

**RÖNESANS GAYRİMENKUL YATIRIM A.Ş.
AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH INTERIM PERIOD
ENDED 30 JUNE 2020 TOGETHER WITH
INDEPENDENT AUDITOR'S REVIEW REPORT**



REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of Rönesans Gayrimenkul Yatırım A.Ş.

Introduction

1. We have reviewed the accompanying condensed consolidated interim statement of financial position of Rönesans Gayrimenkul Yatırım A.Ş. (the “Company”) and its subsidiaries (“collectively referred as the “Group”) as at 30 June 2020 and condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and notes. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting”. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

2. We conducted our review in accordance with the International Standard on Review Engagements (“ISRE”) 2410, “Review of interim financial information performed by the independent auditor of the entity”. A review of condensed consolidated 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 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

3. Based on our review, nothing has come to our attention that causes us to conclude that the accompanying condensed consolidated interim financial information of R nesans Gayrimenkul Yatırım A.Ş. is not prepared in accordance with IAS 34.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali M şavirlik A.Ş.

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

Burak  zpoyraz, SMMM
Partner

Istanbul, 14 August 2020

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RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

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

ASSETS	Notes	(Reviewed)	(Audited)
		30 June 2020	31 December 2019
Current Assets		1,059,367	761,784
Cash and cash equivalents	26	761,800	332,087
Financial investments	23	2,643	-
Trade receivables		121,535	99,469
- Trade receivables from related parties	5-6	13,507	10,233
- Trade receivables from third parties	6	108,028	89,236
Other receivables		680	149
- Other receivables from related parties	5-7	78	8
- Other receivables from third parties	7	602	141
Derivative instruments	21	50,937	189,290
Inventories	8	15,479	17,919
Prepaid expenses	9	17,418	17,978
Current tax assets	19	570	846
Other current assets	12	88,305	104,046
Non-Current Assets		16,268,748	15,267,386
Other receivables		12,252	11,206
- Other receivables from third parties	7	12,252	11,206
Derivative instruments	21	4	15
Financial investments	23	181,917	-
Investments accounted for using the equity method	3	1,983,910	1,901,598
Investment properties	10	13,565,090	12,891,842
Property, plant and equipment		1,287	1,293
Intangible assets		1,000	649
- Other intangible assets		1,000	649
Prepaid expenses	9	16,558	18,107
Deferred tax assets	19	175,771	118,992
Other non-current assets	12	330,959	323,684
TOTAL ASSETS		17,328,115	16,029,170

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

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

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

LIABILITIES	Notes	(Reviewed)	(Audited)
		30 June 2020	31 December 2019
Current Liabilities		1,360,899	576,788
Short term financial debts	22	125,229	-
Short term portion of long term borrowings	22	1,144,206	360,729
Trade payables		53,796	191,851
- Trade payables to related parties	5-6	23,700	123,437
- Trade payables to third parties	6	30,096	68,414
Other payables		12,860	10,872
- Other payables to related parties	5-7	2,070	105
- Other payables to third parties	7	10,790	10,767
Derivative instruments	21	4,098	941
Deferred revenue	9	11,737	4,864
Payables related to employee benefits		4,099	3,540
Short term provisions		4,068	3,991
- Short term provision for employee benefits		1,648	1,867
- Other short-term provisions		2,420	2,124
Other current liabilities		806	-
Non-Current Liabilities		9,038,656	8,335,707
Long term borrowings	22	6,889,188	6,284,399
Trade payables		24,981	8,048
- Trade payables to related parties		24,981	8,048
Other payables		1,003,853	903,892
- Other payables to related parties	5-7	996,352	897,236
- Other payables to third parties	7	7,501	6,656
Derivative instruments	21	30,410	31,725
Deferred revenue		-	6,573
Long term provisions		2,634	2,204
- Long term provision for employee benefits		2,634	2,204
Deferred tax liabilities	19	1,087,590	1,098,866
SHAREHOLDERS' EQUITY		6,928,560	7,116,675
Paid in capital	13	303,717	303,717
Other comprehensive income not to be reclassified to profit or loss		(744)	(744)
Loss on remeasurement of defined benefit obligations		(744)	(744)
Share premium	13	630,844	630,844
Restricted profit reserve	13	65,998	66,045
Retained earnings		6,116,860	5,965,483
Net (loss) /profit for the period		(188,115)	151,330
TOTAL LIABILITIES		17,328,115	16,029,170

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

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2020
(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
	<u>Notes</u>	<u>2020</u>	<u>2019</u>
- Revenue	4-14	304,121	368,279
- Cost of sales (-)	4-14	<u>(95,117)</u>	<u>(115,831)</u>
GROSS PROFIT		209,004	252,448
- Marketing expenses (-)	15	(2,223)	(7,811)
- General administrative expenses (-)	15	(11,522)	(14,193)
- Other operating income	16	802,042	448,391
- Other operating expense (-)	16	<u>(103,137)</u>	<u>(17,863)</u>
OPERATING PROFIT		894,164	660,972
- Income from investing activities	18	2,561	-
- Share on profit of investments valued using equity method	3	81,834	74,932
PROFIT BEFORE FINANCIAL EXPENSES		978,559	735,904
- Finance expenses (-)	17	<u>(1,234,269)</u>	<u>(629,246)</u>
PROFIT BEFORE TAXATION		(255,710)	106,658
Tax expenses		67,595	(1,653)
- Current tax expense	19	-	(83)
- Deferred tax expense	19	67,595	(1,570)
NET (LOSS) / INCOME FOR THE PERIOD		<u>(188,115)</u>	<u>105,005</u>
Earnings per share			
- Basic and diluted earnings per share	20	(0.62)	0.35
		<i>(Reviewed)</i>	<i>(Audited)</i>
		1 January -	1 January -
		30 June	31 December
		<u>2020</u>	<u>2019</u>
(LOSS) / PROFIT FOR THE YEAR		(188,115)	105,005
TOTAL COMPREHENSIVE INCOME		<u>(188,115)</u>	<u>105,005</u>

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

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2020

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

	<u>Accumulated other comprehensive income or loss that will not be reclassified in profit or loss</u>					<u>Total</u>
	<u>Paid in capital</u>	<u>Share premium</u>	<u>Loss on remeasurement of defined benefit obligations</u>	<u>Restricted profit reserve</u>	<u>Retained earnings</u>	
Opening balance as of 1 January 2019	303,717	630,844	(750)	65,808	5,965,716	6,965,335
<u>Changes in 2019:</u>						
<i>Income for the period</i>	-	-	-	-	105,005	105,005
Total comprehensive income	-	-	-	-	105,005	105,005
Transfer to legal reserves	-	-	-	237	(237)	-
Balance as of 30 June 2019	<u>303,717</u>	<u>630,844</u>	<u>(750)</u>	<u>66,045</u>	<u>6,070,484</u>	<u>7,070,340</u>
Opening balance as of 1 January 2020	303,717	630,844	(744)	66,045	6,116,813	7,116,675
<u>Changes in 2020:</u>						
<i>Loss for the period</i>	-	-	-	-	(188,115)	(188,115)
Total comprehensive income	-	-	-	-	(188,115)	(188,115)
Transfer to legal reserves	-	-	-	(47)	47	-
Balance as of 30 June 2020	<u>303,717</u>	<u>630,844</u>	<u>(744)</u>	<u>65,998</u>	<u>5,928,745</u>	<u>6,928,560</u>

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

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2020

(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	2020	2019
A. Cash Flows From Operating Activities		
Loss for the Period	(188,115)	105,005
Adjustments to reconcile net profit		
Adjustments related to depreciation and amortization expense	267	348
Adjustments related to doubtful receivables provisions	6 434	4,302
Adjustments related to provisions	1,043	2,838
Adjustments related to Group's share on net assets of investments in accounted for using the equity method	3 (81,834)	(74,932)
Adjustments related to interest expense	231,601	167,672
Unrealized foreign exchange losses	1,055,617	547,869
Adjustments related to fair value gains	10-16 (589,105)	(393,702)
Adjustments related to derivative instruments carried at fair value gain	17 (71,696)	(45,518)
Adjustments related to tax expense	19 (67,595)	1,653
Gain on disposal of subsidiary	18 (2,561)	-
Other adjustments to related to profit and loss	38	-
Movements in Working Capital	288,094	315,535
Change in trade receivables	(22,500)	(3,799)
Change in other receivables related to operations	14,173	(10,339)
Change in inventories	8 2,440	5,655
Change in prepaid expenses	2,059	(155)
Change in trade payables	(121,122)	(74,917)
Change in other payables related to operations	2,284	2,738
Change in deferred income	300	4,919
Cash generated by operating activities	165,728	239,637
Retirement pay paid	(599)	(131)
Income tax paid	234	190
Net cash generated by operations	165,363	239,696

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

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2020**

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

		<i>(Reviewed)</i> 1 January - 30 June 2020	<i>(Reviewed)</i> 1 January - 30 June 2019
B. Cash Flows From Investing Activities			
Cash flows from sales of subsidiaries		24,500	-
Payments for tangible and intangible assets		(610)	(192)
Net cash outflow on acquire of investment property and expenditures		(30,531)	(300,360)
Advances given and receivables from related parties	5	4,607	(29,467)
Interest received		3,753	4,166
Change in long term VAT receivables	12	(7,275)	(4,922)
Purchase of other financial assets		(177,106)	-
Other cash outflow		(155)	750
Net cash used in investing activities		(182,817)	(330,025)
C. Cash Flows From Financing Activities			
Proceeds from borrowings		977,985	287,537
Repayment of borrowings		(521,876)	(180,682)
Change in non-trade payables to related parties		(4,236)	195,104
Change in non-trade receivables from related parties		(4,678)	26,657
Cash receipts from future contracts, forward contracts, option contracts and swap contracts		211,226	24,807
Interest paid		(211,254)	(158,355)
Net cash generated by financing activities		447,167	195,068
Net increase / (decrease) in cash and cash equivalents		429,713	104,739
D. Cash and cash equivalents at the beginning of the year	26	332,087	316,356
Cash and cash equivalents at the end of the year (A+B+C+D)	26	761,800	421,095

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

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2020 (Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Rönesans Gayrimenkul Yatırım A.Ş. (“the Company”) was founded on 2 June 2006 in Ankara / Turkey. The registered address of the Company is Çankaya Mahallesi Atatürk Bulvarı No: 144-146 Protokol Yolu 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”). Ultimate parent of the Company is Rönesans Holding A.Ş. The details of the Company’s shareholders are disclosed in Note 13.

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

As of 9 December 2014, Euro Efes S.a.r.l acquired 9.8% shares of Rönesans Gayrimenkul by capital increase for a total consideration for TRY 278,670. Amounting to TRY 26,047 has been classified as nominal capital increase and the remaining amounting to TRY 252,623 has been classified as share premium.

