

**(CONVENIENCE TRANSLATION OF THE REPORT AND THE FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH)**

**HALK GAYRİMENKUL YATIRIM  
ORTAKLIĞI A.Ş.**

FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
30 SEPTEMBER 2019  
AND INDEPENDENT  
AUDITOR'S REVIEW REPORT

**(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR’S  
REVIEW REPORT ORIGINALLY ISSUED IN TURKISH)**

**INDEPENDENT AUDITOR’S REPORT ON REVIEW OF  
INTERIM FINANCIAL INFORMATION**

**To the General Assembly of Halk Gayrimenkul Yatırım Ortaklığı A.Ş.**

*Introduction*

We have reviewed the accompanying statement of financial position of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. (the “Company”) as of 30 September 2019 and the related statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Company management is responsible for the preparation and fair presentation of this interim financial information in accordance with the Turkish Accounting Standards (TAS). Our responsibility is to express a conclusion on this interim financial information based on our review.

*Scope of Review*

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

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information, in all material respects, is not prepared in compliance with the Turkish Accounting Standards (TAS).

*Other Matters*

As detailed in note 27, an indictment was filed against the Company's main shareholder, Türkiye Halk Bankası A.Ş. (main shareholder Bank) on 15 October 2019 by the New York Southern District Attorney General of the United States Department of Justice, which repeated the allegations made in the case against the former executive of the main shareholder Bank for violation of Iranian sanctions. The prosecution process is ongoing in the court. The prosecution process is closely monitored by the main shareholder Bank through specialized US law firms.

The appeal process of the case which resulted in conviction for the defendant former executive of the main shareholder Bank, who was released on 19 July 2019 and returned back to Turkey, is ongoing.

The main shareholder Bank's management indicated that there are no enforcement or other actions arising from ongoing case against the Bank and the case of the process former executive which is in appeal process at this stage.

There is an uncertainty of any negative decisions by the USA authorities against the main shareholder Bank affecting its financial position.

No provision has been provided in the financial statements of the main shareholder Bank related to these matters. Our opinion is not modified in respect of this matter.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of DELOITTE TOUCHE TOHMATSU LIMITED

Hasan Kılıç, SMMM  
Partner

İstanbul, 8 November 2019

INDEX	PAGE
STATEMENT OF FINANCIAL POSITION .....	1-2
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....	3
STATEMENT OF CHANGES IN EQUITY .....	4
STATEMENT OF CASH FLOWS.....	5
NOTES TO THE FINANCIAL STATEMENTS .....	6-69
NOTE 1 ORGANIZATION AND OPERATIONS OF THE COMPANY .....	6-7
NOTE 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS .....	8-28
NOTE 3 INTERESTS IN OTHER ENTITIES .....	29-30
NOTE 4 RELATED PARTY DISCLOSURES .....	31-33
NOTE 5 TRADE RECEIVABLES AND TRADE PAYABLES .....	34-35
NOTE 6 INVENTORIES.....	36-37
NOTE 7 PREPAID EXPENSES AND DEFERRED INCOME .....	37-38
NOTE 8 INVESTMENT PROPERTIES .....	39-43
NOTE 9 PROPERTY, PLANT AND EQUIPMENT .....	43
NOTE 10 INTANGIBLE ASSETS.....	44
NOTE 11 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES .....	45-48
NOTE 12 EMPLOYEE BENEFITS .....	49-50
NOTE 13 OTHER ASSETS AND LIABILITIES .....	50-51
NOTE 14 SHARE CAPITAL, RESERVES VE OTHER EQUITY ITEMS .....	51-53
NOTE 15 REVENUE AND COST OF SALES .....	53-54
NOTE 16 EXPENSES BY NATURE.....	54
NOTE 17 ADMINISTRATIVE EXPENSES, MARKETING AND SALES EXPENSES .....	54-55
NOTE 18 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES .....	56
NOTE 19 FINANCE EXPENSES .....	56
NOTE 20 INCOME TAXES .....	57
NOTE 21 EARNINGS PER SHARE.....	57
NOTE 22 FINANCIAL INSTRUMENTS.....	57-58
NOTE 23 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS	59-66
NOTE 24 FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES).....	66-67
NOTE 25 EVENTS AFTER THE REPORTING PERIOD.....	67
NOTE 26 NOTES ON STATEMENT OF CASH FLOWS.....	67-68
NOTE 27 OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR SHOULD BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS .....	68-69
NOTE 28 ADJUSTMENTS TO THE PRIOR PERIOD FINANCIAL STATEMENTS .....	69
APP. I CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO .....	69-71

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****REVIEWED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

	<b>Notes</b>	<b>Reviewed 30 September 2019</b>	<b>Restated Audited 31 December 2018</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	26	18,595,456	28,825,032
Trade Receivables	5	10,843,961	9,757,225
<i>Trade Receivables From Related Parties</i>	4	1,072	627
<i>Trade Receivables From Third Parties</i>		10,842,889	9,756,598
Inventory	6	78,583,960	108,935,331
Prepaid Expenses	7	768,206	647,577
<i>Prepaid Expenses To Related Parties</i>		757,068	298,429
<i>Other prepaid expenses</i>		11,138	349,148
Current Tax Assets		491,306	1,021,383
Other Current Assets	13	72,424,314	67,692,208
<i>Other Current Assets</i>		72,424,314	67,692,208
<b>Non-Current Assets</b>		<b>2,513,287,380</b>	<b>2,415,914,637</b>
Trade Receivables	5	5,224,489	6,216,382
<i>Trade Receivables From Third Parties</i>		5,224,489	6,216,382
Investment Property	8	2,392,673,638	2,288,772,410
Property, Plant and Equipment	9	4,983,563	800,320
Intangible Assets	10	317,044	346,313
<i>Other Intangible Assets</i>		317,044	346,313
Prepaid Expenses	7	108,600,042	118,829,008
<i>Prepaid Expenses to Related Parties</i>		-	298,429
<i>Other Prepaid Expenses</i>		108,600,042	118,530,579
Other Non-Current Assets	13	1,488,604	950,204
<i>Other Non-Current Assets From Related Parties</i>		1,488,604	950,204
<b>TOTAL ASSETS</b>		<b>2,694,994,583</b>	<b>2,632,793,393</b>

