidiyeköy	RönesansBiz Mecidiyeköy	62,538	62,206
Mel2	Samsun Piazza SHC and Hotel	641,668	319,413
Sancaktepe	Seyrantepe	28,251	28,116
Akatlar	Silivri	10,590	10,560
Mel4	Şanlıurfa Piazza SHC	100,545	100,460
Kandilli	Ümraniye Tepeüstü	54,486	54,435
Combined		6,057,724	4,188,020
Less : Joint ventures		(699,203)	(1,137,724)
Consolidated		5,358,521	3,050,296

(*) “Capital expenditures” include cumulative capital expenditures made for “Investment properties” and acquisition cost of lands to be developed for projects in the accompanying consolidated financial statements.

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5. RELATED PARTY DISCLOSURES

The ultimate controlling party of the Group is Rönesans Emlak Geliştirme Holding A.Ş. transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Details of balances and transactions between the Group and other related parties are disclosed below:

Balances with related parties	30 June 2018							
	Receivables				Payables			
	Current		Non-current		Current		Non-current	
	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade
<i>Joint ventures ⁽¹⁾</i>								
Mel4 Gayrimenkul Geliştirme Yatırım İnş.ve Tic.A.Ş.	501	-	-	14,284	-	-	-	-
Esentepe Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş.	1,422	-	-	-	-	-	-	156,173
Kurtköy Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş.	765	-	-	-	-	-	-	51,697
Feriköy Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş.	735	-	-	-	-	-	-	217,200
<i>Other companies managed by the parent company</i>								
Rönesans Holding A.Ş.	-	-	-	-	1,911	139	-	-
Rönesans Elektrik Enerji Toptan Satış A.Ş.	-	-	-	-	6,306	-	-	-
Rönesans Teknik İnşaat San. ve Tic.A.Ş. ⁽²⁾	66	38,618	-	-	181,004	-	-	-
Other ⁽³⁾	6,931	2	-	-	309	6	-	-
	10,420	38,620	-	14,284	189,530	145	-	425,070

⁽¹⁾ Non-trade receivables and non-trade payables relate to funds provided to joint ventures for project financing and interest is charged at certain rates. Related receivables and payables are included in share of the Group on Asset and Liability of joint ventures.

⁽²⁾ Receivable is related with the subcontractor advances given for Maltepe Piazza and Karşıyaka project. The payables is related with construction work.

⁽³⁾ The Group sub-leases to the group companies in accordance with its lease agreement

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5. RELATED PARTY DISCLOSURES (cont’d)

Balances with related parties	31 December 2017							
	Receivables				Payables			
	Current		Non-current		Current		Non-current	
Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	
<i>Joint ventures ⁽¹⁾</i>								
Kozyatağı Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş.	1,522	14	-	-	-	-	-	26,514
Mel2 Gayrimenkul Geliştirme Yatırım İnş. ve Tic. A.Ş.	824	-	-	30,425	-	-	-	-
Mel3 Gayrimenkul Geliştirme Yatırım İnş. ve Tic. A.Ş.	1,633	-	-	11,403	-	-	-	-
Mel4 Gayrimenkul Geliştirme Yatırım İnş. ve Tic. A.Ş.	1,729	57	-	9,014	-	-	-	-
Esentepe Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş.	1,109	20	-	-	1,297	-	-	116,767
Kurtköy Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş.	1,105	8	-	-	-	-	-	27,708
Feriköy Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş.	1,174	-	-	-	-	-	-	143,616
<i>Other companies managed by the parent company</i>								
Rönesans Holding A.Ş.	164	-	-	-	605	38	-	-
Rönesans Teknik İnşaat San. ve Tic. A.Ş. ⁽²⁾	58	55,408	-	-	142,381	-	-	-
Other ⁽³⁾	6,730	2	-	-	1,232	7	-	-
	16,048	55,509	-	50,842	145,515	45	-	314,605

⁽¹⁾ Non-trade receivables and non-trade payables relate to funds provided to joint ventures for project financing and interest is charged at certain rates. Related receivables and payables are included in share of Group on Asset and Liability of joint ventures.

⁽²⁾ Receivable is related with the subcontractor advances given for Maltepe Piazza and Karşıyaka project. The payables is related with construction work.

⁽³⁾ The Group sub-leases to the group companies in accordance with its lease agreement.

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5. RELATED PARTY DISCLOSURES (cont’d)

Transactions with related parties	1 January-30 June 2018			
	Purchases	Sales	Interest received	Interest given
<i>Joint ventures</i> ⁽³⁾	514	12,362	356	4,391
<i>Other companies</i>				
Rönesans Teknik İnşaat San. ve Tic. A.Ş. ⁽²⁾	238,955	-	-	-
Rönesans Medikal Taahhüt İnşaat A.Ş. ⁽⁴⁾	-	1,065	-	-
Rönesans MEA İnşaat A.Ş. ⁽⁴⁾	-	540	-	-
Rönesans Elektrik Enerji Toptan Satış A.Ş. ⁽⁵⁾	15,050	-	-	-
Rönesans Holding A.Ş. ⁽¹⁾⁽⁴⁾	3,261	1,402	-	-
Rönesans Endüstri Tesisleri İnşaat Sanayi ve Ticaret A.Ş. ⁽⁴⁾	-	1,306	-	-
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş. ⁽⁶⁾	-	2,520	-	-
Other	232	124	-	-
	<u>258,012</u>	<u>19,319</u>	<u>356</u>	<u>4,391</u>

⁽¹⁾ Purchases from Rönesans Holding A.Ş. are composed of services given by Rönesans Holding A.Ş.

⁽²⁾ Rönesans Teknik İnşaat Sanayi ve Ticaret A.Ş. is the contractor of Maltepe Pizza and Karşıyaka projects. Purchases in the year consist of construction services received for these projects.

⁽³⁾ Sales to joint ventures consist of services given to investments accounted for using the equity method from Rönesans Yönetim A.Ş. and Rönesans Gayrimenkul Yatırım A.Ş.