Euro Efes S.a.r.l is a Company which is under indirect control GIC’s real estate department GIC Real Estate Pte. Ltd. of Singapore’s government fund. As of 25 February 2015, Euro Efes S.a.r.l acquired 11.6% shares of Rönesans Gayrimenkul by way of capital increase for a total consideration for TRY 417,291. Amounting to TRY 39,070 has been classified as nominal capital increase and the remaining amounting to TRY 378,221 has been classified as share premium (Note 13). As a result of this transaction, partnership ratio of Euro Efes S.a.r.l. has increased from 9.8% to 21.4%.

As at 30 June 2020, the Group has 320 employees (31 December 2019: 308).

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2020

(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:

Registered name of subsidiary	Short name	Place of incorporation and operation	Nature of business	Geographic segment
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
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 İnşaat Turizm Sanayi ve Ticaret 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
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
Mel4 Gayrimenkul Geliştirme Yatırım İnşaat ve Ticaret A.Ş.	Mel4			
Nisbetiye Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Nisbetiye	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. İş 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 A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2020

(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

Approval of consolidated financial statements:

These consolidated financial statements have been approved for issue by the Board of Directors on 14 August 2020 and signed on its behalf by Sercan Yüksel, Head of Finance.

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 2020:*

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

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

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

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

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

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

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

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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 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 2020 and 31 December 2019 as follows:

The exchange rates used for the preparation of consolidated financial statements as at 30 June 2020
1 US Dollars = TRY 6.8422 1 EUR= TRY 7.7082. (31 December 2019 1 US Dollars= TRY 5.9402 1 EUR= TRY 6.6506)

Comparative information and reclassification of prior period consolidated financial statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current year consolidated financial statement, comparative information is reclassified and significant changes are disclosed if necessary.

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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 2020 and 31 December 2019 are as follows:

Subsidiaries	Effective ownership ratio (%)		Voting power held (%)	
	<u>30 June</u> <u>2020</u>	<u>31 December</u> <u>2019</u>	<u>30 June</u> <u>2020</u>	<u>31 December</u> <u>2019</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 ⁽¹⁾	-	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	100.00	100.00	100.00	100.00
Mecidiyeköy	100.00	100.00	100.00	100.00
Mel2	100.00	100.00	100.00	100.00
Mel3	100.00	100.00	100.00	100.00
Mel4	100.00	100.00	100.00	100.00
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
Kabataş-RGY	100.00	100.00	100.00	100.00
Salacak-RGY	100.00	100.00	100.00	100.00

⁽¹⁾ Balmumcu has sold on 23 June 2020.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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, 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 and operation	Proportion of ownership interest and voting power held by the Group	
			30 June 2020	31 December 2019
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
Kurtköy	Real Estate Development	Turkey, Ankara	50.00	50.00

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.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of a joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in a joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of a joint venture.

Gains and losses resulting from transactions between the Group and its joint ventures are recognised in the Group’s consolidated financial statements only to the extent of unrelated investors’ interests in the joint venture. The Group’s share in the joint venture’s gains or losses resulting from these transactions is eliminated on consolidation.

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

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 entity’s accounting policies, which are described in Note 2.2, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations, which are dealt with below under notes).

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.

Deferred tax asset amounting to TRY 611,852 is related to the carry forward tax losses of the Group. The Group concluded that the deferred tax asset will be able to be utilized before its expire date by the way of taxable income, based on approved tax plannings and planned asset and company sales. These assets will be expired in a maximum of 5 years to be deducted from the taxable profit that will occur in the coming years.

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. Key estimates used in valuation is disclosed in Note 10.

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

2.4 Information regarding current market condition

In December 2019, a new strain of coronavirus was reported in Wuhan, China. The World Health Organization announced that the epidemic constituted an "Emergency for International Public Health". Following the announcement of the first Covid-19 case in Turkey, a gradual decrease has been observed in the footfall and in order to protect the public health upon the recommendation given for closing the malls to defend the public health from the virus by AYD (Shopping Centers and Investors Association) all of the stores were closed temporarily between March 20, 2020 and May 31, 2020 except for pharmacies and hypermarkets. As of June 1, active stores started to operate excluding those that are legally closed. Required actions were taken by the Group management to minimize the effects of Covid-19 at the best possible level on the operational and financial status of the Group. During the pandemic period, required actions were taken by the Group to minimize the capital expenditures, operational expenses and the cash management strategy was revised to strengthen its liquidity position.

2.5 Comparative information and adjustment effect on previous financial statement

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period financial statements.

3. INTERESTS IN OTHER ENTITIES

The details of Group's joint ventures valued by using equity method as at 30 June 2020 and 31 December 2019 are as follows:

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

Joint venture	Project Name	Place of property	30 June 2020	31 December 2019
Esentepe	Optimum İzmir SHC ⁽¹⁾⁽²⁾	İzmir, Turkey	1,453,374	1,365,463
Feriköy	Optimum İstanbul SHC ⁽¹⁾⁽²⁾	İstanbul, Turkey	844,255	786,225
Florya	Konak ⁽¹⁾	İzmir, Turkey	200,010	188,895
Kandilli	Ümraniye Tepeüstü ⁽¹⁾	İstanbul, Turkey	90,798	87,868
Kurtköy	Optimum Ankara SHC ⁽¹⁾⁽²⁾	Ankara, Turkey	634,925	595,864
			<u>3,223,362</u>	<u>3,024,315</u>

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

⁽²⁾ Assets are secured with mortgage, pledge, lien or other security interest to secure borrowings.

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

3. INTERESTS IN OTHER ENTITIES (cont'd)

Joint ventures

30 June 2020

	Esentepe	Feriköy	Florya	Kandilli	Kurtköy	Total
Cash	40,274	24,160	43	3	15,366	79,846
VAT deductible	-	-	-	-	-	-
Other current assets	24,851	14,149	717	221	9,876	49,814
Current Assets	65,125	38,309	760	224	25,242	129,660
Investment properties	2,906,750	1,688,510	400,020	181,595	1,269,850	6,446,725
VAT deductible	-	-	6,903	17,066	-	23,969
Other non-current assets	656,595	754,810	44	-	180,627	1,592,076
Non-Current Assets	3,563,345	2,443,320	406,967	198,661	1,450,477	8,062,770
Total Assets (*)	3,628,470	2,481,629	407,727	198,885	1,475,719	8,192,430
Financial debts	36,851	3,155	-	-	16,087	56,093
Other current liabilities	14,559	13,387	790	117	7,034	35,887
Current Liabilities	51,410	16,542	790	117	23,121	91,980
Financial debts	1,433,725	1,002,066	-	-	679,431	3,115,222
Deferred tax liabilities	431,322	297,521	54,581	14,680	187,343	985,447
Other non-current liabilities	17,111	1,195	-	-	13,655	31,961
Non-Current Liabilities	1,882,158	1,300,782	54,581	14,680	880,429	4,132,630
Total Liabilities (*)	1,933,568	1,317,324	55,371	14,797	903,550	4,224,610
Net Assets of Joint Ventures	1,694,902	1,164,305	352,356	184,088	572,169	3,967,820
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	
Carrying amount of the Group's interest in joint ventures	847,451	582,153	176,178	92,044	286,084	1,983,910
Share of Group on VAT deductible	-	-	3,452	8,533	-	11,985
Share of Group on investment properties	1,453,374	844,255	200,010	90,798	634,925	3,223,362
Share of Group on total assets	1,814,234	1,240,815	203,863	99,443	737,860	4,096,215
Share of Group on deferred tax liabilities	215,661	148,760	27,291	7,340	93,672	492,724
Share of Group on total liabilities	966,783	658,662	27,685	7,399	451,775	2,112,305

(*) Non trade receivables and non-trade payables disclosed in related party notes are shown in total asset and total liability.

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3. INTERESTS IN OTHER ENTITIES (cont'd)

Joint ventures (cont'd)

31 December 2019	Esentepe	Feriköy	Florya	Kandilli	Kurtköy	Total
Cash	20,430	14,475	87	25	13,955	48,972
Other current assets	23,982	9,749	1	77	7,647	41,456
Current Assets	44,412	24,224	88	102	21,602	90,428
Investment properties	2,730,925	1,572,450	377,790	175,735	1,191,730	6,048,630
VAT deductible	-	-	6,879	17,063	-	23,942
Other non-current assets	584,575	657,083	44	-	164,298	1,406,000
Non-Current Assets	3,315,500	2,229,533	384,713	192,798	1,356,028	7,478,572
Total Assets (*)	3,359,912	2,253,757	384,801	192,900	1,377,630	7,569,000
Financial debts	31,686	2,737	-	-	15,039	49,462
Other current liabilities	15,273	11,138	40	79	7,066	33,596
Current Liabilities	46,959	13,875	40	79	22,105	83,058
Financial debts	1,250,313	864,578	-	-	596,396	2,711,287
Deferred tax liabilities	415,439	285,428	50,306	13,525	185,556	950,254
Other non-current liabilities	15,869	1,111	-	-	4,228	21,208
Non-Current Liabilities	1,681,621	1,151,117	50,306	13,525	786,180	3,682,749
Total Liabilities (*)	1,728,580	1,164,992	50,346	13,604	808,285	3,765,807
Net Assets of Joint Ventures	1,631,332	1,088,765	334,455	179,296	569,345	3,803,193
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	
Carrying amount of the Group's interest in joint ventures	815,666	544,383	167,228	89,648	284,673	1,901,598
Share of Group on VAT deductible	-	-	3,440	8,532	-	11,972
Share of Group on investment properties	1,365,463	786,225	188,895	87,867	595,865	3,024,315
Share of Group on total assets	1,679,956	1,126,879	192,400	96,450	688,815	3,784,500
Share of Group on deferred tax liabilities	207,720	142,714	25,153	6,763	92,778	475,128
Share of Group on total liabilities	864,290	582,496	25,173	6,802	404,143	1,882,904

(*) Non trade receivables and non-trade payables disclosed in related party notes are shown in total asset and total liability.