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

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

REVIEWED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

<b>LIABILITIES</b>	<b>Notes</b>	<b>Reviewed 30 September 2019</b>	<b>Restated Audited 31 December 2018</b>
<b>Current Liabilities</b>		<b>382,548,284</b>	<b>353,338,299</b>
Short Term Borrowings	22	333,384,610	293,920,037
Short Term Portion of Long Term Borrowings	22	3,396,280	3,397,826
<i>Short Term Financial Borrowings From Related Parties</i>		<i>3,396,280</i>	<i>3,397,826</i>
Trade Payables	5	25,293,278	15,628,217
<i>Trade Payables To Related Parties</i>	4	<i>227,743</i>	<i>79,078</i>
<i>Trade Payables To Third Parties</i>		<i>25,065,535</i>	<i>15,549,139</i>
Deferred Income	7	11,347,774	10,116,377
<i>Deferred Income From Third Parties</i>		<i>11,347,774</i>	<i>10,116,377</i>
Provisions		1,727,561	1,549,747
<i>Short Term Portion of Provisions</i>			
<i>Relating to Employee Benefits</i>	12	<i>1,344,271</i>	<i>1,262,500</i>
<i>Other Current Provisions</i>	11	<i>383,290</i>	<i>287,247</i>
Other Current Liabilities	13	7,398,781	28,726,095
<i>Other Current Liabilities</i>		<i>7,398,781</i>	<i>28,726,095</i>
<b>Non-Current Liabilities</b>		<b>8,174,309</b>	<b>17,836,274</b>
Long Term Borrowings	22	7,489,622	17,306,339
<i>Long Term Financial Borrowings From Related Parties</i>		<i>7,489,622</i>	<i>17,306,339</i>
Long Term Provisions	12	684,687	529,935
<i>Long Term Portion of Provisions</i>			
<i>Relating to Employee Benefits</i>		<i>684,687</i>	<i>529,935</i>
<b>EQUITY</b>		<b>2,304,271,990</b>	<b>2,261,618,820</b>
Share Capital	14	928,000,000	858,000,000
Treasury Shares	14	(26,162,328)	(24,188,879)
Share premium		49,945,096	49,945,096
Other comprehensive income that will not be reclassified to profit or loss		(81,503)	(81,503)
- <i>Gains on Remeasurement of Defined Benefit Plans</i>		<i>(81,503)</i>	<i>(81,503)</i>
Restricted Reserves	14	49,937,018	42,011,650
Retained Earnings		1,255,115,292	954,587,570
Net Profit For The Period		47,518,415	381,344,886
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,694,994,583</b>	<b>2,632,793,393</b>

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

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****REVIEWED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

		<b>Reviewed</b>	<b>Reviewed</b>	<b>Reviewed</b>	<b>Reviewed</b>
		<b>1 January- 30 September 2019</b>	<b>1 July- 30 September 2019</b>	<b>1 January- 30 September 2018</b>	<b>1 July- 30 September 2018</b>
	<b>Notes</b>				
Revenue	15	95,925,495	52,789,066	270,322,552	169,142,591
Cost of Sales	15	(29,544,181)	(23,583,812)	(178,026,709)	(123,099,856)
<b>GROSS PROFIT</b>		<b>66,381,314</b>	<b>29,205,254</b>	<b>92,295,843</b>	<b>46,042,735</b>
General administrative expenses (-)	17	(10,737,713)	(3,433,182)	(9,653,475)	(3,029,047)
Marketing and selling expenses (-)	17	(3,424,015)	(855,000)	(1,203,170)	(547,281)
Other operating income from main activities	18	1,687,059	254,656	6,179,933	4,039,270
Other operating loss from main activities (-)	18	(301,674)	(152,974)	(999,925)	(792,883)
<b>OPERATING PROFIT</b>		<b>53,604,971</b>	<b>25,018,754</b>	<b>86,619,206</b>	<b>45,712,794</b>
Investment Property Revaluation Gains		2,227,001	190,079	-	-
<b>OPERATING PROFIT BEFORE FINANCING EXPENSES</b>		<b>55,831,972</b>	<b>25,208,833</b>	<b>86,619,206</b>	<b>45,712,794</b>
Finance costs (-)	19	(8,313,557)	(2,823,651)	(15,179,094)	(7,474,194)
<b>PROFIT BEFORE TAX</b>		<b>47,518,415</b>	<b>22,385,182</b>	<b>71,440,112</b>	<b>38,238,600</b>
<b>NET PROFIT FOR THE PERIOD</b>		<b>47,518,415</b>	<b>22,385,182</b>	<b>71,440,112</b>	<b>38,238,600</b>
<b>PROFIT / LOSS FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET PROFIT FOR THE PERIOD</b>		<b>47,518,415</b>	<b>22,385,182</b>	<b>71,440,112</b>	<b>38,238,600</b>
Earnings per share		0.0512	0.0119	0.0833	0.0446
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Other comprehensive income that will not be reclassified to profit or loss</b>		-	-	-	-
Gains/(Losses) on Remeasurement of Defined Benefit Plans		-	-	-	-
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>47,518,415</b>	<b>22,385,182</b>	<b>71,440,112</b>	<b>38,238,600</b>

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

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

**REVIEWED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

					Other Comprehensive Income that will not be Reclassified to Profit or Loss	Accumulated Profits			Equity
	Share Capital	Treasury Shares	Premium/Discount	Share on Remeasurement of Defined Benefit Plans	Restricted Reserves	Retained Earnings	Net Profit/Loss For The Period		
<b>Balance at 1 January 2018</b>	<b>820,000,000</b>	<b>(23,117,578)</b>	<b>49,945,096</b>	<b>13,198</b>	<b>39,266,359</b>	<b>745,845,659</b>	<b>252,108,771</b>	<b>1,884,061,505</b>	
Effects of Accounting Policy Changes Made According to TFRS 9	-	-	-	-	-	(683,632)	-	(683,632)	
Effects of Accounting Policy Changes Made According to TFRS 15	-	-	-	-	-	5,343,485	-	5,343,485	
<b>Revised balance on January 1, 2018</b>	<b>820,000,000</b>	<b>(23,117,578)</b>	<b>49,945,096</b>	<b>13,198</b>	<b>39,266,359</b>	<b>745,845,659</b>	<b>252,108,771</b>	<b>1,884,061,505</b>	
Transfers	-	-	-	-	2,745,291	249,363,480	(252,108,771)	-	
Total Comprehensive Income	-	-	-	-	-	-	71,440,112	71,440,112	
Capital Increase	38,000,000	(1,071,301)	-	-	-	(36,928,699)	-	-	
Dividends	-	-	-	-	-	(3,692,870)	-	(3,692,870)	
<b>Balance at 30 September 2018</b>	<b>858,000,000</b>	<b>(24,188,879)</b>	<b>49,945,096</b>	<b>13,198</b>	<b>42,011,650</b>	<b>954,587,570</b>	<b>71,440,112</b>	<b>1,951,808,747</b>	
<b>Balance at 1 January 2019</b>	<b>858,000,000</b>	<b>(24,188,879)</b>	<b>49,945,096</b>	<b>(81,503)</b>	<b>42,011,650</b>	<b>954,587,570</b>	<b>381,344,886</b>	<b>2,261,618,820</b>	
Transfers	-	-	-	-	7,925,368	373,419,518	(381,344,886)	-	
Total Comprehensive Income	-	-	-	-	-	-	47,518,415	47,518,415	
Capital Increase	70,000,000	(1,973,449)	-	-	-	(68,026,551)	-	-	
Dividends	-	-	-	-	-	(4,865,245)	-	(4,865,245)	
<b>Balance at 30 September 2019</b>	<b>928,000,000</b>	<b>(26,162,328)</b>	<b>49,945,096</b>	<b>(81,503)</b>	<b>49,937,018</b>	<b>1,255,115,292</b>	<b>47,518,415</b>	<b>2,304,271,990</b>	