⁽⁴⁾ The Group sub-leases to the group companies where has been leased in accordance with the lease agreement with Allianz tower.

⁽⁵⁾ The purchases consist of energy service fee for the projects.

⁽⁶⁾ Sales from related with rent of Küçükyalı Office & School belong to Bostancı Gayrimenkul.

Transactions with related parties	1 January-30 June 2017			
	Purchases	Sales	Interest received	Interest given
<i>Joint ventures</i> ⁽³⁾	14	18,214	3,534	1,601
<i>Other companies</i>				
Rönesans Holding A.Ş. ⁽¹⁾	2,436	2,123	-	-
Rönesans Medikal Taahhüt İnşaat A.Ş.	-	429	-	-
Rönesans MEA İnşaat A.Ş.	-	1,373	-	-
Rönesans Elektrik Enerji Toptan Satış A.Ş.	2,700	-	-	-
Rönesans Teknik İnşaat San. ve Tic. A.Ş. ⁽²⁾	201,592	32	-	-
Rönesans Endüstri Tesisleri İnşaat Sanayi ve Ticaret A.Ş.	3	1,271	-	-
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş.	-	4,326	-	-
Desna Gayrimenkul Yatırım A.Ş.	-	-	35	-
Other	94	-	-	-
	<u>206,839</u>	<u>27,768</u>	<u>3,569</u>	<u>1,601</u>

⁽¹⁾ Purchases from Rönesans Holding A.Ş. are composed of services given by Rönesans Holding A.Ş..

⁽²⁾ Rönesans Teknik İnşaat Sanayi ve Ticaret A.Ş. is contractor of Küçükyalı SHC & Office, Karşıyaka and Maltepe Mixed projects. Purchases in the year consist of construction services received for these projects.

⁽³⁾ The sales amount to the business partners consists of the services given to the companies valued by the equity method of Rönesans Gayrimenkul Yatırım A.Ş.

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5. RELATED PARTY DISCLOSURES (cont’d)

Key management personnel consists of members of Board of Directors and other members. The compensation of key management personnel includes salaries, bonus, health insurance, communication and transportation and total amount of compensation is explained below. The remuneration of key management personnel during the period were as follows:

	1 January - 30 June 2018	1 January - 30 June 2017
Salaries and other short term benefits	4,530	3,693

6. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables:

As at balance sheet date, details of trade receivables of the Group are as follows:

	30 June 2018	31 December 2017
<u>Current trade receivables</u>		
Trade receivables	56,660	24,930
Notes receivables	8,110	10,881
Trade receivables from related parties (Note 5)	10,420	16,048
Allowance for doubtful receivables (-)	(15,841)	(7,510)
	<u>59,349</u>	<u>44,349</u>

The movement of the Group’s provision for doubtful receivables as at 30 June 2018 and 31 December 2017 are as follows:

	1 January- 30 June 2018	1 January- 30 June 2017
<u>Movement of allowance for doubtful receivables</u>		
Balance at beginning of the year	(7,510)	(1,899)
Charge for the period (Note 17)	(682)	(159)
Transferred from joint venture to subsidiaries	(7,750)	-
Provision released	101	158
Balance at closing of the period	<u>(15,841)</u>	<u>(1,900)</u>

b) Trade payables

As at balance sheet date, details of trade payables of the Group are as follows:

	30 June 2018	31 December 2017
<u>Current trade payables</u>		
Trade payables	35,559	15,541
Trade payables to related parties (Note 5)	189,530	145,515
	<u>225,089</u>	<u>161,056</u>

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7. OTHER RECEIVABLES AND PAYABLES

a) Other receivables:

	30 June 2018	31 December 2017
<u>Other short term receivables</u>		
Non-trade receivables from related parties (Note 5)	38,620	55,509
Other receivables	199	412
	<u>38,819</u>	<u>55,921</u>

	30 June 2018	31 December 2017
<u>Other long term receivables</u>		
Non-trade receivables from related parties (Note 5)	14,284	50,842
Deposits and guarantees given	7,572	485
Other	5,500	4,516
	<u>27,356</u>	<u>55,843</u>

b) Other payables:

	30 June 2018	31 December 2017
<u>Other short term payables</u>		
Taxes due and payables	5,925	4,486
Rent payables	5,076	5,109
Deposits and guarantees received	1,431	787
Non-trade payables to related parties (Note 5)	145	45
Other (*)	90,242	41
	<u>102,819</u>	<u>10,468</u>

(*) Other short term payables includes remaining amount after purchase of Mel3 Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş.

	30 June 2018	31 December 2017
<u>Other long term payables</u>		
Non-trade payables to related parties (Note 5)	425,070	314,605
Rent payables	109,456	95,050
Deposits and guarantees received	3,264	1,167
	<u>537,790</u>	<u>410,822</u>

8. INVENTORIES

	30 June 2018	31 December 2017
Residential units ⁽¹⁾	53,878	167,787
Other inventories	218	-
	<u>54,096</u>	<u>167,787</u>

⁽¹⁾ Amount represents Maltepe Piazza residential units.

RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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	30 June 2018	31 December 2017
<u>Short term prepaid expenses</u>		
Prepaid expenses	10,675	1,701
Order advances given	6,885	2,109
Other	23	10
	<u>17,583</u>	<u>3,820</u>

	30 June 2018	31 December 2017
<u>Long term prepaid expenses</u>		
Prepaid expenses	25,660	7
	<u>25,660</u>	<u>7</u>

(*) Prepaid expenses consist of the construction cost of the area which will be used by the Municipality and expenses related with Eurobond.

	30 June 2018	31 December 2017
<u>Short term deferred revenue</u>		
Order advances received (*)	40,112	124,366
	<u>40,112</u>	<u>124,366</u>

(*) The balance consist of residence sales advances.