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3. INTERESTS IN OTHER ENTITIES (cont’d)

Joint ventures (cont’d)

30 June 2020	Esentepe	Feriköy	Florya	Kandilli	Kurtköy	Total
Revenue	59,065	28,958	-	-	22,670	110,693
Cost	(13,188)	(8,337)	-	-	(6,749)	(28,274)
Operating expenses	(1,600)	(1,184)	-	-	(985)	(3,769)
Interest income from bank deposit	135	78	-	-	103	316
Interest expense financial debts	(16,128)	(12,562)	-	-	(11,240)	(39,930)
Income tax expense	(15,883)	(12,094)	(4,275)	(1,155)	(1,786)	(35,193)
Realised gain on derivative instruments carried at fair value through profit and loss, net	(2,821)	-	-	-	(2,264)	(5,085)
Unrealised gain/(loss) on derivative instruments carried at fair value through profit and loss, net	(1,878)	-	-	-	(9,150)	(11,028)
Other	55,869	80,678	21,376	5,790	12,225	175,938
Net income for the period	63,571	75,537	17,101	4,635	2,824	163,668
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	
Share of Group on revenue	29,533	14,479	-	-	11,335	55,347
Share of Group on cost	(6,594)	(4,168)	-	-	(3,375)	(14,137)
Share of Group on operating expenses	(800)	(592)	-	-	(492)	(1,884)
Share of Group on interest income from bank deposit	68	39	-	-	52	159
Share of Group on interest expense financial debts	(8,064)	(6,281)	-	-	(5,620)	(19,965)
Share of Group on income tax expense	(7,942)	(6,048)	(2,138)	(578)	(893)	(17,599)
Share of Group on realised gain on derivative instruments	(1,411)	-	-	-	(1,132)	(2,543)
Share of Group on unrealised gain/(loss) on derivative instruments	(939)	-	-	-	(4,575)	(5,514)
Share of Group on other income / (expense)	27,935	40,339	10,688	2,895	6,113	87,970
Share of Group on income for the period	31,786	37,768	8,550	2,317	1,413	81,834

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3. INTERESTS IN OTHER ENTITIES (cont’d)

Joint ventures (cont’d)

30 June 2019	Esentepe	Feriköy	Florya	Kandilli	Kurtköy	Mel4	Total
Revenue	95,919	47,894	-	-	36,945	24,346	205,104
Cost	(17,902)	(10,777)	-	-	(10,286)	(8,285)	(47,250)
Operating expenses	(3,877)	(2,529)	-	-	(1,941)	(1,145)	(9,492)
Interest income from bank deposit	331	177	-	-	402	70	980
Interest expense financial debts	(14,358)	(11,028)	-	-	(13,734)	(5,968)	(45,088)
Income tax expense	(20,545)	(15,375)	(990)	(675)	(10,636)	(302)	(48,523)
Realised gain on derivative instruments carried at fair value through profit and loss, net	(2,533)	-	-	-	(268)	(446)	(3,247)
Unrealised gain/(loss) on derivative instruments carried at fair value through profit and loss, net	(11,804)	-	-	-	(10,382)	(1,449)	(23,635)
Other	66,503	53,233	4,951	3,359	50,580	(57,611)	121,015
Net profit for the period	91,734	61,595	3,961	2,684	40,680	(50,790)	149,864
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	50%	
Share of Group on revenue	47,960	23,947	-	-	18,472	12,173	102,552
Share of Group on cost	(8,951)	(5,388)	-	-	(5,143)	(4,143)	(23,625)
Share of Group on operating expenses	(1,938)	(1,265)	-	-	(970)	(573)	(4,746)
Share of Group on interest income from bank deposit	166	88	-	-	201	35	490
Share of Group on interest expense financial debts	(7,179)	(5,514)	-	-	(6,867)	(2,984)	(22,544)
Share of Group on income tax expense	(10,272)	(7,688)	(495)	(338)	(5,318)	(151)	(24,262)
Share of Group on realised gain on derivative instruments	(1,266)	-	-	-	(134)	(223)	(1,623)
Share of Group on unrealised gain/(loss) on derivative instruments	(5,902)	-	-	-	(5,191)	(725)	(11,818)
Share of Group on other income / (expense)	33,251	26,616	2,476	1,680	25,290	(28,806)	60,508
Share of Group on profit for the period	45,869	30,796	1,981	1,342	20,340	(25,394)	74,932

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

a) Total Assets (*)

Company Name	Project Name	30 June 2020	31 December 2019
Balmumcu ⁽¹⁾	Antalya	-	22,404
Kabataş Rönesans	Beachtown	226,715	223,459
Nakkaştepe	Bayraklı	339,266	323,383
Nisbetiye	Bursa	120,796	116,865
Tarabya	Hilltown SHC and Office	2,171,772	2,109,347
Pendik	İzmit	21,562	19,521
Mel3	Kahramanmaraş Piazza SHC	698,249	671,869
Altunizade	Hilltown Karşıyaka SHC	2,105,866	1,925,268
Florya	Konak	203,863	192,400
Kozyatağı	Kozzy SHC	339,189	332,965
Bostancı	Küçükyalı Office and School	726,164	627,035
Salacak	Maltepe Piazza	2,285,937	2,159,147
Bakırköy	Maltepe Park	1,400,006	1,433,795
Kavacık	Mamak	82,540	80,468
Göksu	Optimum Adana SHC	1,594,673	1,503,687
Kurtköy	Optimum Ankara SHC	737,860	688,815
Feriköy	Optimum İstanbul SHC	1,240,815	1,126,879
Esentepe	Optimum İzmir SHC	1,814,234	1,679,956
Mecidiyeköy	RönesansBiz Mecidiyeköy	246,643	244,787
Mel2	Samsun Piazza SHC and Hotel	1,462,338	1,398,771
Sancaktepe	Seyrantepe	42,745	41,692
Akatlar	Silivri	40,283	37,546
Mel4	Şanlıurfa Piazza SHC	518,798	477,964
Kandilli	Ümraniye Tepeüstü	99,443	96,450
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	512,754	17,886
Rönesans Yönetim	Rönesans Yönetim	629	1,178
Other	Other	553	704
Combined		19,033,693	17,554,241
Less : Joint ventures (Note 3)		(4,096,215)	(3,784,500)
Less : Consolidation eliminations and adjustments		2,390,637	2,259,429
Consolidated		17,328,115	16,029,170

(*) Total Asset includes related party receivables.

(1) Balmumcu has sold on 23 June 2020.

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES

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4. SEGMENTAL REPORTING (cont’d)

b) Total Liabilities (*)

Company Name	Project Name	30 June 2020	31 December 2019
Balmumcu ⁽¹⁾	Antalya	-	503
Kabataş Rönesans	Beachtown	67,936	73,907
Nakkaştepe	Bayraklı	32,728	29,442
Nispetiye	Bursa	11,924	10,974
Tarabya	Hilltown SHC and Office	1,267,923	1,103,476
Pendik	İzmit	2,887	2,397
Mel3	Kahramanmaraş Piazza SHC	233,237	152,507
Altunizade	Hilltown Karşıyaka SHC	1,323,035	1,202,170
Florya	Konak	27,685	25,173
Kozyatağı	Kozzy SHC	202,199	187,332
Bostancı	Küçükyalı Office and School	387,976	245,515
Salacak	Maltepe Piazza	1,563,177	1,357,331
Bakırköy	Maltepe Park	406,537	403,033
Kavacık	Mamak	14,545	14,070
Göksu	Optimum Adana SHC	917,139	833,193
Kurtköy	Optimum Ankara SHC	451,775	404,143
Feriköy	Optimum İstanbul SHC	658,662	582,496
Esentepe	Optimum İzmir SHC	966,783	864,290
Mecidiyeköy	RönesansBiz Mecidiyeköy	72,250	42,084
Mel2	Samsun Piazza SHC and Hotel	618,788	582,166
Sancaktepe	Seyrantepe	2,991	2,643
Akatlar	Silivri	5,930	5,327
Mel4	Şanlıurfa Piazza SHC	271,764	293,242
Kandilli	Ümraniye Tepeüstü	7,399	6,802
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	2,577,993	2,011,986
Rönesans Yönetim	Rönesans Yönetim	266	384
Other	Other	11,604	983
Combined		12,105,133	10,437,569
Less : Elimination of joint ventures			
Less : Joint ventures (Note 3)		(2,112,305)	(1,882,904)
Less : Consolidation eliminations and adjustments		406,727	357,830
Consolidated		10,399,555	8,912,495

(*) Total Liability includes related party payables.

(1) Balmumcu has sold on 23 June 2020.

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4. SEGMENTAL REPORTING (cont’d)**c) Deferred Tax Liabilities**

<u>Company Name</u>	<u>Project Name</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Balmumcu ⁽¹⁾	Antalya	-	469
Kabataş Rönesans	Beachtown	32,402	32,911
Nakkaştepe	Bayraklı	32,449	29,304
Nispetiye	Bursa	11,581	10,855
Tarabya	Hilltown SHC and Office	136,746	162,663
Pendik	İzmit	2,764	2,383
Mel3	Kahramanmaraş Piazza SHC	80,915	74,548
Altunizade	Hilltown Karşıyaka SHC	115,980	100,851
Florya	Konak	27,291	25,153
Kozyatağı	Kozzy SHC	35,400	37,542
Bostancı	Küçükyalı Office and School	89,147	82,442
Salacak	Maltepe Piazza	11,900	31,433
Bakırköy	Maltepe Park	100,124	109,413
Kavacık	Mamak	14,439	14,048
Göksu	Optimum Adana SHC	173,261	171,468
Kurtköy	Optimum Ankara SHC	93,672	92,778
Feriköy	Optimum İstanbul SHC	148,760	142,714
Esentepe	Optimum İzmir SHC	215,661	207,720
Mecidiyeköy	RönesansBiz Mecidiyeköy	38,051	34,871
Mel2	Samsun Piazza SHC and Hotel	173,059	166,218
Sancaktepe	Seyrantepe	2,729	2,594
Akatlar	Silivri	5,850	5,319
Mel4	Şanlıurfa Piazza SHC	30,793	29,534
Kandilli	Ümraniye Tepeüstü	7,340	6,763
	Combined	1,580,314	1,573,994
	Less : Joint ventures (Note 3)	(492,724)	(475,128)
	Consolidated	1,087,590	1,098,866

⁽¹⁾ Balmumcu has sold on 23 June 2020.

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4. SEGMENTAL REPORTING (cont’d)**d) Value Added Tax (“VAT”) Deductible**

<u>Company Name</u>	<u>Project Name</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Balmumcu ⁽¹⁾	Antalya	-	98
Kabataş Rönesans	Beachtown	4,373	2,637
Nakkaştepe	Bayraklı	24,980	24,959
Nisbetiye	Bursa	540	540
Tarabya	Hilltown SHC and Office	72,832	77,852
Pendik	İzmit	88	88
Altunizade	Hilltown Karşıyaka SHC	154,878	152,966
Florya	Konak	3,452	3,440
Salacak	Maltepe Piazza	114,135	118,073
Bakırköy	Maltepe Park	37,489	39,630
Kavacık	Mamak	87	86
Salacak Rönesans	Salacak Rönesans	175	175
Sancaktepe	Seyrantepe	76	53
Akatlar	Silivri	40	74
Kandilli	Ümraniye Tepetüstü	8,533	8,532
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	9,424	10,346
Other	Other	147	153
	Combined	431,249	439,702
	Less : Joint ventures (Note 3)	(11,985)	(11,972)
	Consolidated	419,264	427,730

⁽¹⁾ Balmumcu has sold on 23 June 2020.