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



**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****REVIEWED STATEMENT OF CASH FLOWS  
FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

	<b>Reviewed 1 January- 30 September 2019</b>	<b>Reviewed 1 January- 30 September 2018</b>
<b>Notes</b>		
<b>A. Cash flows from operating activities</b>		
<b>Profit/loss for the year</b>	<b>47,518,415</b>	<b>71,440,112</b>
<b>Adjustments to reconcile profit/loss for the year</b>		
- Adjustments related to depreciation and amortization expenses	9-10 1,268,917	95,742
- Adjustments related to provisions	11-12 344,997	(359,543)
- Adjustments related to interest income and expenses	15-19 4,463,523	6,034,700
- Adjustments related to fair value gains / losses	8 (2,227,001)	-
- Adjustments related to increase/decrease in inventories	6 30,351,371	123,318,002
- Adjustments related to increase/decrease in trade receivables	(94,843)	27,907,494
- Adjustments related to increase/decrease in prepaid expenses	10,108,337	(55,455,144)
- Adjustments related to increase/decrease in other assets	(4,740,429)	(7,474,690)
- Adjustments related to increase/decrease in trade payables	9,665,061	1,993,390
- Adjustments related to increase/decrease in deferred revenue	1,231,397	(196,311,715)
- Adjustments related to increase/decrease in other liabilities	(21,660,269)	171,167
<b>Cash generated from operations</b>	<b>76,229,476</b>	<b>(28,640,485)</b>
Interest received	3,075,085	5,079,766
	<b>79,304,561</b>	<b>(23,560,719)</b>
<b>B. Cash flows from investing activities</b>		
Cash outflows for purchase of property, plant and equipment and intangible assets	9-10 (5,423,408)	(239,442)
Cash outflows for investment properties	8 (56,235,270)	(96,524,824)
	<b>(61,658,678)</b>	<b>(96,764,266)</b>
<b>C. Cash flows from financing activities</b>		
Proceeds from borrowings	1,179,222,814	528,291,444
Cash used for repayment of borrowings	(1,149,576,504)	(481,347,146)
Dividends paid	(4,865,245)	(3,692,870)
Interest paid	(52,977,565)	(38,615,679)
	<b>(28,196,500)</b>	<b>4,635,749</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>(10,550,617)</b>	<b>(115,689,236)</b>
<b>D. Cash and cash equivalents at the beginning of the period</b>	<b>28,601,528</b>	<b>122,879,368</b>
<b>Cash and cash equivalents at the end of the period (A+B+C+D)</b>	<b>18,050,911</b>	<b>7,190,132</b>

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

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

#### 1. ORGANIZATION AND OPERATIONS OF THE COMPANY

The main activity of Halk Gayrimenkul Yatırım Ortaklığı AŞ (the “Company”) is to invest in properties, property projects, rights on properties, property related capital market instruments and portfolio including other rights and assets as deem appropriate by the Capital Markets Board of Turkey (“CMB”). The Company and its joint operations will be referred as (“Company”) in this report (additionally please see Note 2.1 and Note 3). In accordance with the relevant articles of the CMB’s Communiqué on the Principles of Real Estate Investment Trusts, the main objective of the Company is to invest in properties, property projects, property rights and capital market instruments.

The operations of the Company, its portfolio management policies and limitations are consistent with the regulatory requirements of the CMB. Investment property portfolio of the Company consists of lands and rental properties which are used as bank branches and bank headquarter. The Company obtained its license to operate by the CMB’s approval dated 24 September 2010 and numbered 9546, and registered in the CMB. The registered capital ceiling of the Company is TL 1.500,000.000. The paid in capital of the Company is TL 928,000,000 of which TL 196,217,979 was paid in cash whereas TL 466,282,021 was paid in kind, TL 265,500,000 was from reserves internally appropriated capital increase to be covered by previous years' profit.

The headquarter of the Company is registered in Şerifali Çiftliği Tatlısu Mah. Ertuğrulgazi Sok. No:1 34774 Yukarı Dudullu Ümraniye/İstanbul.

As at 30 September 2019, the number of personnel employed in the Company is 42 (31 December 2018: 38).

The Company is a subsidiary of Türkiye Halk Bankası AŞ (“Halkbank”) and was registered on 18 October 2010. With the amendment dated 31 December 2009 made by the CMB the Communiqué on the Principles of Real Estate Investment Trusts, it is obligatory that the shares of trusts representing a minimum 25% of their capital be issued within three months of either the establishment of the investment trust or the related amendment to the articles of association being registered with the Trade Registry, are offered to public and that they apply to the CMB with the request that all shares to be registered.

The Company has applied to the CMB on 29 August 2012 to increase the issued capital from TL 477,000,000 to TL 662,500,000 within TL 1,500,000,000 registered capital ceiling, by initial public offering of the increase of TL 185,500,000 B group bearer shares. The application was approved in accordance with the CMB’s decision numbered 4/97 on 8 February 2013. During 13-15 February 2013, TL 185,500,000 B group shares offered to public by restricting the preemptive rights of the existing shareholders. After the collection of the investors demand, the Company’s shares started to be traded on İstanbul Stock Exchange with HLGYO title as of 22 February 2013.