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10. INVESTMENT PROPERTIES

	30 June 2018	31 December 2017
Investment properties	8,521,043	3,144,482
Investment properties under development	1,977,560	3,154,660
	<u>10,498,603</u>	<u>6,299,142</u>

a) Investment properties:

	1 January- 30 June 2018	1 January- 30 June 2017
Opening balance at 1 January	3,144,482	601,733
Additions through subsequent expenditure	1,289,846	437
Transfer from investment property under development ⁽¹⁾	1,548,510	-
Transferred from joint venture to subsidiaries	1,706,497	-
Change in fair value of investment properties (Note 17)	831,708	36,333
Closing balance at 30 June	<u>8,521,043</u>	<u>638,503</u>

⁽¹⁾ Maltepe Piazza SHC was transferred from investment property under development to investment properties in 2018.

The fair values of the Group’s investment properties have been arrived at on the basis of a valuation carried out at that date by TSKB Gayrimenkul Değerleme A.Ş. which is an independent valuer not connected with the Group. The valuation, which conforms to Capital Market Board legislation, was arrived at by reference to discounted cash flows approach.

The valuation reports of the investment properties prepared by reference to discounted cash flows approach are primarily based on the following key assumptions:

	30 June 2018	31 December 2017
Discount rate (%)	9.5-10.50	9.5-10
Occupancy rate (%)	92-99	94-99
Rent increase rate (%)	2.0-3.5	2.0-3.5
Capitalization rate (%)	6.00-8.5	6.25-8

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10. INVESTMENT PROPERTIES (cont’d)

a) Investment properties (cont’d):

Some real estates of the Group are pledged by financial institute. The details of mortgages are disclosed in Note 11.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to TRY 231,861 (30 June 2017: TRY 30,200). (Note 15) Direct operating expenses arising on the investment property in the period include maintenance and repair costs which amounted to TRY 70,044 (30 June 2017: TRY 6,650) (Note 15).

As at 30 June 2018 and 31 December 2017 investment properties and their fair values are as follows:

<u>Project Name</u>	<u>Company Name</u>	<u>Place of Property</u>	<u>30 June 2018</u>	<u>31 December 2017</u>
Maltepe Piazza	Salacak	İstanbul, Turkey	1,839,850	-
Hilltown SHC and Office ⁽²⁾	Tarabya	İstanbul, Turkey	1,785,938	1,509,870
Samsun Piazza SHC and Hotel	Mel 2	Samsun, Turkey	1,140,965	-
Adana Optimum SHC	Göksu	Adana, Turkey	1,072,580	917,060
Maltepe Park ⁽⁴⁾	Bakırköy	İstanbul, Turkey	1,034,150	-
Küçükyalı Office & Ted Rönesans College ⁽¹⁾	Bostancı	İstanbul, Turkey	619,476	519,962
Kahramanmaraş Piazza SHC	Mel 3	Kahramanmaraş, Turkey	581,660	-
Kozzy SHC ⁽³⁾	Kozyatağı	İstanbul, Turkey	219,634	-
RönesansBiz Mecidiyeköy	Mecidiyeköy	İstanbul, Turkey	226,790	197,590
			<u>8,521,043</u>	<u>3,144,482</u>

⁽¹⁾ Non cancellable rental payables amount of TRY 28,266 which was deducted to arrive at fair values were added to the final fair value of Küçükyalı Office & Ted Rönesans College as it is presented as a liability in the balance sheet.

⁽²⁾ Non cancellable rental payables amount of TRY 47,808 which was deducted to arrive at fair values were added to the final fair value of Hilltown SHC and Office as it is presented as a liability in the balance sheet.

⁽³⁾ Non cancellable rental payables amount of TRY 4,573 which was deducted to arrive at fair values were added to the final fair value of Kozzy SHC as it is presented as a liability in the balance sheet.

⁽⁴⁾ Maltepe Park SHC has purchased on 26 June 2018.

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10. INVESTMENT PROPERTIES (cont’d)

b) Investment properties under development

	1 January- 30 June 2018	1 January- 30 June 2017
Opening balance at 1 January	3,154,660	2,904,098
Additions through subsequent expenditure ⁽¹⁾	131,373	282,865
Transfer to investment property ⁽²⁾	(1,548,510)	-
Net gain from fair value adjustments (Note 17)	240,037	188,652
Closing balance at 30 June	<u>1,977,560</u>	<u>3,375,615</u>

⁽¹⁾ Addition to investment properties under development consist of capitalized foreign exchange loss and interest expense related with financial debts respectively amounting to TRY 147,588 and TRY 44,885 (1 January -30 June 2017: TRY 63,946 foreign exchange loss and TRY 32,968 interest expense).

⁽²⁾ Maltepe Piazza SHC and Hilltown SHC was transferred from investment property under development to investment properties respectively in 2018 and 2017.

The property rent income earned by the Group from its investment property under development, all of which is leased out under operating leases, amounted to TRY 960 (30 June 2017: TRY 1,080). (Note 19)

Investment properties under development consist of two components: land and costs capitalized in connection with the development of the site. Costs capitalized related to development carried out on sites owned or partly owned by the Group or sites to which the Group holds lease titles and which will be acquired on completion of the development. Land and buildings that are being constructed for future use as investment property are classified under investment properties under development account until construction or development is complete, at which time they are reclassified as investment.