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES

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4. SEGMENTAL REPORTING (cont’d)

e) Gross Profit

Company Name	Project Name	30 June 2020			30 June 2019		
		Revenue	Cost	Gross Profit	Revenue	Cost	Gross Profit
Tarabya	Hilltown SHC and Office	42,112	(16,875)	25,237	60,912	(23,790)	37,122
Mel3	Kahramanmaraş Piazza SHC	18,968	(6,168)	12,800	29,939	(8,354)	21,585
Altunizade	Hilltown Karşıyaka SHC	42,509	(12,435)	30,074	-	-	-
Kozyatağı	Kozzy SHC	7,600	(3,990)	3,610	12,509	(4,786)	7,723
Bostancı	Küçükyalı Office and School	30,936	(6,462)	24,474	30,747	(6,968)	23,779
Salacak	Maltepe Piazza	34,338	(13,363)	20,975	54,930	(21,554)	33,376
Bakırköy	Maltepe Park	26,738	(7,649)	19,089	46,926	(10,099)	36,827
Göksu	Optimum Adana SHC	29,681	(9,026)	20,655	47,907	(12,107)	35,800
Kurtköy	Optimum Ankara SHC	11,335	(3,375)	7,960	18,472	(5,143)	13,329
Feriköy	Optimum İstanbul SHC	14,479	(4,168)	10,311	23,947	(5,388)	18,559
Esentepe	Optimum İzmir SHC	29,533	(6,594)	22,939	47,960	(8,951)	39,009
Mecidiyeköy	RönesansBiz Mecidiyeköy	9,506	(1,925)	7,581	7,448	(1,724)	5,724
Mel2	Samsun Piazza SHC and Hotel	32,315	(8,353)	23,962	52,404	(10,978)	41,426
Akatlar	Silivri	192	-	192	-	-	-
Mel4	Şanlıurfa Piazza SHC	15,598	(5,661)	9,937	12,173	(4,143)	8,030
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	9,862	(760)	9,102	11,876	(7,507)	4,369
Rönesans Yönetim	Rönesans Yönetim	-	-	-	4,849	(2,441)	2,408
Combined		355,702	(106,804)	248,898	462,999	(133,933)	329,066
Less : Joint ventures (Note 3)		(55,347)	14,137	(41,210)	(102,552)	23,625	(78,927)
Less : Consolidation eliminations and adjustments		3,766	(2,450)	1,316	7,832	(5,523)	2,309
Consolidated		304,121	(95,117)	209,004	368,279	(115,831)	252,448

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

4. SEGMENTAL REPORTING (cont’d)**f) Operating Expenses**

Company Name	Project Name	30 June 2020	30 June 2019
Tarabya	Hilltown SHC and Office	550	2,430
Mel3	Kahramanmaraş Piazza SHC	176	426
Altunizade	Hilltown Karşıyaka SHC	3,177	-
Kozyatağı	Kozzy SHC	235	388
Bostancı	Küçükyalı Office and School	133	19
Salacak	Maltepe Piazza	358	1,650
Bakırköy	Maltepe Park	391	1,635
Göksu	Optimum Adana SHC	535	1,365
Kurtköy	Optimum Ankara SHC	492	970
Feriköy	Optimum İstanbul SHC	592	1,265
Esentepe	Optimum İzmir SHC	800	1,938
Mecidiyeköy	RönesansBiz Mecidiyeköy	29	32
Mel2	Samsun Piazza SHC and Hotel	331	766
Salacak Rönesans	Salacak Rönesans	-	11
Mel4	Şanlıurfa Piazza SHC	287	573
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	6,211	4,137
Rönesans Yönetim	Rönesans Yönetim	-	6,749
Other	Other	15	23
	Combined	14,312	24,377
	Less : Joint ventures (Note 3)	(1,884)	(4,747)
	Less : Consolidation eliminations and adjustments	1,317	2,374
	Consolidated	13,745	22,004

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4. SEGMENTAL REPORTING (cont’d)**g) Interest income from bank deposit**

<u>Company Name</u>	<u>Project Name</u>	<u>30 June 2020</u>	<u>30 June 2019</u>
Tarabya	Hilltown SHC and Office	141	233
Mel3	Kahramanmaraş Piazza SHC	57	85
Altunizade	Hilltown Karşıyaka SHC	167	63
Kozyatağı	Kozzy SHC	16	62
Bostancı	Küçükyalı Office and School	627	122
Salacak	Maltepe Piazza	93	192
Bakırköy	Maltepe Park	147	174
Göksu	Optimum Adana SHC	145	292
Kurtköy	Optimum Ankara SHC	52	201
Feriköy	Optimum İstanbul SHC	39	88
Esentepe	Optimum İzmir SHC	68	166
Mecidiyeköy	RönesansBiz Mecidiyeköy	51	90
Mel2	Samsun Piazza SHC and Hotel	91	209
Sancaktepe	Seyrantepe	-	10
Mel4	Şanlıurfa Piazza SHC	51	35
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	2,146	1,431
Rönesans Yönetim	Rönesans Yönetim	21	53
	Combined	3,912	3,506
	Less : Joint ventures (Note 3)	(159)	(490)
	Consolidated	3,753	3,016

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)**4. SEGMENTAL REPORTING (cont’d)****h) Interest expenses of financial debts**

<u>Company Name</u>	<u>Project Name</u>	<u>30 June 2020</u>	<u>30 June 2019</u>
Tarabya	Hilltown SHC and Office	21,417	21,850
Altunizade	Hilltown Karşıyaka SHC	22,505	-
Kozyatağı	Kozzy SHC	3,297	3,134
Bostancı	Küçükyalı Office and School	10,163	-
Salacak	Maltepe Piazza	35,940	32,911
Göksu	Optimum Adana SHC	17,326	16,030
Kurtköy	Optimum Ankara SHC	5,620	6,867
Feriköy	Optimum İstanbul SHC	6,281	5,514
Esentepe	Optimum İzmir SHC	8,064	7,179
Mecidiyeköy	RönesansBiz Mecidiyeköy	-	1,152
Mel2	Samsun Piazza SHC and Hotel	9,317	9,310
Mel4	Şanlıurfa Piazza SHC	5,678	2,984
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	76,084	54,393
	Combined	221,692	161,324
	Less : Joint ventures (Note 3)	(19,965)	(22,544)
	Consolidated	201,727	138,780

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES

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

4. SEGMENTAL REPORTING (cont’d)

i) Income tax expense

<u>Company Name</u>	<u>Project Name</u>	<u>30 June 2020</u>	<u>30 June 2019</u>
Balmumcu ⁽¹⁾	Antalya	-	(111)
Kabataş Rönesans	Beachtown	509	156
Nakkaştepe	Bayraklı	(3,144)	(905)
Nispetiye	Bursa	(726)	26
Tarabya	Hilltown SHC and Office	25,917	(4,768)
Pendik	İzmit	(381)	(195)
Mel3	Kahramanmaraş Piazza SHC	(6,367)	(8,957)
Altunizade	Hilltown Karşıyaka SHC	(15,129)	(1,211)
Florya	Konak	(2,138)	(495)
Kozyatağı	Kozzy SHC	2,142	(287)
Bostancı	Küçükyalı Office and School	(6,704)	(2,431)
Salacak	Maltepe Piazza	19,532	13,922
Bakırköy	Maltepe Park	9,289	(14,777)
Kavacık	Mamak	(391)	21
Kuzguncuk	Optimum Antalya	-	123
Göksu	Optimum Adana SHC	(1,793)	82
Kurtköy	Optimum Ankara SHC	(893)	(5,318)
Feriköy	Optimum İstanbul SHC	(6,048)	(7,688)
Esentepe	Optimum İzmir SHC	(7,942)	(10,272)
Mecidiyeköy	RönesansBiz Mecidiyeköy	(3,180)	(1,447)
Mel2	Samsun Piazza SHC and Hotel	(6,841)	(17,566)
Sancaktepe	Seyrantepe	(135)	(295)
Akatlar	Silivri	(531)	(209)
Mel4	Şanlıurfa Piazza SHC	(1,260)	(151)
Kandilli	Ümraniye Tepeüstü	(578)	(338)
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	56,712	36,764
Rönesans Yönetim	Rönesans Yönetim	71	407
Other	Other	5	5
	Combined	49,996	(25,915)
	Less : Joint ventures (Note 3)	17,599	24,262
	Consolidated	67,595	(1,653)

⁽¹⁾ Balmumcu has sold on 23 June 2020.

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4. SEGMENTAL REPORTING (cont’d)

j) Realised Derivative

Company Name	Project Name	30 June 2020	30 June 2019
Tarabya	Hilltown SHC and Office	(2,951)	(755)
Kozyatağı	Kozzy SHC	(367)	(265)
Salacak	Maltepe Piazza	(4,730)	(3,582)
Kurtköy	Optimum Ankara SHC	(1,132)	(134)
Esentepe	Optimum İzmir SHC	(1,411)	(1,267)
Mel2	Samsun Piazza SHC and Hotel	(970)	(884)
Mel4	Şanlıurfa Piazza SHC	(502)	(223)
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	220,746	30,293
	Combined	208,683	23,183
	Less : Joint ventures (Note 3)	2,543	1,624
	Consolidated	211,226	24,807

k) Unrealised Derivative

Company Name	Project Name	30 June 2020	30 June 2019
Tarabya	Hilltown SHC and Office	2,158	(921)
Kozyatağı	Kozzy SHC	(77)	(1,321)
Salacak	Maltepe Piazza	(4,005)	(14,743)
Göksu	Optimum Adana SHC	(11)	(189)
Kurtköy	Optimum Ankara SHC	(4,575)	(5,191)
Esentepe	Optimum İzmir SHC	(940)	(5,902)
Mel2	Samsun Piazza SHC and Hotel	211	(1,960)
Mel4	Şanlıurfa Piazza SHC	(245)	(725)
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	(137,561)	39,844
	Combined	(145,045)	8,892
	Less : Joint ventures (Note 3)	5,515	11,818
	Consolidated	(139,530)	20,710

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES

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I) Capital Expenditures (*)

Company Name	Project Name	30 June 2020	31 December 2019
Balmumcu ⁽¹⁾	Antalya	-	20,100
Kabataş Rönesans	Beachtown	78,352	77,847
Nakkaştepe	Bayraklı	467,799	467,667
Nisbetiye	Bursa	62,208	62,086
Tarabya	Hilltown SHC and Office	801,247	799,540
Pendik	İzmit	7,699	7,632
Mel3	Kahramanmaraş Piazza SHC	202,753	201,825
Altunizade	Karşıyaka	1,158,100	1,144,929
Florya	Konak	64,137	63,284
Kozyatağı	Kozzy SHC	54,161	53,458
Bostancı	Küçükyalı Office and School	232,525	232,173
Salacak	Maltepe Piazza	1,319,853	1,316,837
Bakırköy	Maltepe Park	912,059	907,383
Kavacık	Mamak	10,318	10,266
Kuzguncuk	Optimum Antalya	98,846	98,531
Göksu	Optimum Adana SHC	324,119	322,902
Kurtköy	Optimum Ankara SHC	53,861	52,492
Feriköy	Optimum İstanbul SHC	109,116	105,234
Esentepe	Optimum İzmir SHC	349,541	346,996
Mecidiyeköy	RönesansBiz Mecidiyeköy	65,446	64,405
Mel2	Samsun Piazza SHC and Hotel	649,768	648,394
Sancaktepe	Seyrantepe	29,039	28,810
Akatlar	Silivri	10,930	10,892
Mel4	Şanlıurfa Piazza SHC	204,641	203,763
Kandilli	Ümraniye Tepüstü	54,792	54,726
	Combined	7,321,310	7,302,172
	Less : Joint ventures	(631,447)	(622,732)
	Consolidated	6,689,863	6,679,440

(*) “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.