Capital increase details are given below:

<b>Date</b>	<b>Share Capital</b>	<b>Capitalisation</b>	<b>Amount</b>	<b>Provided from</b>
19 December 2017	477,000,000	Rights issue	-	Founding capital
15 August 2012	662,500,000	Rights issue	185,500,000	Public offering
20 June 2013	673,638,704	Bonus issue	11,138,704	Prior years' profits
5 June 2014	697,900,000	Bonus issue	24,261,296	Prior years' profits
11 June 2015	743,000,000	Bonus issue	45,100,000	Prior years' profits
25 Mayıs 2019	790,000,000	Bonus issue	47,000,000	Prior years' profits
15 August 2017	820,000,000	Bonus issue	30,000,000	Prior years' profits
8 June 2018	858,000,000	Bonus issue	38,000,000	Prior years' profits
17 June 2019	928,000,000	Bonus issue	70,000,000	Prior years' profits

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

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

As at 4 September 2014, the Company has signed a Joint Operation Agreement with Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. for developing a real estate project.

As at 14 April 2016, the Company has signed Joint Operation Agreement with Er Konut İnş. Taah. İnş. Malz. Nak. ve Mad. Tic. ve San. A.Ş. for developing a real estate project.

The company's lease certificate export details are as follows:

<u>Date of issue</u>	<u>Due date</u>	<u>Rate of return</u>	<u>Nominal amount</u>	<u>Repayment date</u>	<u>Repayment amount</u>
19 December 2017	16 March 2018	13.25%	100,000,000	16 March 2018	103,158,384
16 March 2018	20 June 2018	13.40%	100,000,000	20 June 2018	103,528,384
23 March 2018	20 June 2018	13.40%	25,000,000	20 June 2018	25,816,849
20 June 2018	19 September 2018	17.00%	125,000,000	19 September 2018	130,297,945
19 September 2018	19 December 2018	27.00%	128,560,000	19 December 2018	129,614,742
12 October 2018	22 January 2019	27.50%	75,000,000	22 January 2019	80,763,698
19 December 2018	16 April 2019	23.60%	170,000,000	16 April 2019	182,970,150
22 January 2019	21 May 2019	22.50%	80,000,000	21 May 2019	85,868,480
16 April 2019	20 August 2019	22.75%	180,000,000	20 August 2019	194,136,120
21 May 2019	17 September 2019	23.50%	75,000,000	17 September 2019	80,746,200
20 August 2019	17 December 2019	17.50%	205,000,000	17 December 2019	-
17 September 2019	7 January 2020	14.90%	75,000,000	7 January 2020	-

The company's bond issue are as follows:

<u>Date of issue</u>	<u>Due date</u>	<u>Rate of return</u>	<u>Nominal amount</u>	<u>Repayment date</u>	<u>Repayment amount</u>
6 October 2017	30 March 2018	14.10%	93,668,000	30 March 2018	100,000,213
19 September 2018	21 December 2018	28.50%	46,615,000	21 December 2018	50,000,000

The details of the Company’s joint operations are as follows:

<u>Joint Operations</u>	<u>Type of Activity</u>	<u>Main Activity Fields</u>
Halk GYO-Vakıf GYO Adi Ortaklığı	Construction	Real Estate Construction
Halk GYO-Erkonut Adi Ortaklığı	Construction	Real Estate Construction
Teknik Yapı-Halk GYO Adi Ortaklığı	Construction	Real Estate Construction

#### Approval of financial statements:

Board of Directors has approved the financial statements and delegated authority for publishing it on 8 November 2019. General Assembly has the authority to modify the financial statements.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

## **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS**

### **2.1 Basis of Presentation**

#### Statement of Compliance in TAS

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

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

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

#### Currency Used

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements.

#### Preparation of Financial Statements in Hyperinflationary Economies

In accordance with the communique issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Accounting Standards, it is decided not to apply inflation accounting from 1 January 2005 which is published on 17 March 2005 numbered 11/367. Accordingly, as of 1 January 2005 No:29 “Financial reporting in Hyperinflationary Economies” (“TAS 29”) was not applied.

#### Comparative Information and Reclassification of Prior Period Financial Statements

Financial statements of the Company 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 financial statements, comparative information is reclassified and significant changes are disclosed if necessary.

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

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

### 2.1 Basis of Presentation (cont’d)

#### Interests in joint operations:

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

When a group entity undertakes its activities under joint operations, the group as a joint operator recognises in relation to its interest in a joint operation:

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

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

### 2.2 Changes in Accounting Policies

This note explains the impact of the adoption of TFRS 16 Leases on the Company’s financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

In accordance with the adoption of TFRS 16, some changes have occurred in the accounting policies as of 1 January 2019 and adjustments have been made to the financial statements. In accordance with the transitional provisions of TFRS 16, prior year financial statements have not been restated.

On adoption of TFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of TAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

The right to use registered assets are related to the following assets:

	30 September 2019	1 January 2019
Real estate properties	1,318,679	1,318,679
Vehicles	698,723	343,834
<b>Total right of use assets</b>	<b>2,017,401</b>	<b>1,662,512</b>

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

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

### 2.2 Changes in Accounting Policies (cont’d)

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by 1,662,512 TL
- Lease liabilities –increase by 1,662,512 TL

As of 1 January 2019, there is no net effect on retained earnings/accumulated losses.

### 2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In the current year, there are not any material changes in accounting estimates of the Company.

### 2.4 New and Revised Turkish Accounting Standards

#### a) New and amended TFRS Standards that are effective from 2019.

TFRS 16	<i>Leases</i>
TFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to TAS 28	<i>Long-Term Interests in Associates and Joint Ventures</i>
<i>Amendments to TAS 19 Employee Benefits Standards 2015-2017 Cycle</i>	<i>Changes in employee benefits</i>
	<i>Amendments to TFRS 3, TFRS 11, TAS 12 and TAS 23</i>

#### **TFRS 16 Leases**

##### General impact of application of TFRS 16 Leases

TFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. TFRS 16 supersedes the current lease guidance including TAS 17 Leases and the related Interpretations for accounting periods beginning on or after 1 January 2019. The date of initial application of TFRS 16 for the Company is 1 January 2019 retrospectively taking into account the cumulative effect in the financial statements..

In contrast to lessee accounting, TFRS 16 substantially carries forward the lessor accounting requirements in TAS 17.

##### Impact of the new definition of a lease

The Company made use of the practical expedient available on transition to TFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with TAS 17 and TFRIC 4 continue to apply to those leases entered or modified before 1 January 2019.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

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

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

##### **New and amended TFRS Standards that are effective from 2019 (cont’d)**

###### Impact of the new definition of a lease (cont’d)

The change in definition of a lease mainly relates to the concept of control. TFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset;and
- The right to direct the use of that asset.

The Company applied the definition of a lease and related guidance set out in TFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

###### Impact on Lessee Accounting

###### *Operating leases*

TFRS 16 changes how the Company accounts for leases previously classified as operating leases under TAS 17, which were off-balance sheet.