The fair value of the investment properties under development calculated by reference to discounted cash flows and income capitalization approach are primarily based on the following key assumptions:

	30 June 2018	31 December 2017
Discount rate (%)	10.5	10-10.5
Occupancy rate (%)	85-90	85-90
Rent increase rate (%)	2.5-3	2.5-3
Capitalization rate (%)	8	8

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10. INVESTMENT PROPERTIES (cont’d)

b) Investment properties under development (cont’d)

The fair value of the investment properties under development calculated by reference to sale comparison approach are primarily based on the following key assumptions:

	30 June 2018	31 December 2017
Market comparable sqm value in TRY	500-24,000	440-24,000

Investment properties under development comprise of the following projects:

Project Name	Company Name	Place of Property	30 June 2018	31 December 2017
Mamak ⁽¹⁾	Kavacık	Ankara, Turkey	69,245	64,095
Silivri ⁽¹⁾	Akatlar	İstanbul, Turkey	35,390	34,140
Antalya ⁽¹⁾	Balmumcu	Antalya, Turkey	20,355	19,715
İzmit ⁽¹⁾	Pendik	İzmit, Turkey	15,063	14,460
Maltepe Piazza ⁽¹⁾	Salacak	İstanbul, Turkey	-	1,548,510
Bursa ⁽¹⁾	Nispetiye	Bursa, Turkey	110,045	101,265
Seyrantepe ⁽¹⁾	Sancaktepe	İstanbul, Turkey	38,670	35,375
Turan ⁽¹⁾	Nakkaştepe	İzmir, Turkey	275,830	255,375
Optimum Antalya ⁽¹⁾	Kuzguncuk	Antalya, Turkey	114,080	100,495
Beachtown ⁽¹⁾⁽²⁾	Kabataş-RGY	Antalya, Turkey	401,222	311,250
Karşıyaka ⁽¹⁾	Altunizade	İzmir, Turkey	897,660	669,980
			<u>1,977,560</u>	<u>3,154,660</u>

⁽¹⁾ In the consolidated financial statements as of 30 June 2018 and 31 December 2017, based on the valuation reports issued by TSKB Gayrimenkul Değerleme A.Ş. an independent accredited valuer licenced by the Capital Market Board of Turkey.

⁽²⁾ Non cancellable operating payables amount of TRY 33,885 which was deducted to arrive at fair values were added to the final fair value of Antalya Konyaaltı Projects as it is presented as a liability in the balance sheet.

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10. INVESTMENT PROPERTIES (cont’d)

Details of the Group’s investment properties and information about the fair value hierarchy as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	Fair value as at 30 June 2018		
		Level 1 TRY	Level 2 TRY	Level 3 TRY
Investment properties	8,521,043	-	-	8,521,043
Investment properties under development	1,977,560	-	678,678	1,298,882

	31 December 2017	Fair value as at 31 December 2017		
		Level 1 TRY	Level 2 TRY	Level 3 TRY
Investment properties	3,144,482	-	-	3,144,482
Investment properties under development	3,154,660	-	2,484,680	669,980

Sensitivity analysis of investment properties and investment properties under development are as follow:

		Change in fair value as at 30 June 2018	
		Investment properties	Investment properties under development
Rent increase rate	increase 1%	435,020	175,650
	decrease 1%	(396,310)	(157,890)
Discount rate	increase 1%	(409,505)	(141,360)
	decrease 1%	473,835	159,870
Occupancy rate	increase 1%	67,965	21,060
	decrease 1%	(67,965)	(21,050)
1 sq ² land price	increase 10%	-	67,845
	decrease 10%	-	(67,840)
Capitalization rate	increase 1%	(30,620)	-
	decrease 1%	47,840	-

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10. INVESTMENT PROPERTIES (cont’d)

Sensitivity analysis of investment properties and investment properties under development are as follow (cont’d):

		Change in fair value as at 31 December 2017	
		Investment properties	Investment properties under development
Rent increase rate			
	increase 1%	117,750	166,080
	decrease 1%	(107,230)	(153,870)
Discount rate			
	increase 1%	(90,660)	(152,500)
	decrease 1%	108,140	170,130
Occupancy rate			
	increase 1%	20,980	27,660
	decrease 1%	(22,100)	(24,540)
1 sq ² land price			
	increase 10%	-	71,777
	decrease 10%	-	(84,658)
Capitalization rate			
	increase 1%	(27,140)	-
	decrease 1%	37,250	-

11. COMMITMENTS AND CONTINGENCIES

The Group’s guarantee given, pledges and mortgages (“GPM”) position as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	31 December 2017
Mortgage	2,371,224	1,498,128
Surety and guarantees given	1,432,678	1,332,241
Letters of guarantees given	110,014	101,036
	<u>3,913,916</u>	<u>2,931,405</u>

TRY 3,583,763 balance specified in ‘Mortgages’ and Surety and guarantees given lines for 2018 are the guarantees given for the loans utilized by the Group and remaining amount is TRY 330,153 (31 December 2017: TRY 2,582,426 remaining amount: TRY 348,979).

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12. EMPLOYEE BENEFIT OBLIGATIONS

	30 June 2018	31 December 2017
Payables to personnel	2,209	2,123
Social security premiums payables	975	757
	<u>3,184</u>	<u>2,880</u>

Short-term provisions for employee benefits:

	30 June 2018	31 December 2017
Unused vacation liability	2,685	2,284
	<u>2,685</u>	<u>2,284</u>

The movement of the Group’s liability for unused vacation as at 30 June 2018 and 2017 is as follows:

	2018	2017
Provision at 1 January	2,284	2,057
Charge for the year	401	232
Provision at 30 June	<u>2,685</u>	<u>2,289</u>

Long-term provisions for employee benefit obligations:

	30 June 2018	31 December 2017
Employee termination benefits	1,719	1,610
	<u>1,719</u>	<u>1,610</u>

The movement of the Group’s liability for employee termination benefits as at 30 June 2018 and 2017 is as follows:

	2018	2017
Provision at 1 January	1,610	1,612
Service cost	325	358
Interest cost	38	32
Termination benefits paid	(254)	(482)
Provision at 30 June	<u>1,719</u>	<u>1,520</u>

Provision for employment termination benefits for Turkish employees working in Turkey:

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month’s salary limited to a maximum of TRY 5,434.42 for each period of service at 30 June 2018 (2017: TRY 4,732.48).