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2020

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5. RELATED PARTY DISCLOSURES

The ultimate controlling party of the Group is Rönesans 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:

	30 June 2020								
	Receivables				Payables				Advances
	Current		Non-current		Current		Non-current		Current
	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	
Balances with related parties									
<i>Joint ventures</i>									
Florya Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Tic. A.Ş.	9	-	-	-	-	-	-	-	-
Esentepe Gayrimenkul Yatırım İnşaat Turizm San. ve Tic.A.Ş. ⁽¹⁾	4,869	74	-	-	9	861	-	329,819	-
Kurtköy Gayrimenkul Yatırım İnşaat Turizm San. ve Tic.A.Ş. ⁽¹⁾	2,844	-	-	-	-	41	-	90,700	-
Feriköy Gayrimenkul Yatırım İnşaat Turizm San. ve Tic.A.Ş. ⁽¹⁾	4,888	-	-	-	27	773	-	378,532	-
<i>Shareholders</i>									
Euro Efes S.a.r.l ⁽²⁾	-	-	-	-	-	-	-	42,301	-
Rönesans Emlak Geliştirme Holding A.Ş. ⁽²⁾	-	-	-	-	-	-	-	155,000	-
<i>Other companies managed by the parent company</i>									
Rönesans Altyapı Sistemleri ⁽³⁾	48	-	-	-	10,412	190	24,981	-	276
Rönesans Holding A.Ş.	115	-	-	-	2,437	202	-	-	-
RC Rönesans İnşaat	27	-	-	-	-	-	-	-	-
Rönesans Elektrik Enerji Toptan Satış A.Ş. ⁽⁴⁾	-	-	-	-	10,702	-	-	-	-
Other ⁽⁵⁾	707	4	-	-	113	3	-	-	-
	13,507	78	-	-	23,700	2,070	24,981	996,352	276

⁽¹⁾ Current trade receivables consist of asset, property management and leasing services provided. Non trade payables represent the reverse shareholder loans provided by the relevant joint ventures to Rönesans Gayrimenkul Yatırım.

⁽²⁾ Non trade payables to Euro Efes S.a.r.l. and Rönesans Emlak Geliştirme Holding A.Ş. represent the shareholder loans provided to Rönesans Gayrimenkul Yatırım.

⁽³⁾ Prepaid expenses are related with the subcontractor advances given for Hilltown Karşıyaka project and the payables are related with construction work.

⁽⁴⁾ Rönesans Elektrik Enerji Toptan Satış A.Ş. provides electric energy services to the projects.

⁽⁵⁾ The Group sub-leases to the group companies in accordance with its lease agreement with Allianz Tower. The receivables is related with rental receivables.

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES

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5. RELATED PARTY DISCLOSURES (cont’d)

	31 December 2019								
	Receivables				Payables				Advances
	Current		Non-current		Current		Non-current		Current
	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	
Balances with related parties									
<i>Joint ventures</i>									
Florya Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Tic. A.Ş.	9	-	-	-	-	-	-	-	-
Kandilli Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş.	41	-	-	-	-	-	-	-	-
Esentepe Gayrimenkul Yatırım İnşaat Turizm San. ve Tic.A.Ş. ⁽¹⁾	2,021	-	-	-	-	-	-	293,887	-
Kurtköy Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş. ⁽¹⁾	1,123	3	-	-	-	-	-	82,410	-
Feriköy Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş. ⁽¹⁾	5,501	-	-	-	-	-	-	329,899	-
<i>Shareholders</i>									
Euro Efes S.a.r.l. ⁽²⁾	-	-	-	-	-	-	-	40,872	-
Rönesans Emlak Geliştirme Holding A.Ş. ⁽²⁾	-	-	-	-	-	-	-	150,168	-
<i>Other companies managed by the parent company</i>									
Rönesans Teknik İnşaat San. ve Tic.A.Ş. ⁽³⁾	112	-	-	-	109,910	-	8,048	-	3,811
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş.	496	-	-	-	-	-	-	-	-
Rönesans Elektrik Enerji Toptan Satış A.Ş. ⁽⁴⁾	-	-	-	-	12,047	-	-	-	1,072
Rönesans Holding A.Ş.	-	-	-	-	1,420	99	-	-	-
Other ⁽⁵⁾	930	5	-	-	60	6	-	-	-
	10,233	8	-	-	123,437	105	8,048	897,236	4,883

⁽¹⁾ Current trade receivables consist of asset, property management and leasing services provided. Non trade payables represent the reverse shareholder loans provided by the relevant joint ventures to Rönesans Gayrimenkul Yatırım.

⁽²⁾ Non trade payables to Euro Efes S.a.r.l. and Rönesans Emlak Geliştirme Holding A.Ş. represent the shareholder loans provided to Rönesans Gayrimenkul Yatırım.

⁽³⁾ Prepaid expenses are related with the subcontractor advances given for Hilltown Karşıyaka project and the payables are related with construction work.

⁽⁴⁾ Rönesans Elektrik Enerji Toptan Satış A.Ş. provides electric energy services to the projects.

⁽⁵⁾ The Group sub-leases to the group companies in accordance with its lease agreement with Allianz Tower. The receivables is related with rental receivables.

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5. RELATED PARTY DISCLOSURES (cont'd)

Transactions with related parties	1 January-30 June 2020			
	Purchases	Sales	Interest received	Interest given
<i>Associates & Joint ventures</i> ⁽²⁾⁽⁶⁾	-	9,724	-	19,848
<i>Shareholders</i>				
Euro Efes S.a.r.l ⁽⁶⁾	-	-	-	2,297
Rönesans Emlak Geliştirme Holding A.Ş. ⁽⁶⁾	-	-	-	5,833
<i>Other companies</i>				
Rönesans Elektrik Enerji Toptan Satış A.Ş. ⁽⁴⁾	30,077	-	-	-
Rönesans Holding A.Ş. ⁽¹⁾⁽³⁾	1,920	1,026	-	-
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş. ⁽⁵⁾	-	1,260	-	-
Rönesans Endüstri Tesisleri İnşaat Sanayi ve Ticaret A.Ş. ⁽³⁾	20	1,351	-	-
Other	273	395	-	-
	<u>32,290</u>	<u>13,756</u>	<u>-</u>	<u>27,978</u>

- (1) Purchases from Rönesans Holding A.Ş. are composed of services given by Rönesans Holding A.Ş.
- (2) Sales to joint ventures consist of services provided to investments accounted for using the equity method from Rönesans Gayrimenkul Yatırım A.Ş.
- (3) The Group sub-leases to the group companies where has been leased in accordance with the lease agreement with Allianz Tower and sales represent the leasing services provided by Rönesans Gayrimenkul Yatırım A.Ş.
- (4) Purchases from Rönesans Elektrik Enerji Toptan Satış A.Ş. are composed of energy services provided to the Group.
- (5) Sales to Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş. are related with rent of Küçükyalı School which is the project of Bostancı Gayrimenkul.
- (6) Interest given represents accrued interest of reverse shareholder and shareholder loans received from joint ventures, Euro Efes S.a.r.l. and Rönesans Emlak Geliştirme Holding A.Ş.

Transactions with related parties	1 January-30 June 2019			
	Purchases	Sales	Interest received	Interest given
<i>Associates & Joint ventures</i> ⁽³⁾⁽⁷⁾	14	11,760	1,150	8,302
<i>Shareholders</i>				
Euro Efes S.a.r.l ⁽⁷⁾	-	-	-	4,347
Rönesans Emlak Geliştirme Holding A.Ş. ⁽⁷⁾	-	-	-	14,334
<i>Other companies</i>				
Rönesans Teknik İnşaat San. ve Tic. A.Ş. ⁽²⁾	138,492	-	-	-
Rönesans Elektrik Enerji Toptan Satış A.Ş. ⁽⁵⁾	29,815	-	-	-
Rönesans Holding A.Ş. ⁽¹⁾⁽⁴⁾	3,308	2,541	-	-
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş. ⁽⁶⁾	-	2,520	-	-
Rönesans Endüstri Tesisleri İnşaat Sanayi ve Ticaret A.Ş. ⁽⁴⁾	-	2,441	-	-
Rönesans MEA İnşaat A.Ş. ⁽⁴⁾	-	994	-	-
Other	54	65	-	-
	<u>171,683</u>	<u>20,321</u>	<u>1,150</u>	<u>26,983</u>

- (1) Purchases from Rönesans Holding A.Ş. are composed of services provided by Rönesans Holding A.Ş.
- (2) Rönesans Teknik İnşaat Sanayi ve Ticaret A.Ş. is the contractor of Maltepe Pizza and Hilltown 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 and sales represent the leasing services provided by Rönesans Gayrimenkul Yatırım A.Ş.
- (5) Purchases from Rönesans Elektrik Enerji Toptan Satış A.Ş. are composed of energy services provided to the Group.
- (6) Sales to Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş. are related with rent of Küçükyalı School which is the project of Bostancı Gayrimenkul.
- (7) Interest received represents accrued interest of shareholder loans provided by Rönesans Gayrimenkul Yatırım A.Ş. to joint ventures. Interest given represents accrued interest of reverse shareholder and shareholder loans received from joint ventures, Euro Efes S.a.r.l. and Rönesans Emlak Geliştirme Holding A.Ş.