On initial application of TFRS 16, for all leases (except as noted below), the Company has:

- a) Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under TAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under TFRS 16, right-of-use assets are tested for impairment in accordance with TAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company opted to recognise a lease expense on a straight-line basis as permitted by TFRS 16.

As at 1 January 2019, the impact of TFRS 16 on the financial statements of the Company is disclosed in “the effects of accounting policy amendments” note.

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

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

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

**New and amended TFRS Standards that are effective from 2019 (cont’d)**

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

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

***TFRS Interpretation 23 Uncertainty over Income Tax Treatments***

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

***TAS 19 Employee Benefits (Amendments)***

Amendments to TAS 19 Changes in Employee Benefits address changes in defined benefit plans from the post-employment benefit benefits (defined as defined benefit plans and defined contribution plans) to the recognition of the defined benefit plans and amended TAS 19.

***Annual Improvements to TFRS Standards 2015–2017 Cycle***

*Annual Improvements to TFRS Standards 2015–2017 Cycle include amendments to TFRS 3 Business Combinations and TFRS 11 Joint Arrangements in when a party that participates in, but does not have joint control of, TAS 12 Income Taxes; income tax consequences of dividends in profit or loss, and TAS 23 Borrowing Costs in capitalized borrowing costs.*

Other than TFRS 16, these standards, amendments and improvements have no impact on the financial position and performance of the Company.

- b) Standards that have not yet come into force, and amendments and interpretations to existing standards

The Company has not yet adopted the following standards and amendments to existing standards:

TFRS 17	<i>Insurance Contracts</i>
Amendments to TFRS 3	<i>Business Combination</i>
Amendments to TAS 1	<i>Presentation of Financial Statements</i>
Amendments to TAS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>



## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

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

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

##### **New and amended TFRS Standards that are effective from 2019 (cont’d)**

b) Standards that have not yet come into force, and amendments and interpretations to existing standards (cont’d)

##### ***TFRS 17 Insurance Contracts***

TFRS 17 requires insurance liabilities to be measured at an existing coverage and provides a more regular measurement and presentation approach for all insurance contracts. These requirements are designed to achieve consistent, principle-based accounting in insurance contracts. TFRS 17 replaces TFRS 4 Insurance Contracts as of 1 January 2021.

##### ***TFRS 3 (amendments) Business Combination***

The definition of “enterprise” is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is an enterprise group or only an asset group. Definition of “business” changed takes part within TFRS 3 Standard of Business Combinations. With the change in question:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary operations.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

##### ***TAS 1 (amendments) Presentation of Financial Statements and TAS 8 (amendments) Accounting Policies, Changes in Accounting Estimates and Errors– Definition of Materiality***

Changes in the definition of materiality (amendments to TAS 1 and TAS 8) clarify the definition of “materiality” and revise the definition and standards used in the Conceptual Framework.

### **2.5 Summary of Significant Accounting Policies**

#### **Related Parties**

A related party is a person or entity that is related to the entity that is preparing (reporting) its financial statements.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

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

### **2.5 Summary of Significant Accounting Policies (cont’d)**

#### **Related Parties (cont’d)**

a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity,
- (ii) has significant influence over the reporting entity; or,
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

#### **Revenue**

Revenue is recognized when it is probable that an economic gain will be realized to the Company as a result of its operations and it is probable that the income will be measured reliably. Net sales is reduced for estimated and realized customer returns, rebates, commissions and taxes related with sales. Revenue is recognized when all the following conditions are satisfied:

##### *Sale of real estate*

Revenue is recognized when the the performance obligation is fulfilled as the contractually pledged real estate is transferred to the customer. When the customer acquires the control of the real estate the real estate is considered to be transferred.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

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

### **2.5 Summary of Significant Accounting Policies (cont’d)**

#### **Revenue (cont’d)**

##### *Rental income from real estate leases:*

Rental income from real estates is recognized on an accrual and a straight line basis through the related lease contract. If there are other benefits to the tenants of the Company, they are recorded so as to reduce rental income during the lease term.

##### *Dividend and interest income:*

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

##### *Sale of lands*

Revenue is recognised when all significant risks and rewards regarding the lands are transferred to the buyer and the amount of revenue can be measured reliably.

##### *Sales of land by way of “Land Sale of Revenue Sharing Agreement” (“LSRSA”)*

The Company recognizes revenue from the sale of land by “Land Sale of Revenue Sharing Agreement” (LSRSA) when transfer of legal ownership of land is transferred to the buyer. When the legal ownership is not transferred, the Company books its share of revenue as deferred income. The Company’s share in Total Sales Revenue (“TSR”) is recorded as revenue from sale of land and related cost is recognised as cost of land sold in the statement of profit or loss.

#### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

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

### **2.5 Summary of Significant Accounting Policies (cont’d)**

#### **Property, Plant and Equipment**

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### **TFRS 16 Leases**

The Company leases its office and vehicles. Lease agreements are usually made for a fixed period of 3 years, but may have extension options as described below. The terms of the lease may be negotiated individually and may include a wide variety of different terms and conditions. Lease agreements are not subject to any agreement, but leased assets cannot be used as guarantee for borrowing purposes.

Until 2018, property, plant and equipment leases are classified as either finance leases or operational leases. Payments made under operating leases (net of any incentives received from the lessee) are recognized in profit or loss on a straight-line basis over the lease term. As of 1 January 2019, leases are accounted for as an asset with the right to use and a related liability on the date that the leased asset is eligible for use. Each lease payment is distributed between liability and financing costs. The cost of financing is recognized in profit or loss for the period of the lease in order to produce a constant interest rate on the remaining balance of the liability for each period. The right of use asset is depreciated on a straight-line basis over the useful life of the asset or the shorter of the lease term.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

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

### **2.5 Summary of Significant Accounting Policies (cont’d)**

#### **IFRS 16 Leases (cont’d)**

Assets and liabilities arising from a leasing transaction are initially measured at present value. Lease payables include the net present value of the following lease payments:

- Fixed payments (including in-item fixed payments), minus rent incentives
- Variable lease payments based on index or rate
- Amounts expected to be paid by the lessee under residual value guarantee
- Price of a purchase option if the tenant will use the option
- Payment of penalties for terminating the lease if the lease reflects the lessee using this option.

Lease payments are discounted using the interest rate applied to the lease. If this rate cannot be determined, the lessee's alternative borrowing rate is used as the rate at which the lessee will have to borrow the funds required to obtain an asset of similar value under similar terms and conditions in a similar economic environment.