Employee termination benefits is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. IAS 19 *Employee Benefits* stipulates the development of company’s liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

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12. EMPLOYEE BENEFITS (cont’d)Provision for employment termination benefits for Turkish employees working in Turkey: (cont’d)

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying condensed consolidated financial statements as at 30 June 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 4.67% real discount rate (31 December 2017: 4.67%) calculated by using 7% annual inflation rate and 12% discount rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 3.4% (31 December 2017 : 9.46%) for employees with 0-15 years of service, and 0% for those with 16 or more years of service. Ceiling for retirement pay is revised semi-annually. Ceiling amount of TRY 5,434.42 which is in effect since 1 July 2018 is used in the calculation of Groups’ provision for retirement pay liability (1 July 2017: TRY 4,732.48).

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

- If the discount rate had been 1% lower/(higher), provision for employee termination benefits would increase/(decrease) by TRY 150 / TRY (161)
- If the anticipated turnover rate had been 1% higher/(lower) while all other variables were held constant, provision for employee termination benefits would decrease/(increase) by TRY 44 / TRY (37).

13. OTHER CURRENT AND NON-CURRENT ASSETS

	30 June 2018	31 December 2017
<u>Other current assets</u>		
VAT receivable	55,947	7,463
	<u>55,947</u>	<u>7,463</u>
	30 June 2018	31 December 2017
<u>Other non current assets</u>		
VAT receivable	340,367	282,426
	<u>340,367</u>	<u>282,426</u>

14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 30 June 2018 and 31 December 2017 the share capital held is as follows:

	%	30 June 2018	%	31 December 2017
Rönesans Emlak Geliştirme Holding A.Ş	74.2	225,477	74.2	225,477
Euro EFES S.a.r.l	21.4	65,117	21.4	65,117
Kamil Yanıkömeroğlu	2.4	7,158	2.4	7,158
Murat Özgümüş	2.0	5,965	2.0	5,965
<u>Nominal share capital in TRY</u>	<u>100</u>	<u>303,717</u>	<u>100</u>	<u>303,717</u>

The total number of ordinary shares is 303,717 (31 December 2017: 303,717 shares) with a par value of TRY 1 (31 December 2017: per share TRY 1).

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14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont’d)

b) Restricted Profit Reserve

	30 June 2018	31 December 2017
Legal reserves	65,364	63,926
	<u>65,364</u>	<u>63,926</u>

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

c) Premiums in capital stock

	30 June 2018	31 December 2017
Premiums in capital stocks	630,844	630,844
	<u>630,844</u>	<u>630,844</u>

15. REVENUE

a) Revenue

	1 January - 30 June 2018	1 January - 30 June 2017
Rent revenue from investment properties ⁽¹⁾	232,821	31,280
Residential sales revenue	103,128	-
Management and consulting revenue	4,534	24,660
Other rent revenue	8,767	9,792
	<u>349,250</u>	<u>65,732</u>

⁽¹⁾ This includes electricity, water and other common utility charges of the shopping malls and offices owned by the Group and charged to the tenants on an accrual basis in accordance with lease agreements.

b) Cost of revenue

	1 January - 30 June 2018	1 January - 30 June 2017
Cost of residence sales	(108,936)	-
Cost of revenue related to investment properties	(70,044)	(6,650)
Cost of revenue related to management and consulting and other	(2,725)	(24,580)
	<u>(181,705)</u>	<u>(31,230)</u>

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16. GENERAL ADMINISTRATIVE EXPENSES / MARKETING EXPENSES

a) Detail of marketing expenses:

	1 January - 30 June 2018	1 January - 30 June 2017
Advertising expenses	<u>(5,402)</u>	<u>(189)</u>
	<u>(5,402)</u>	<u>(189)</u>

b) Detail of general administrative expenses:

	1 January - 30 June 2018	1 January - 30 June 2017
Employee benefit expenses	<u>(7,928)</u>	<u>(7,019)</u>
Consultancy expenses	(1,094)	(1,146)
Rent expenses	(1,309)	(1,185)
Taxes and fees	(266)	(173)
Insurance expenses	(34)	(59)
Depreciation and amortization expenses	(456)	(532)
Other	<u>(1,303)</u>	<u>(375)</u>
	<u>(12,390)</u>	<u>(10,489)</u>

17. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January - 30 June 2018	1 January - 30 June 2017
Other operating income	<u>2018</u>	<u>2017</u>
Change in fair value of investment properties	924,010	36,376
Change in fair value of investment properties under development	240,037	188,695
Gain on acquisition of subsidiary (Note 24)	116,894	-
Foreign exchange gain from operations	-	21,713
Gain from scrap sales	-	1,416
Interest income (*)	4,640	5,028
Reversal of provision	859	158
Gain on sale of fixed asset	-	53
Other	<u>57</u>	<u>694</u>
	<u>1,286,497</u>	<u>254,133</u>

(*) Interest income from bank deposit is TRY 4,382 in 2018 and TRY 1,492 thousand in 2017.

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17. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES (cont’d)

	1 January - 30 June 2018	1 January - 30 June 2017
<u>Other operating expense</u>		
Change in fair value of investment properties	(92,302)	(43)
Foreign exchange loss from operations	(42,211)	(8,211)
Provision for doubtful receivables (Note 6)	(682)	(159)
Lawsuit provision	(151)	(487)
Other	(213)	(339)
	<u>(135,559)</u>	<u>(9,239)</u>

18. FINANCE EXPENSES

	1 January- 30 June 2018	1 January - 30 June 2017
<u>Finance costs</u>		
Foreign exchange (loss) / gain of bank loan, net	(404,038)	(28,891)
Interest expense	(74,673)	(15,768)
Unrealized gain/(loss) on derivative instruments carried at fair value through profit and loss, net ⁽¹⁾	50,066	-
Realized gain on derivative instruments carried at fair value through profit and loss, net	7,893	16,643
Other	20,040	(1,426)
	<u>(400,712)</u>	<u>(29,442)</u>

⁽¹⁾ The amount represents change in fair value of derivative instruments.

19. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	30 June 2018	31 December 2017
<u>Current tax assets</u>		
Prepaid taxes and funds	675	149
	<u>675</u>	<u>149</u>
	30 June 2018	31 December 2017
<u>Current tax liability</u>		
Current corporate tax provision	733	8,114
Less: prepaid taxes and funds	(159)	(6,418)
	<u>574</u>	<u>1,696</u>

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19. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont’d)

	1 January- 30 June 2018	1 January- 30 June 2017
<i>Income tax recognized in profit or loss</i>		
Current tax expense	(734)	(3,018)
Deferred tax expense	(155,556)	(44,348)
	<u>(156,290)</u>	<u>(47,366)</u>
	1 January- 30 June 2018	1 January- 30 June 2017
<u>Deferred tax</u>		
Recognized in equity:		
-Loss on remeasurement of defined benefit obligations	-	54
Deferred tax recognized in equity	<u>-</u>	<u>54</u>

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group’s results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2018 is 22% (2017: 20%) for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2018, 2019 and 2020 is 22%.

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated December 5, 2017 and numbered 30261. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50% which will have no impact on the Group’s consolidated financial statements. This regulation has been effective from 5 December 2017.

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

Tax rate used in the calculation of deferred tax assets and liabilities was 22% over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years.

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

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19. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont’d)

	30 June 2018	31 December 2017
<u>Deferred tax (assets) / liabilities:</u>	<u>2018</u>	<u>2017</u>
Change in fair values of investment properties under development	489,230	255,859
Change in fair values of investment properties	598,059	375,327
Depreciation / amortization differences of property, plant and equipment and other intangibles	8,679	8,002
Tax losses carried forward	(180,447)	(41,415)
Provision for retirement pay and unused vacation	(968)	(856)
Revaluation of derivative instruments	13,258	
Other temporary differences	(2,798)	118
	<u>925,013</u>	<u>597,035</u>

	30 June 2018	31 December 2017
<u>Reflected as:</u>	<u>2018</u>	<u>2017</u>
Deferred tax liabilities	925,013	597,035
Net deferred tax liabilities	<u>925,013</u>	<u>597,035</u>

At the balance sheet date, the Group has unused tax losses of TRY 885,902 (31 December 2017: TRY 199,122) available for offset against future profits and deferred tax asset have been recognized in respect of TRY 180,447 (31 December 2017: TRY 41,415) of such losses.

Deferred Tax: (cont’d)

Expiration schedule of carry forward tax losses is as follows:

	30 June 2018	31 December 2017
Expiring in 2018	-	113
Expiring in 2019	-	36,580
Expiring in 2020	27,290	42,842
Expiring in 2021	25,300	49,821
Expiring in 2022 and later	833,312	69,766
	<u>885,902</u>	<u>199,122</u>

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19. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont’d)

The movement of deferred tax assets for years ended 30 June 2018 and 2017 as follows:

	1 January- 30 June 2017	1 January- 30 June 2017
<u>Movement of deferred tax liability:</u>		
Opening balance	597,035	304,095
Charged to statement of profit or loss	155,556	44,348
Transferred from joint ventures to subsidiaries	172,422	-
Closing balance	<u>925,013</u>	<u>348,443</u>
	1 January- 30 June 2018	1 January- 30 June 2017
<u>Reconciliation of taxation:</u>		
Profit before taxation	1,171,268	369,050
Tax at the domestic income tax rate of 22%	22%	20%
Tax at the domestic income	257,679	73,810
Tax effects of:		
- revenue exempt from taxation	(82,403)	(26,583)
- expenses that are not deductible in determining taxable profit	(340)	124
- acquisition profit permanent		-
- effect of increase in corporate tax rate in Turkey (from 20% to 22%)	(16,456)	-
- other	(2,190)	15
Income tax expense recognised in profit or loss	<u>156,290</u>	<u>47,366</u>

20. EARNINGS PER SHARE

	1 January - 30 June 2018	1 January - 30 June 2017
Net profit for the year attributable to owners during the period	1,014,979	321,684
Average number of ordinary share outstanding during the year (in full)	303,717	303,717
Earning per share from operations	3.34	1.06

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21. DERIVATIVE INSTRUMENTS

	30 June 2018		31 December 2017	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap	61,709	8,269	3,100	20,145
	<u>61,709</u>	<u>8,269</u>	<u>3,100</u>	<u>20,145</u>
Short term	-	1,117	-	1,168
Long term	61,709	19,028	3,100	7,101
	<u>61,709</u>	<u>20,145</u>	<u>3,100</u>	<u>8,269</u>

22. FINANCIAL BORROWING

Financial Borrowings

	30 June 2018	31 December 2017
Current portion of long-term bank loans	260,243	160,305
Total bank loans - current	<u>260,243</u>	<u>160,305</u>
Short term portion of issued bond	17,617	101,344
Total current financial borrowing	<u>277,860</u>	<u>261,649</u>
Long-term bank loans	3,051,350	2,174,752
Long term portion of issued bond	1,368,210	-
Total non-current financial borrowing	<u>4,419,560</u>	<u>2,174,752</u>
Total current and non current financial borrowing	<u>4,697,420</u>	<u>2,436,401</u>

The Group has corporate loans amounting to TRY 79,331.