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

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 2020	31 December 2019
<u>Current trade receivables</u>		
Trade receivables	116,544	94,116
Notes receivables	26,055	29,257
Trade receivables from related parties (Note 5)	13,507	10,233
Expected credit loss (-)	(34,571)	(34,137)
	<u>121,535</u>	<u>99,469</u>

The movement of the Group's provision for expected credit loss as at 30 June 2020 and 2019 is as follows:

	1 January- 30 June 2020	1 January- 30 June 2019
<u>Movement of allowance for credit loss</u>		
Balance at beginning of the year	(34,137)	(19,157)
Charge for the period (Note 16)	(5,088)	(6,376)
Provision released (Note 16)	4,654	2,074
Balance at 30 June	<u>(34,571)</u>	<u>(23,459)</u>

The provision for trade receivables is provided based on estimated irrecoverable amounts from the sale of services, determined by reference to past default experience.

a) Trade payables

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

	30 June 2020	31 December 2019
<u>Current trade payables</u>		
Trade payables	30,096	68,414
Trade payables to related parties (Note 5)	23,700	123,437
	<u>53,796</u>	<u>191,851</u>

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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7. OTHER RECEIVABLES AND PAYABLES

a) Other receivables:

	30 June 2020	31 December 2019
<u>Other short term receivables</u>		
Non-trade receivables from related parties (Note 5)	78	8
Other receivables	602	141
	<u>680</u>	<u>149</u>

	30 June 2020	31 December 2019
<u>Other long term receivables</u>		
Deposits and guarantees given	1,720	1,204
Other	10,532	10,002
	<u>12,252</u>	<u>11,206</u>

b) Other payables:

	30 June 2020	31 December 2019
<u>Other short term payables</u>		
Taxes due and payables	8,830	8,322
Deposits and guarantees received	1,938	2,430
Non-trade payables to related parties (Note 5)	2,070	105
Other	22	15
	<u>12,860</u>	<u>10,872</u>

	2020	2019
<u>Other long term payables</u>		
Non-trade payables to related parties (Note 5)	996,352	897,236
Deposits and guarantees received	7,501	6,656
	<u>1,003,853</u>	<u>903,892</u>

8. INVENTORIES

	30 June 2020	31 December 2019
Residential units ⁽¹⁾	15,479	17,919
	<u>15,479</u>	<u>17,919</u>

⁽¹⁾ Amount consist of Maltepe Piazza residential units.

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES

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9. PREPAID EXPENSES AND DEFERRED INCOME

	30 June 2020	31 December 2019
<u>Short term prepaid expenses</u>		
Advances given to related parties (Note 5)	276	4,883
Prepaid expenses	10,854	7,554
Order advances given	6,248	5,538
Other	40	3
	<u>17,418</u>	<u>17,978</u>
	30 June 2020	31 December 2019
<u>Long term prepaid expenses</u>		
Prepaid expenses	16,558	18,107
	<u>16,558</u>	<u>18,107</u>
	30 June 2020	31 December 2019
<u>Short term deferred revenue</u>		
Order advances received (*)	11,737	4,864
	<u>11,737</u>	<u>4,864</u>

(*) Order advances received is related with residential units of Maltepe Piazza.

10. INVESTMENT PROPERTIES

	30 June 2020	31 December 2019
Investment properties	12,574,845	11,920,329
Investment properties under development	990,245	971,513
	<u>13,565,090</u>	<u>12,891,842</u>
a) <u>Investment properties:</u>		
	1 January- 30 June 2020	1 January- 30 June 2019
Opening balance at 1 January	11,920,329	9,646,458
Additions through subsequent expenditure	29,067	33,888
Land rental	72,286	-
Change in accounting policies	-	(120,428)
Net gain from fair value adjustments (Note 16)	553,163	376,603
Closing balance at 30 June	<u>12,574,845</u>	<u>9,936,521</u>

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES

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10. INVESTMENT PROPERTIES (cont’d)

a) Investment properties (cont’d):

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 independent valuers not connected with the Group. The valuation, which conforms to Capital Market Board legislation, was arrived at by reference to discounted cash flows approach, capitalization approach and market 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 2020	31 December 2019
Currency base	TRY	TRY
Discount rate (%)	15.5-16	16.5-17
Occupancy rate (%)	87-100	85-100
Rent increase rate (%)	5-9	5-10.5
Capitalization rate (%)	6-9	6-9

The Group mortgages some real estates as collateral of the bank loans. The details of mortgages are disclosed in Note 11.

The property rental income earned by the Group from its investment properties amounted to TRY 288,850 (30 June 2019: TRY 339,933). (Note 14) Direct operating expenses arising on the investment property in the year include maintenance and repair costs which amounted to TRY 89,250 (30 June 2019: TRY 94,230) (Note 14).

As at 30 June 2020 and 31 December 2019 investment properties and their values are as follows:

Project Name	Company Name	Place of Property	30 June 2020	31 December 2019
Maltepe Piazza	Salacak	İstanbul, Turkey	2,133,075	2,002,920
Hilltown SHC and Office ⁽²⁾	Tarabya	İstanbul, Turkey	2,070,425	2,006,409
Hilltown SHC Karşıyaka	Altunizade	İzmir, Turkey	1,922,220	1,680,450
Samsun Piazza SHC and Hotel	Mel 2	Samsun, Turkey	1,442,685	1,363,105
Adana Optimum SHC	Göksu	Adana, Turkey	1,331,745	1,261,485
Maltepe Park	Bakırköy	İstanbul, Turkey	1,346,730	1,380,565
Küçükyalı Office & School ⁽¹⁾	Bostancı	İstanbul, Turkey	658,237	623,911
Kahramanmaraş Piazza SHC	Mel 3	Kahramanmaraş, Turkey	686,860	662,620
Şanlıurfa Piazza SHC	Mel 4	Şanlıurfa, Turkey	503,000	468,440
Kozzy SHC ⁽³⁾	Kozyatağı	İstanbul, Turkey	235,908	237,474
RönesansBiz Mecidiyeköy	Mecidiyeköy	İstanbul, Turkey	243,960	232,950
			<u>12,574,845</u>	<u>11,920,329</u>

(1) Rental payables amounting to TRY 27,882 calculated in accordance with IFRS 16 are both added to final fair value of Küçükyalı Office & Ted Rönesans College and operational lease of that investment property in the balance sheet.

(2) Rental payables amounting to TRY 176,445 calculated in accordance with IFRS 16 are both added to final fair value of Hilltown SHC and Office and operational lease of that investment property in the balance sheet.

(3) Rental payables amounting to TRY 9,773 calculated in accordance with IFRS 16 are both added to final fair value of Kozzy SHC and operational lease of that investment property in the balance sheet.

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10. INVESTMENT PROPERTIES (cont'd)

b) Investment properties under development

	1 January- 30 June 2020	1 January- 30 June 2019
Opening balance at 1 January	971,513	2,040,109
Additions through subsequent expenditure	1,464	266,471
Land rental	3,626	-
Disposal ⁽¹⁾	(22,300)	-
Change in accounting policies	-	(22,735)
Net gain from fair value adjustments (Note 16)	35,942	17,099
Closing balance at 30 June	990,245	2,300,944

⁽¹⁾ Balmumcu has sold on 23 June 2020.

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.

As of 30 June 2020 and 2019 the fair value of the Group's investment properties under development has been arrived at on the basis of a valuation carried out at that date by independent valuers not connected with the Group. The valuation, which conforms to Capital Market Board legislation, was arrived at by reference to market evidence of transaction prices for similar properties and discounted cash flows and income capitalization approach. The fair values are based on the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in arm's length transaction.

The fair value of the investment properties under development prepared by reference to discounted cash flow is primarily based on the following key assumptions:

	30 June 2020	31 December 2019
Currency base	TRY	TRY
Discount rate (%)	16.5	16.75
Occupancy rate (%)	92-98	92-98
Rent increase rate (%)	5-9	6.5-10.5

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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 prepared by reference to sale comparison approach are primarily based on the following key assumptions:

	30 June 2020	31 December 2019
Market comparable sqm value in TRY	700-24,750	630-24,750

Investment properties under development comprise of the following projects:

Project Name	Company Name	Place of Property	30 June 2020	31 December 2019
Mamak ⁽¹⁾	Kavacık	Ankara, Turkey	82,380	80,375
Silivri ⁽¹⁾	Akatlar	İstanbul, Turkey	39,970	37,470
Antalya ⁽¹⁾	Balmumcu	Antalya, Turkey	-	22,300
İzmit ⁽¹⁾	Pendik	İzmit, Turkey	21,385	19,415
Bursa ⁽¹⁾	Nispetiye	Bursa, Turkey	120,050	116,300
Seyrantepe ⁽¹⁾	Sancaktepe	İstanbul, Turkey	42,510	41,610
Turan ⁽¹⁾⁽³⁾	Nakkaştepe	İzmir, Turkey	313,625	297,770
Optimum Antalya ⁽¹⁾	Rönesans Gayrimenkul	Antalya, Turkey	148,035	135,570
Beachtown ⁽¹⁾⁽²⁾⁽³⁾	Kabataş-RGY	Antalya, Turkey	222,290	220,703
			<u>990,245</u>	<u>971,513</u>

(1) In the consolidated financial statements as of 30 June 2020 and 31 December 2019, 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) Rental payables amounting to TRY 35,056 and TRY 1,344 prepaid expense calculated in accordance with IFRS 16 are both added to final fair value of Antalya Bechtown Projects and operational lease of that investment property in the balance sheet.

(3) The Group has a building permit for these projects.

Operating lease commitments – Company as lessee

The Group has operating lease contracts for the projects of Hilltown SHC and office, Küçükalyalı School & Office on land belonging to Atik Valide Sultan Vakfı in İstanbul, Maltepe and the Group has the usage right with a renewal option at the end of the lease period for 49 years. There are no restrictions placed upon the Group by entering into these leases.

The Group has an operating lease contract for the projects of Antalya Konyaaltı project on land belonging to Antalya Metropolitan Municipality in Antalya, Konyaaltı. The Group has the usage right with a renewal option at the end of the lease period for 30 years. There are no restrictions placed upon the Group by entering into these leases.

The Group has an operating lease contract for the projects of Kozzy SHC on land belonging to İstanbul Metropolitan Municipality in İstanbul, Kozyatağı. The Group has the usage right with a renewal option at the end of the lease period for 30 years. There are no restrictions placed upon the Group by entering into these leases.