Right-of-use assets are measured at cost using:

- Initial measurement of the lease obligation
- Rent payments made on or before the start date, minus the rent incentives received
- Initial direct costs
- Restoration costs

Payments relating to short-term lease agreements and leases of low value assets are accounted for as an expense reflected in the profit or loss on a linear basis. Short term leases are those with a lease term of 12 months or less.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

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

#### **2.5 Summary of Significant Accounting Policies (cont’d)**

##### **Financial Leases**

###### Leases - the Company as lessee

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company’s general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

##### **Intangible Assets**

###### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

###### Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5-10 years). Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred.

###### Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

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

### **2.5 Summary of Significant Accounting Policies (cont’d)**

#### **Impairment of Tangible and Intangible Assets Other Than Goodwill**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When the Company borrows funds specifically for the purpose of the qualifying assets, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

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

### **2.5 Summary of Significant Accounting Policies (cont’d)**

#### **Borrowing Costs (cont’d)**

General borrowings of the Company are capitalized to the applicable qualifying assets based on a capitalization rate. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

#### **Financial Instruments**

##### Financial assets

At initial recognition, the Company measures a financial asset at its fair value, except for trade receivables that do not contain significant financing component. The Company measures trade receivables at their transaction price if the trade receivables do not contain a significant financing component in accordance with TFRS 15 (or when the entity applies the practical expedient) at initial recognition.

At initial recognition, the Company measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. A regular way purchase or sale of financial assets shall be recognized using trade date accounting or settlement date accounting.

The Company shall classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both: (a) the Company’s business model for managing the financial assets and (b) the contractual cash flow characteristics of the financial asset. When, and only when, an Company changes its business model for managing financial assets it shall reclassify all affected financial assets. If an entity reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Company shall not restate any previously recognised gains, losses (including impairment gains or losses) or interest.



**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

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

**2.5 Summary of Significant Accounting Policies (cont’d)**

**Financial Instruments (cont’d)**

Financial assets (cont’d)

*Financial assets at amortized cost*

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and,
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest revenue regarding the financial assets at amortised cost, shall be calculated by using the effective interest method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with this Standard, an entity shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss.

The Company shall directly reduce the gross carrying amount of a financial asset and derecognizes the financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial assets at FVTOCI

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and,
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

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

### **2.5 Summary of Significant Accounting Policies (cont’d)**

#### **Financial Instruments (cont’d)**

##### Financial assets (cont’d)

##### Financial assets at FVTOCI (cont’d)

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. If the financial asset is reclassified out of the fair value through other comprehensive income measurement category, the entity shall account for the cumulative gain or loss that was previously recognised in other comprehensive income. Interest calculated using the effective interest method is recognised in profit or loss.

At initial recognition, an entity can make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

##### Financial assets at FVTPL

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

Derivatives are also categorized as FVTPL unless they are designated as hedges. These financial assets are stated at fair value and any gain or losses are recognised in profit or loss.

##### Impairment

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortized cost or fair value through other comprehensive income.

The Company applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

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

### **2.5 Summary of Significant Accounting Policies (cont’d)**

#### **Financial Instruments (cont’d)**

##### Financial assets (cont’d)

##### Impairment (cont’d)

At each reporting date, the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses except for purchased or originated credit impaired financial assets. For purchased or originated credit-impaired financial assets, the Company only recognises the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance at the reporting date.

The Company measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables that do not contain a significant financing component, which is referred as simplified approach.

##### Financial liabilities

When a financial liability is recognised initially, the Company measures it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for:

(a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies: When the Company continues to recognise an asset to the extent of its continuing involvement, the entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained. The associated liability is measured in such a way that the net carrying amount of the transferred asset.

(c) contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognised in profit or loss.

The Company does not reclassify any financial liability.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

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

### **2.5 Summary of Significant Accounting Policies (cont’d)**

#### **Financial Instruments (cont’d)**

##### *Recognition and derecognition of financial assets and liabilities*

The Company recognises a financial asset or a financial liability in its statement of financial position when, and only, the entity becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. An entity shall remove a financial liability from its statement of financial position when, and only, the obligation specified in the contract is discharged or cancelled or expires.

##### *Derivative financial instruments and financial risk hedge accounting*

Changes in the fair value of derivative financial instruments that are designated as hedging of future cash flows and those that are effective in this respect are recognized directly in equity and the ineffective portion is recognized directly in profit or loss.

If the cash flow hedge of a firm commitment or an expected forward transaction result in the recognition of an asset or liability, at the initial recognition of this asset or liability the gain or loss previously recognized under equity related to derivatives are included in the measurement of the initial amount of the asset or liability. In a hedge accounting that does not result in the recognition of an asset or liability, the amounts previously recognized under equity are transferred to statement of profit or loss in the period in which the hedged item has an effect on profit or loss. The changes in the fair value of derivatives that do not meet the criteria for hedge accounting are recognized in the statement of profit or loss.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for financial risk hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

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

### **2.5 Summary of Significant Accounting Policies (cont’d)**

#### **Effect of Exchange Differences**

##### Foreign Currency Balances and Transactions

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

#### **Earnings Per Share**

Earnings per share disclosed in the statement of profit or loss are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

#### **Events After the Reporting Period**

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information. The Company adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

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

### **2.5 Summary of Significant Accounting Policies (cont’d)**

#### **Provisions, Contingent Assets and Liabilities**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### **Investment Properties**

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property that is measured at fair value to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property that is measured at fair value, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

No assets held under operating lease have been classified as investment properties.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

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

### **2.5 Summary of Significant Accounting Policies (cont’d)**

#### **Income Taxes**

According to Article 5/1(d) (4) of the New Corporate Tax Law No: 5220, the income of Real Estate Investment Trusts (“REIT”) is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax.

According to the Corporate Tax Law Article 15/(3), the income of REITs is subject to 15% withholding tax irrespective of its distribution. The Council of Ministers has the authority to increase the withholding tax rate on REIT income to corporate income tax rate or reduce it to 0% or change it within the limits defined through publication of a Decree based on the Corporate Tax Law Article 15/(4). In accordance with New Corporate Tax Law Article 15/(2), income subject to corporate tax is also exempt from withholding tax.

According to the temporary Article (1) of the Corporate Tax Law, resolutions of the Council of Ministers related with Income Tax Law numbered 193 and Tax Law No: 5422 are valid up to new Decrees published by the Council of Ministers. Determined rates cannot exceed statutory limits defined at New Corporate Tax Law.