Currency Type	Effective interest rate %	30 June 2018	
		Current	Non-current
USD	7,25	17,617	1,368,210
		<u>17,617</u>	<u>1,368,210</u>
Currency Type	Effective interest rate %	31 December 2017	
		Current	Non-current
TRY	3 + GDS	101,421	22
Transaction costs		(77)	(22)
		<u>101,344</u>	<u>-</u>

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22. FINANCIAL BORROWING (cont’d)

Financial Borrowings (cont’d)

The bank loans are repayable as follows:

	30 June 2018	31 December 2017
Payable within 1 year	277,860	160,305
Payable between 1-2 years	224,683	235,073
Payable between 2-3 years	731,732	151,320
Payable between 3-4 years	389,847	558,606
Payable between 4-5 years	492,199	146,243
Payable after 5+ years	1,195,272	1,083,510
	<u>3,311,593</u>	<u>2,335,057</u>

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

a) Financial risk factors

a.1) Market risk management

There has been no change to the Group’s exposure to market risks or the manner in which these risks are managed and measured.

a.1.1) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. The Group is exposed to currency risk (in the form of transaction risk) from receivables, liabilities, cash and cash equivalents and pending transactions other than functional currency of the Group companies concerned in each case. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group’s foreign currency denominated monetary assets and liabilities at the reporting period are as follows:

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

a) Financial risk factors (cont’d)

a.1) Market risk management (cont’d)

a.1.1) Foreign currency risk management (cont’d)

30 June 2018	Equivalent of Thousands TRY	Thousands US Dollars	Thousands EUR
1. Trade receivables	16	-	3
2. Monetary financial assets	380,562	4,669	67,669
3. Non monetary financial assets	958	181	25
4. CURRENT ASSETS	381,536	4,850	67,697
5. Monetary financial assets	19,784	-	3,726
6. Non monetary financial assets	6,814	1,480	12
7. NON-CURRENT ASSETS	26,598	1,480	3,738
8. TOTAL ASSETS	408,134	6,330	71,435
9. Trade payables	(197,719)	(832)	(36,526)
10. Financial liabilities	(260,242)	-	(49,017)
11. Monetary other liabilities	(89,439)	-	(16,846)
12. Non monetary other liabilities	(759)	-	(143)
13. CURRENT LIABILITIES	(548,159)	(832)	(102,532)
14. Financial liabilities	(4,479,375)	(300,000)	(585,995)
15. Monetary other liabilities	(425,071)	(11,335)	(70,326)
16. Non monetary other liabilities	(2,076)	-	(391)
17. NON-CURRENT LIABILITIES	(4,906,522)	(311,335)	(656,712)
18. TOTAL LIABILITIES	(5,454,681)	(312,167)	(759,244)
19. Net foreign currency assets/ (liabilities) position	(5,046,547)	(305,837)	(687,809)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+9+10+11+14+15)	(5,051,484)	(307,498)	(687,312)

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

a) Financial risk factors (cont’d)

a.1) Market risk management (cont’d)

a.1.1) Foreign currency risk management (cont’d)

31 December 2017	Equivalent of Thousands TRY	Thousands US Dollars	Thousands EUR
1. Trade receivables	329	2	71
2. Monetary financial assets	709,774	46,040	118,728
3. Non monetary financial assets	409	107	1
4. CURRENT ASSETS	710,512	46,149	118,800
5. Monetary financial assets	50,840	-	11,259
6. Non monetary financial assets	54	-	12
7. NON-CURRENT ASSETS	50,894	-	11,271
8. TOTAL ASSETS	761,406	46,149	130,071
9. Trade payables	(115,654)	(106)	(25,524)
10. Financial liabilities	(160,305)	-	(35,501)
11. Monetary other liabilities	(10,205)	-	(2,260)
12. Non monetary other liabilities	(3,017)	(11)	(659)
13. CURRENT LIABILITIES	(289,181)	(117)	(63,944)
14. Financial liabilities	(2,174,751)	-	(481,619)
15. Monetary other liabilities	(287,086)	(7,336)	(57,450)
16. Non monetary other liabilities	(717)	(1)	(158)
17. NON-CURRENT LIABILITIES	(2,462,554)	(7,337)	(539,227)
18. TOTAL LIABILITIES	(2,751,735)	(7,454)	(603,171)
19. Net foreign currency assets/ (liabilities) position	(1,990,329)	38,695	(473,100)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+9+10+11+14+15)	(1,987,058)	38,600	(472,296)

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)**a) Financial risk factors (cont’d)****a.1) Market risk management (cont’d)****a.1.1) Foreign currency risk management (cont’d)****Foreign currency sensitivity**

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Euro.

The following table details the Group’s sensitivity to a 20% increase and decrease in the US Dollars and Euro. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. The sensitivity analysis includes external loans within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss.

	30 June 2018	
	Profit / (Loss)	
	<u>Appreciation of foreign currencies</u>	<u>Depreciation of foreign currencies</u>
	If US Dollars 20% appreciated vs TRY	
US Dollars net assets/ (liabilities)	<u>(280,481)</u>	<u>280,481</u>
	If EUR 20% appreciated vs TRY	
Euro net assets/ (liabilities)	<u>(729,815)</u>	<u>729,815</u>
TOTAL	<u>(1,010,296)</u>	<u>1,010,296</u>

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)**a) Financial risk factors (cont’d)*****a.1) Market risk management (cont’d)******a.1.1) Foreign currency risk management (cont’d)***

	30 June 2017	
	Profit / (Loss)	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars 20% appreciated vs TRY	
US Dollars net assets/ (liabilities)	23,954	(23,954)
	If EUR 20% appreciated vs TRY	
Euro net assets/ (liabilities)	(189,751)	189,751
TOTAL	(165,797)	165,797

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24. ACQUISITION OF SUBSIDIARY

<u>2018</u>	<u>Principle activity</u>	<u>Date of acquisition</u>	<u>Portion of additioned shares</u>	<u>Consideration paid</u>
Kozyatağı	Real Estate Development	26 January 2018	50,00	50.480

On 26 January 2018, the Group acquired the remaining 50% of the outstanding issued share capital and control of Kozyatağı Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş. TRY 50,480 which is the acquisition value of share.

The Group is aiming to gain control on joint ventures with acquisitions. As a part of this strategy, acquired this company in 2018. The acquisition is resulted in a gain of TRY 7,720 as a consequence of acquiring business from a party considering strategic exit opportunities from the assets.

The acquiree’s identifiable assets and liabilities are recognized based on the book value at the acquisition date of 26 January 2018. In the preparation of financial statements as of 30 June 2018, the Group accepted the fair values of assets and liabilities.