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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 2020 and 2019 are as follows:

	30 June 2020	Fair value as at 30 June 2020		
		Level 1 TRY	Level 2 TRY	Level 3 TRY
Investment properties	12,574,845	-	-	12,574,845
Investment properties under development	990,245	-	990,245	-

	31 December 2019	Fair value as at 31 December 2019		
		Level 1 TRY	Level 2 TRY	Level 3 TRY
Investment properties	11,920,329	-	-	11,920,329
Investment properties under development	971,513	-	971,513	-

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

		Change in fair value as at 30 June 2020	
		Investment properties	Investment properties under development
Rent increase rate	increase 1%	627,010	49,440
	decrease 1%	(773,740)	(43,680)
Discount rate	increase 1%	(825,385)	(35,650)
	decrease 1%	920,630	41,390
Occupancy rate	increase 1%	119,830	5,080
	decrease 1%	(125,490)	(5,070)
1 sq ² land price	increase 10%	-	157,215
	decrease 10%	-	(125,760)
Capitalization rate	increase 1%	(568,720)	-
	decrease 1%	744,005	-

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

		Change in fair value as at 31 December 2019	
		Investment properties	Investment properties under development
Rent increase rate			
	increase 1%	850,190	48,500
	decrease 1%	(765,680)	(42,610)
Discount rate			
	increase 1%	(768,660)	(34,500)
	decrease 1%	863,810	39,960
Occupancy rate			
	increase 1%	118,905	4,970
	decrease 1%	(113,910)	(4,950)
1 sq ² land price			
	increase 10%	-	75,075
	decrease 10%	-	(75,090)
Capitalization rate			
	increase 1%	(525,590)	-
	decrease 1%	688,610	-

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11.COMMITMENTS AND CONTINGENCIES

The Group’s guarantee given, pledges and mortgages (“GPM”) position as at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
Mortgage	4,227,114	3,608,049
Letters of guarantees given	94,486	89,367
Surety and guarantees given	1,750,699	1,551,573
	<u>6,072,299</u>	<u>5,248,989</u>

TRY 5,808,296 of total amount in 2020 is already reflected in the consolidated statement of financial position and related with the guarantees given for the loans utilized by the Group. The remaining TRY 264,003 is for the guarantees provided by the Group for the third or related parties. (31 December 2019: TRY 4,987,685 remaining amount: TRY 261,304).

12. OTHER CURRENT AND NON-CURRENT ASSETS

	30 June 2020	31 December 2019
Other current assets		
VAT deductible	88,305	104,046
	<u>88,305</u>	<u>104,046</u>
Other non current assets		
VAT deductible	330,959	323,684
	<u>330,959</u>	<u>323,684</u>

13. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 30 June 2020 and 31 December 2019 the share capital held is as follows:

	%	30 June 2020	%	31 December 2019
Rönesans Emlak Geliştirme Holding A.Ş	74.24	225,477	74.24	225,477
Euro Efes S.a.r.l	21.44	65,117	21.44	65,117
Kamil Yanıkömeroğlu	2.36	7,158	2.36	7,158
Murat Özgümüş	1.96	5,965	1.96	5,965
Nominal share capital in TRY	100	<u>303,717</u>	100	<u>303,717</u>

The total number of ordinary shares is 303,717 thousand (31 December 2019: 303,717 thousand shares) with a par value of TRY 1 (31 December 2019: per share TRY 1).

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

b) Restricted Reserves Appropriated from Profit

	30 June 2020	31 December 2019
Legal reserves	65,998	66,045
	<u>65,998</u>	<u>66,045</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) Share premium

	30 June 2020	31 December 2019
Share premium	630,844	630,844
	<u>630,844</u>	<u>630,844</u>

14. REVENUE

a) Revenue

	1 January - 30 June 2020	1 January - 30 June 2019
Rental revenue from investment properties ⁽¹⁾	288,850	339,933
Residential sales revenue	1,643	3,789
Management and consulting revenue	9,819	7,394
Other rental revenue	3,809	17,163
	<u>304,121</u>	<u>368,279</u>

⁽¹⁾ This is also 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 sales

	1 January - 30 June 2020	1 January - 30 June 2019
Cost of revenue related to investment properties	(89,250)	(94,230)
Cost of residence sales	(2,657)	(6,130)
Cost of revenue related to management and consulting and other	(3,210)	(15,471)
	<u>(95,117)</u>	<u>(115,831)</u>

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15. GENERAL ADMINISTRATIVE EXPENSES / MARKETING EXPENSES

	1 January - 30 June 2020	1 January - 30 June 2019
Marketing expenses	(2,223)	(7,811)
General administrative expenses	(11,522)	(14,193)
	<u>(13,745)</u>	<u>(22,004)</u>

a) Detail of marketing expenses:

	1 January - 30 June 2020	1 January - 30 June 2019
Advertising expenses	(2,223)	(7,811)
	<u>(2,223)</u>	<u>(7,811)</u>

b) Detail of general administrative expenses:

	1 January - 30 June 2020	1 January - 30 June 2019
Employee benefit expenses	(8,600)	(9,606)
Consultancy expenses	(1,256)	(1,697)
Rent expenses	(1,053)	(1,335)
Taxes and fees	(551)	(462)
Other	(62)	(1,093)
	<u>(11,522)</u>	<u>(14,193)</u>

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16. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January - 30 June 2020	1 January - 30 June 2019
Other operating income		
Change in fair value of investment properties (Note 10.a)	600,795	376,603
Foreign exchange gain from operations	153,254	43,761
Change in fair value of investment properties under development (Note 10.b)	38,487	18,771
Interest income ⁽¹⁾	3,753	4,166
Reversal of provision (Note 6)	4,654	2,074
Other	1,099	3,016
	<u>802,042</u>	<u>448,391</u>

⁽¹⁾ Interest income from bank deposit is TRY 3,753 thousand in 2020 and TRY 3,016 thousand in 2019.

	1 January - 30 June 2020	1 January - 30 June 2019
Other operating expense		
Foreign exchange loss from operations	(44,619)	(8,704)
Change in fair value of investment properties under development (Note 10.b)	(2,545)	(1,672)
Change in fair value of investment properties (Note 10.a)	(47,632)	-
Provision for doubtful receivables (Note 6)	(5,088)	(6,376)
Lawsuit provision	(376)	(1,037)
Other	(2,877)	(74)
	<u>(103,137)</u>	<u>(17,863)</u>

17. FINANCE EXPENSES

	1 January - 30 June 2020	1 January - 30 June 2019
Finance costs		
Interest expense of financial debts	(201,727)	(138,780)
Foreign exchange loss of bank loan, net	(1,062,328)	(500,978)
Commission expenses	(8,282)	(1,948)
Realized gain on derivative instruments carried at fair value through profit and loss, net	211,226	24,807
Unrealized gain/(loss) on derivative instruments carried at fair value through profit and loss, net ⁽¹⁾	(139,530)	20,710
Other	(33,628)	(33,057)
	<u>(1,234,269)</u>	<u>(629,246)</u>

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

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18. INCOME / (EXPENSES) FROM INVESTING ACTIVITIES

	1 January - 30 June 2020	1 January - 30 June 2019
<u>Income from investing activities</u>		
Effect of additional consideration received from sale of subsidiary	2,561	-
	<u>2,561</u>	<u>-</u>

Balmumcu has been sold on 23 June 2020.

	<u>23 June 2020</u>
<u>Book value of net assets sold</u>	
Current assets	
Other receivables and current assets	50
Non-current assets	
Investment property	22,300
Other receivables and non-current assets	97
Current liabilities	
Other short-term liabilities	(48)
Non-current liabilities	
Deferred tax liabilities	(460)
Net assets disposed	<u>21,939</u>
Effective ownership disposed	100%
Net assets disposed	21,939
Net consideration received in cash and cash equivalents	
Net gain on sale of subsidiary	2,561
Sales price:	
Price as cash and cash equivalents	24,500
	<u>24,500</u>
Net cash inflow from sales	
Net cash consideration received in cash and cash equivalents	<u>24,500</u>
	<u>24,500</u>

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

	30 June 2020	31 December 2019
<u>Current tax assets</u>		
Prepaid taxes and funds	570	846
	<u>570</u>	<u>846</u>
	30 June 2020	31 December 2019
<u>Current tax liability</u>		
Current corporate tax provision	-	41
Less: prepaid taxes and funds	-	(41)
	<u>-</u>	<u>-</u>
	1 January- 30 June 2020	1 January- 30 June 2019
<u>Income tax recognized in profit or loss</u>		
Current tax expense	-	(83)
Deferred tax expense	67,595	(1,570)
	<u>67,595</u>	<u>(1,653)</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 2020 is 22% (2019: 22%) for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2020 is 22%. (2019: 22%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

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

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.

	30 June 2020	31 December 2019
<u>Deferred tax (assets) / liabilities:</u>		
Change in fair values of investment properties under development	386,599	298,706
Change in fair values of investment properties	1,119,928	1,070,187
Depreciation / amortization differences of property, plant and equipment and other intangibles	11,518	10,871
Tax losses carried forward	(611,852)	(404,925)
Provision for retirement pay and unused vacation	(942)	(895)
Other temporary differences	6,568	5,930
	<u>911,819</u>	<u>979,874</u>
	30 June 2020	31 December 2019
<u>Reflected as:</u>		
Deferred tax assets	(175,771)	(118,992)
Deferred tax liabilities	1,087,590	1,098,866
Net deferred tax liabilities	<u>911,819</u>	<u>979,874</u>

At the balance sheet date, the Group has unused tax losses of TRY 3,056,114 (31 December 2019: TRY 2,034,146) available for offset against future profits and deferred tax asset have been recognized in respect of TRY 611,852 (31 December 2019: TRY 404,925) of such losses.