Based on the resolution of the Council of Ministers related to the withholding tax rates which were determined as 15% according to the Corporate Tax Law Article 15/(3) published in the Official Gazette dated 3 February 2009 numbered 27130, the withholding tax rate is determined as 0% and this resolution is effective on the same date. Thereof, in accordance with the Article 5/1(d) (4) of the Corporate Tax Law, real estate investment trusts earnings, regardless of the fact they are distributed or not, will be subject to 0% withholding.

#### Deferred tax

Since the Company is exempt from Corporate Income Tax in Turkey in accordance with the Article 5 of the Corporate Tax Law, deferred tax is not recognised.

#### **Employee Benefits**

##### *Termination and retirement benefits:*

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 (Revised) *Employee Benefits* (“TAS 19”).

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

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

#### **2.5 Summary of Significant Accounting Policies (cont’d)**

##### **Employee Benefits (cont’d)**

###### *Profit-sharing and bonus plans*

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the shareholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

##### **Statement of Cash Flows**

In the statement of cash flows, cash flows are classified according to operating, investing and financing activities.

##### **Share Capital and Dividends**

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

#### **2.6 Segment Reporting**

As the Company only operates in Turkey and in the field of real estate investment, there are no business segments apart from those disclosed in the notes regarding the revenue and the cost of sales and reporting details in accordance with geographic segments to be reported.

#### **2.7 Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

##### Critical judgments in applying the entity’s accounting policies

In the process of applying the entity’s accounting policies, which are described in Note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements:

###### *Useful lives of property, plant and equipment*

The Company reviews the estimated useful lives of its property, plant and equipment at the end of each reporting period. The Company takes into consideration the intended use of the property, plant and equipment, the advancement in technology related to the particular type of property, plant and equipment as well as other factors that may require management to extend or shorten the useful lives and the assets’ related depreciation.

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

The fair values of investment properties are based on valuations, performed by independent valuers using certain estimates and assumptions, who hold recognized and relevant professional qualifications licensed by the CMB and who have recent experience in the location and category of the investment properties being valued. Any future changes in these estimates and assumptions may cause significant impact on the Company’s financial statements.



## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

### 3. INTERESTS IN OTHER ENTITIES

#### Joint Operations

Shareholding of the Company in the joint operation is as follows:

	30 September 2019	31 December 2018
Halk GYO-Vakıf GYO Joint Operation	50%	50%
Halk GYO-Erkonut Joint Operation	50%	50%
Halk GYO-Teknik Yapı Joint Operation	50%	50%

#### Halk GYO-Vakıf GYO Joint Operation

Halk GYO-Vakıf GYO Joint Operation has been established in Turkey for operating as a joint operation with 50% shares and 50% voting rights. The Company owns 50% of the Bizimtepe Aydos Project in İstanbul. The residences in the project will be offered for sale. The financial information of Halk GYO-Vakıf GYO is summarized in the following tables. The financial information of Halk GYO-Vakıf GYO as per the shareholding and voting rights is as follows:

	30 September 2019	31 December 2018
Halk GYO-Vakıf GYO Joint Operation		
Current assets	105,110,291	93,267,604
Non-current assets	8,035,405	3,501,319
Current liabilities	(4,724,385)	(8,844,324)
	1 January- 30 September 2019	1 January- 31 December 2018
Profit for the period	15,821,490	27,710,214

#### Halk GYO-Erkonut Joint Operation

Halk GYO-Erkonut Joint Operation has been established in Turkey for operating as a joint operation with 50% shares and 50% voting rights. The Company owns 50% of the Şehristan Project in Erzurum. The residences in the project will be offered for sale. The financial information of Halk GYO-Erkonut is summarized in the following tables. The financial information of Halk GYO-Erkonut as per the shareholding and voting rights is as follows:

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**3. INTERESTS IN OTHER ENTITIES (cont’d)****Joint Operations (cont’d)****Halk GYO-Erkonut Joint Operation (cont’d)**

	30 September 2019	31 December 2018
Halk GYO-Erkonut Joint Operation	<u>16,421,191</u>	<u>40,093,573</u>
Current assets	16,421,191	40,093,573
Non-current assets	10,017	15,095
Current liabilities	(880,176)	(5,721,325)
	1 January- 30 September 2019	1 January- 31 December 2018
Profit for the period	<u>242,542</u>	<u>15,495,419</u>

**Halk GYO-Teknik Yapı Joint Operation**

Halk GYO-Teknik Yapı Joint Operation was established on 24 August 2017 in Turkey for operating as a joint operation with 50% shares and 50% voting rights. The Company owns 50% of the İzmir Project in İzmir. The residences in the project will be offered for sale. The financial information of Halk GYO-Teknik Yapı is summarized in the following tables. The financial information of Halk GYO-Teknik Yapı as per the shareholding and voting rights is as follows:

	30 September 2019	31 December 2018
Halk GYO-Teknik Yapı Joint Operation	<u>6,924,378</u>	<u>8,151,289</u>
Current assets	6,924,378	8,151,289
Non-current assets	15,524,088	15,973,326
Current liabilities	(41,793,821)	(31,392,312)
Long term liabilities	(10,304,938)	(2,987,240)
	1 January- 30 September 2019	1 January- 31 December 2018
Loss for the Period	<u>(9,081,689)</u>	<u>(9,053,144)</u>

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**4. RELATED PARTY DISCLOSURES**

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 transactions between the Company and other related parties are disclosed below:

	30 September 2019	31 December 2018
<u>Deposits at Halk Bank</u>		
Demand deposits	538,840	629,156
Time deposits	17,987,550	28,121,306
Pos balance	-	11,132
	<u>18,526,390</u>	<u>28,761,594</u>
<u>Related Party Balances</u>		
Halk Varlık Yönetimi A.Ş. lease certificate issuance (Note 22)	284,427,808	250,839,562
Short-term loans received from Halk Bank	23,987,972	25,955,799
Long-term loans received from Halk Bank	5,225,636	4,030,427
Halk Leasing Financial Lease Agreement	<u>16,706,529</u>	<u>23,999,353</u>