The following table summarizes the consideration paid and the amounts of assets acquired and liabilities assumed, that were recognized in the consolidated statement of financial position.

	<u>Acquiree’s Fair value</u>
<u>Net assets acquired:</u>	
Cash and cash equivalents	4,956
Trade receivables	1,727
Investment property	196,424
Other current and non-current assets	12,057
Other receivables	534
Bank loans	(112,064)
Trade payables	(2,061)
Other payables	(6,449)
Deferred tax liabilities	(32,531)
Other current and non-current liabilities	(943)
	<u>61,650</u>
Effective ownership acquired	50%
Net assets acquired	<u>30,825</u>
Fair value of consideration for 50% shares acquired	23,104
Comprising:	
Cash consideration paid	23,105
Gain on acquisition of subsidiary	7,721
<i>Reconciliation to the consolidated statement of cash flows</i>	
Cash consideration paid	23,105
Cash and cash equivalents acquired	(4,956)
Net cash outflow arising on acquisition	<u>18,149</u>

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24. ACQUISITION OF SUBSIDIARY (cont’d)

<u>2018</u>	<u>Principle activity</u>	<u>Date of acquisition</u>	<u>Portion of additioned shares</u>	<u>Consideration paid</u>
Mel2	Real Estate Development	26 January 2018	50,00	180.652

On 26 January 2018, the Group acquired the remainig 50% of the outstanding issued share capital and control of Mel2 Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş. TRY 180,652 which is the acquisition value of share.

The Group is aiming to gain control on joint ventures with aquisitons. As a part of this strategy, acquired this company in 2018. The acquisition is resulted in a gain of TRY 71,453 as a consequence of acquiring business from a party considering strategic exit opportunities from the assets.

The acquiree’s identifiable assets and liabilities are recognized based on the book value at the acquisition date of 26 January 2018. In the preparation of financial statements as of 30 June 2018, the Group accepted the fair values of assets and liabilities and goodwill calculation revised.

The following table summarizes the consideration paid and the amounts of assets acquired and liabilities assumed, that were recognized in the consolidated statement of financial position.

	<u>Acquiree’s Fair value</u>
Net assets acquired:	
Cash and cash equivalents	30,371
Trade receivables	6,212
Investment property	992,201
Other current and non-current assets	16,114
Other receivables	28
Bank loans	(375,632)
Trade payables	(2,978)
Other payables	(988)
Deferred tax liabilities	(96,797)
Other current and non-current liabilities	(1,381)
	<u>567,150</u>
Effective ownership acquired	50%
Net assets acquired	<u>283,575</u>
Fair value of consideration for 50% shares acquired	212,121
Comprising:	
Cash consideration paid	212,121
Gain on acquisition of subsidiary	71,454
<i>Reconciliation to the consolidated statement of cash flows</i>	
Cash consideration paid	212,121
Cash and cash equivalents acquired	(30,371)
Net cash outflow arising on acquisition	<u>181,750</u>

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24. ACQUISITION OF SUBSIDIARY (cont’d)

<u>2018</u>	<u>Principle activity</u>	<u>Date of acquisition</u>	<u>Portion of additional shares</u>	<u>Consideration paid</u>
Mel3	Real Estate Development	26 January 2018	50,00	179.876

On 26 January 2018, the Group acquired the remaining 50% of the outstanding issued share capital and control of Mel3 Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş. TRY 179,876 which is the acquisition value of share.

The Group is aiming to gain control on joint ventures with acquisitions. As a part of this strategy, acquired this company in 2018. The acquisition is resulted in a gain of TRY 37,719 as a consequence of acquiring business from a party considering strategic exit opportunities from the assets.

The acquiree’s identifiable assets and liabilities are recognized based on the book value at the acquisition date of 26 January 2018. In the preparation of financial statements as of 30 June 2018, the Group accepted the fair values of assets and liabilities and goodwill calculation revised.

The following table summarizes the consideration paid and the amounts of assets acquired and liabilities assumed, that were recognized in the consolidated statement of financial position.

	<u>Acquiree’s Fair value</u>
<u>Net assets acquired:</u>	
Cash and cash equivalents	6,858
Trade receivables	3,609
Investment property	517,873
Other current and non-current assets	4,284
Other receivables	8
Bank loans	(197,391)
Trade payables	(3,154)
Other payables	(628)
Deferred tax liabilities	(43,093)
Other current and non-current liabilities	(2,694)
	<u>285,672</u>
Effective ownership acquired	50%
Net assets acquired	<u>142,836</u>
Fair value of consideration for 50% shares acquired	105,117
<i>Cash consideration paid</i>	26,842
Gain on acquisition of subsidiary	<u>37,719</u>
<i>Reconciliation to the consolidated statement of cash flows</i>	
Cash consideration paid as at 26 January 2018	26,842
Cash consideration will be paid until 31 December 2018	78,276
Cash and cash equivalents acquired	<u>(6,858)</u>
Net cash outflow arising on acquisition	<u>98,260</u>

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25. DISCLOSURES RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

	30 June 2018	31 December 2017
Cash on hand	11	10
Demand deposits	357,315	663,182
Time deposits	58,761	28,243
Other cash equivalents	1,862	1,734
	<u>417,949</u>	<u>693,169</u>

The details of time deposits as at 30 June 2018 and 31 December 2017 are as follows:

Currency Type	Range of interest rate %	Maturity date	Currency amount	30 June 2018
TRY	7.50-17.10	July 2018	3,028	3,028
US Dollar	1.1-1.05	July 2018	323	1,473
Euro	1.00-2.55	July 2018	10,220	54,260
				<u>58,761</u>

Currency Type	Range of interest rate %	Maturity date	Currency amount	31 December 2017
TRY	11-12.80	January 2018	197	197
US Dollar	0.5-3.45	January 2018	115	434
Euro	0.05-1.65	January 2018	6,115	27,612
				<u>28,243</u>