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

Expiration schedule of carry forward tax losses is as follows:

	30 June 2020	31 December 2019
Expiring in 2020	120,177	93,437
Expiring in 2021	150,740	148,160
Expiring in 2022	591,126	200,917
Expiring in 2023 and later	2,194,071	1,591,632
	<u>3,056,114</u>	<u>2,034,146</u>

The movement of deferred tax assets for years ended 30 June 2020 and 2019 as follows:

	1 January- 30 June 2020	1 January- 30 June 2019
<u>Movement of deferred tax liability:</u>		
Opening balance	979,874	970,758
Charged to statement of profit or loss	(67,595)	1,570
Disposal effect	(460)	-
Closing balance	<u>911,819</u>	<u>972,328</u>
	1 January- 30 June 2020	1 January- 30 June 2019
<u>Reconciliation of taxation:</u>		
(Loss) / profit before taxation	(255,710)	106,658
Tax at the domestic income tax rate of 22%	22%	22%
Tax at the domestic income	(56,256)	23,465
Tax effects of:		
- share in profit of associates	(18,003)	(16,013)
- expenses that are not deductible in determining taxable profit	341	152
- effect of increase in corporate tax rate in Turkey (from 20% to 22%)	6,323	(5,951)
Income tax expense recognised in profit or loss	<u>(67,595)</u>	<u>1,653</u>

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20. EARNINGS PER SHARE

	1 January - 30 June 2020	1 January - 30 June 2019
Net loss for the year	(188,115)	105,005
Average number of ordinary share outstanding during the year (in full)	303,717	303,717
(Loss) / Earning per share from operations (TRY)	(0.62)	0.35

21. DERIVATIVE INSTRUMENTS

	30 June 2020		31 December 2019	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap	4	34,508	15	32,666
Cross currency swap	7,810	-	178,315	-
Forward	43,127	-	10,975	-
	<u>50,941</u>	<u>34,508</u>	<u>189,305</u>	<u>32,666</u>
Short term	50,937	4,098	189,290	941
Long term	4	30,410	15	31,725
	<u>50,941</u>	<u>34,508</u>	<u>189,305</u>	<u>32,666</u>

22. FINANCIAL LIABILITIES

Financial Debts

	30 June 2020	31 December 2019
Short term bank loans	125,229	-
Current portion of long-term bank loans	1,105,244	333,452
Total bank loans - current	<u>1,230,473</u>	<u>333,452</u>
Short term portion of issued corporate bonds	33,036	23,298
Current portion of long term finance lease	185	201
Current portion of long term operational lease (*)	5,741	3,778
Total current financial debt	<u>1,269,435</u>	<u>360,729</u>
Long-term bank loans	4,593,066	4,332,735
Corporate bonds	2,052,660	1,782,060
Long-Term obligation under operational lease (*)	243,415	169,466
Long term obligation under finance lease	47	138
Total non-current financial debt	<u>6,889,188</u>	<u>6,284,399</u>
Total current and non current financial debt	<u>8,158,623</u>	<u>6,645,128</u>

(*) Operational leases are related with Hilltown SHC and office, Küçükyalı Office&School, Kozzy SHC and Bechtown land rental payables.

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22. FINANCIAL LIABILITIES (cont’d)

On 26 April 2018, the Group has issued fixed interest coupon corporate bonds with a nominal amount of USD 300,000 and with a maturity of 5 years. Details of issued corporate bonds are as follows:

Currency Type	Effective interest rate %	30 June 2020	
		Current	Non-current
USD	7,25	33,036	2,052,660
		<u>33,036</u>	<u>2,052,660</u>

Currency Type	Effective interest rate %	31 December 2019	
		Current	Non-current
USD	7,25	23,298	1,782,060
		<u>23,298</u>	<u>1,782,060</u>

The bank loans are repayable as follows:

	30 June 2020	31 December 2019
Payable within 1 year	1,230,473	333,452
Payable between 1-2 years	863,779	979,284
Payable between 2-3 years	1,713,082	714,847
Payable between 3-4 years	421,113	1,283,424
Payable between 4-5 years	555,985	216,945
Payable after 5+ years	1,039,107	1,138,235
	<u>5,823,539</u>	<u>4,666,187</u>

The Group’s major bank loans are as follows:

- Tarabya’s loan balance as of 30 June 2020 is EUR 117,519. The maturity of this loans are December 2021, June 2022 and March 2025.
- Salacak’s loan balance as of 30 June 2020 is EUR 187,980. The maturity of this loan is June 2029.
- Altunizade’s loan balance as of 30 June 2020 is EUR 155,000. The maturity of this loan is May 2023.
- Mel2’s loan balance as of 30 June 2020 is EUR 56,061. The maturity of this loans are June 2021 and April 2022.
- Mel4’s loan balance as of 30 June 2020 is EUR 28,047. The maturity of this loans are June 2022 and September 2022.
- Kozyatağı’s loan balance as of 30 June 2020 is EUR 19,710. The maturity of this loan is December 2023.
- Göksu’s loan balance as of 30 June 2020 is EUR 93,426. The maturity of this loan is May 2021.
- Bostancı’s loan balance as of 30 June 2020 is TRY 267,900. The maturity of this loan is February 2027.
- Rönesans Gayrimenkul Yatırım’s total corporate loan balance as of 30 June 2020 is equivalent of TRY 447,000. The maturity of these loans are May 2021, August 2021 January 2022 and February 2023 respectively.

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22. FINANCIAL LIABILITIES (cont’d)

	1 January 2020	Net financing cash flows	Foreign exchange Gain/ (loss)	Other changes	30 June 2020
Bank loans	4,666,187	445,961	740,980	(29,589)	5,823,539

	1 January 2019	Net financing cash flows	Foreign exchange Gain/ (loss)	Other changes	30 June 2019
Bank loans	3,872,276	106,855	334,717	3,857	4,317,705

23. FINANCIAL INVESTMENTS

	30 June 2020	31 December 2019
<u>Short term financial investments</u>		
Financial assets carried at fair value through other comprehensive income	2,643	-
	<u>2,643</u>	<u>-</u>
<u>Long term financial investments</u>		
Financial assets carried at fair value through other comprehensive income	181,917	-
	<u>181,917</u>	<u>-</u>

24. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital risk management:

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes bank loans and equity attributable to equity holders of the parent, premiums in capital stock, restricted profit reserves and retained earnings.

Within the framework of risk management activities, Group defines the undertaken risks, estimates the loss amounts caused by these risks and defines the capital base amount related to these loss amounts. Thus, Group aims to minimize its capital risk.

After the capital base is defined, the steadily management of funding structure is aimed by obtaining new debts, repayment of existing debts, and dividend payments.

b) Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

b.3.1) 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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24. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

b) Financial risk factors (cont’d)

b.3.1) Foreign currency risk management (cont’d)

30 June 2020	Equivalent of Thousands TRY	Thousands US Dollars	Thousands EUR
1. Trade receivables	-	-	-
2. Monetary financial assets	515,638	33,185	37,438
3. Non monetary financial assets (including RP)	904	87	40
4. CURRENT ASSETS	516,542	33,272	37,478
5. Monetary financial assets	181,917	26,588	-
6. Non monetary financial assets	92	-	12
7. NON-CURRENT ASSETS	182,009	26,588	12
8. TOTAL ASSETS	698,551	59,860	37,490
9. Trade payables (including RP)	(3,236)	(19)	(403)
10. Financial liabilities	(687,321)	(4,828)	(84,882)
11. Monetary other liabilities	(1,676)	(6)	(212)
12. Non monetary other liabilities	(19,844)	(14)	(2,562)
13. CURRENT LIABILITIES	(712,077)	(4,867)	(88,059)
14. Financial liabilities	(5,958,628)	(300,000)	(506,729)
15. Monetary other liabilities (including RP)	(615,418)	(10,989)	(70,085)
16. Non monetary other liabilities	(3,654)	(178)	(316)
17. NON-CURRENT LIABILITIES	(6,577,700)	(311,167)	(577,130)
18. TOTAL LIABILITIES	(7,289,777)	(316,034)	(665,189)
19. Net foreign currency assets/ (liabilities) position	(6,591,226)	(256,174)	(627,699)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+9+10+11+14+15)	(6,568,724)	(256,069)	(624,873)

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

b) Financial risk factors (cont’d)

b.3.1) Foreign currency risk management (cont’d)

31 December 2019	Equivalent of Thousands TRY	Thousands US Dollars	Thousands EUR
1. Trade receivables	-	-	-
2. Monetary financial assets	305,806	648	45,403
3. Non monetary financial assets (including RP)	3,817	-	574
4. CURRENT ASSETS	309,623	648	45,977
5. Monetary financial assets	-	-	-
6. Non monetary financial assets	4,463	-	671
7. NON-CURRENT ASSETS	4,463	-	671
8. TOTAL ASSETS	314,086	648	46,648
9. Trade payables (including RP)	(78,812)	(278)	(11,602)
10. Financial liabilities	(264,481)	(3,922)	(36,265)
11. Monetary other liabilities	(6)	(1)	-
12. Non monetary other liabilities	(20,465)	(8)	(3,070)
13. CURRENT LIABILITIES	(363,764)	(4,209)	(50,937)
14. Financial liabilities	(5,999,797)	(300,000)	(634,189)
15. Monetary other liabilities (including RP)	(535,343)	(11,445)	(70,273)
16. Non monetary other liabilities	(4,091)	(242)	(399)
17. NON-CURRENT LIABILITIES	(6,539,231)	(311,687)	(704,861)
18. TOTAL LIABILITIES	(6,902,995)	(315,896)	(755,798)
19. Net foreign currency assets/ (liabilities) position	(6,588,909)	(315,248)	(709,150)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+9+10+11+14+15)	(6,572,633)	(314,998)	(706,926)

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2020

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

24. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) 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% (2019:20%) increase and decrease in the US Dollars and Euro. 20% (2019:20%) 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% (2019:20%) 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 2020	
	Profit / (Loss)	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars 20% appreciated vs TRY	
US Dollars net assets/ (liabilities)	(350,415)	350,415
	If EUR 20% appreciated vs TRY	
Euro net assets/ (liabilities)	(963,329)	963,329
TOTAL	(1,313,744)	1,313,744
	31 December 2019	
	Profit / (Loss)	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars 20% appreciated vs TRY	
US Dollars net assets/ (liabilities)	(374,230)	374,230
	If EUR 20% appreciated vs TRY	
Euro net assets/ (liabilities)	(940,296)	940,296
TOTAL	(1,314,526)	1,314,526

RÖNESANS GAYRİMENKUL YATIRIM A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2020

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

25. EVENTS AFTER THE REPORTING PERIOD

On 4 August 2020, the Group has signed the share purchase agreement and on 11 August 2020 it has sold 100% of the issued capital of Mecidiyeköy for cash consideration EUR 31,500.

26. DISCLOSURES RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

	30 June 2020	31 December 2019
Cash on hand	30	13
Demand deposits	568,142	270,300
Time deposits	193,628	61,774
	<u>761,800</u>	<u>332,087</u>

As of 30 June 2020, there are no blocked deposit in banks (31 December 2019: None).

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 24.

The details of time deposits as at 30 June 2020 and 31 December 2019 are as follows:

Currency Type	Range of interest rate %	Maturity date	Currency amount	30 June 2020
TRY	4-6.50	July 2020	65,349	65,349
Euro	0.01-0.40	July 2020	4,522	34,856
US Dollar	0.60	July 2020	13,654	93,423
				<u>193,628</u>

Currency Type	Range of interest rate %	Maturity date	Currency amount	31 December 2019
TRY	8-10.9	January 2020	8,270	8,270
Euro	0.01-0.40	January 2020	8,045	53,504
				<u>61,774</u>

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