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

#### 4. RELATED PARTY DISCLOSURES (cont'd)

	30 September 2019						
	Receivables		Payables		Long Term	Prepaid Expenses	
	Short Term		Short Term			Short Term	
Balances with related parties	Trade	Non-Trade	Trade	Non-Trade	Non-Trade	Trade	Non-Trade
<u>Shareholders</u>							
Halkbank A.Ş.	1,072	-	10,893	-	-	-	-
<u>Related parties controlled by main shareholder</u>							
Halk Hayat ve Emeklilik A.Ş.	-	-	-	-	-	138,266	-
Halk Leasing Finansal Kiralama A.Ş.(*)	-	-	-	11,816,217	4,890,312	109,989	-
Halk Varlık Kiralama A.Ş.	-	-	-	284,427,808	-	-	-
Halk Sigorta A.Ş.	-	-	216,850	-	-	508,813	-
	<u>1,072</u>	<u>-</u>	<u>227,743</u>	<u>296,244,025</u>	<u>4,890,312</u>	<u>757,068</u>	<u>-</u>
31 December 2018							
	Receivables		Payables		Long Term	Prepaid Expenses	
	Short Term		Short Term			Short Term	
	Balances with related parties	Trade	Non-Trade	Trade	Non-Trade	Non-Trade	Trade
<u>Shareholders</u>							
Halkbank A.Ş.	627	-	4,541	-	-	-	-
<u>Related parties controlled by main shareholder</u>							
Halk Hayat ve Emeklilik A.Ş.	-	-	-	-	-	4,111	-
	-	-	-	11,405,834	12,593,519	-	-
Halk Varlık Kiralama A.Ş.	-	-	-	250,839,562	-	-	-
Halk Sigorta A.Ş.	-	-	74,537	-	-	294,318	-
	<u>627</u>	<u>-</u>	<u>79,078</u>	<u>262,245,396</u>	<u>12,593,519</u>	<u>298,429</u>	<u>-</u>

(\*The Company signed an agreement with Buga Otis Asansör Sanayi ve Ticaret A.Ş. within the scope of service procurement for vertical transports (elevator and escalator) in Halk Office Towers to be built related to the project of Istanbul International Finance Center and signed financial lease agreement with Halk Finansal Kiralama A.Ş. for relevant service procurement. Assets acquired under financial leasing are recognized in investment properties with capitalized borrowing cost amounting to TL 9,917,527.

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

**4. RELATED PARTY DISCLOSURES (cont’d)**

	1 January - 30 September 2019				Capitalized Financial Expenses in Investment Properties
Transactions with related parties	Interest income	Interest expenses	Rent income	Other expenses	
<b>Shareholders</b>					
Halkbank A.Ş.	3,572,343	4,895,196	32,377,028	357,528	-
<b>Related parties controlled by the parent</b>					
Halk Varlık Kiralama A.Ş.	-	-	-	-	45,308,318
Halk Hayat ve Emeklilik A.Ş.	-	-	57,158	18,926	-
Halk Leasing Finansal Kiralama A.Ş.	-	-	-	-	-
Halk Sigorta A.Ş. (*)	-	-	-	1,167,788	-
	<u>3,572,343</u>	<u>4,895,196</u>	<u>32,434,186</u>	<u>1,544,242</u>	<u>45,308,318</u>

(\*)The amount consists of building and health insurance services from Halk Sigorta A.Ş

	1 January - 30 September 2018				Capitalized Financial Expenses in Investment Properties
Transactions with related parties	Interest income	Interest expense	Rent income	Other expense	
<b>Shareholders</b>					
Halkbank A.Ş.	3,231,956	3,386,844	29,673,715	191,792	5,316,667
<b>Related parties controlled by the parent</b>					
Halk Hayat ve Emeklilik A.Ş.	-	-	42,300	12,253	-
Halk Sigorta A.Ş.	-	-	-	1,003,190	-
Halk Leasing Finansal Kiralama A.Ş.	-	-	-	-	37,041,049
Halk Varlık Kiralama A.Ş.	-	5,413,060	-	-	9,647,411
Halk Yatırım Menkul Değerler A.Ş.	-	-	-	365,000	265,000
	<u>3,231,956</u>	<u>8,799,904</u>	<u>29,716,015</u>	<u>1,572,235</u>	<u>52,270,127</u>

**Compensation of key management personnel:**

Key management personnel comprises, members of board of directors and members of execution committee, general manager and deputy general manager. Compensation of key management personnel comprises professional fees and other benefits such as; salaries, premium, healthcare insurance and transportation. The remuneration of directors and other members of key management during the period is as follows:

	1 January- 30 September 2019	1 January- 30 September 2018
Salaries and other short term benefits	<u>1,567,599</u>	<u>1,120,755</u>
	<u>1,567,599</u>	<u>1,120,755</u>

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**5. TRADE RECEIVABLES AND PAYABLES****a) Trade Receivables:**

The details of the Company’s trade receivables as of balance sheet date are as follows:

	30 September 2019	31 December 2018
<b>Current trade receivables</b>		
Trade receivables	10,951,422	9,855,156
Receivables from related parties (Note 4)	1,072	627
Allowance for doubtful receivables (-) (*)	(108,533)	(98,558)
	<u>10,843,961</u>	<u>9,757,225</u>

(\*) Consists of provisions for losses expected within the scope of TFRS 9.

	1 January- 30 September 2019	1 January- 31 December 2018
<b>Movement of Allowance for Doubtful Receivables</b>		
Opening balance	(98,558)	(425,027)
Provisions reversed	-	230,718
Charge for the period	(9,975)	-
Closing balance	<u>(108,533)</u>	<u>(194,309)</u>

The Company's short-term trade receivables consists trade receivables from the projects sold and leased from the developed projects are as follows;

	30 September 2019	31 December 2018
<b>Short-term trade receivables from sale of residences and rental properties</b>		
Sale of residences	5,065,460	7,179,362
Eskişehir Panorama Plus Project	1,388,927	1,389,173
Bizimtepe Aydos Project	2,518,162	3,929,705
Referans Bakırköy Project	894,138	831,222
Erzurum Şehristan Project	264,233	1,029,262
Rental properties (*)	5,887,034	2,676,421
	<u>10,952,494</u>	<u>9,855,783</u>

\* It consists of trade receivables secured by guarantee letters of lease receivables.

As at 30 September 2019, the Company does not have trade receivables past due (31 December 2018: the Company does not have trade receivables past due).

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**5. TRADE RECEIVABLES AND PAYABLES (cont’d)****a) Trade Payables: (cont’d)**

	30 September 2019	31 December 2018
<u>Non-current trade receivables</u>		
Trade receivables	5,276,523	6,279,174
Allowance for doubtful receivables (-)	(52,034)	(62,792)
	<u>5,224,489</u>	<u>6,216,382</u>

(\*) It consists of provisions for losses expected within the scope of TFRS 9.

	30 September 2019	31 December 2018
<u>Long-term trade receivables due to sales and rentals</u>		
Sold properties	5,276,523	6,279,174
Bizimtepe Aydos Project	3,128,668	3,501,319
Eskişehir Panorama Plus Project	2,147,855	2,777,855
	<u>5,276,523</u>	<u>6,279,174</u>

Explanations about the nature and level of risks related to trade receivables are provided in Note 23.

**b) Trade Payables:**

The details of the Company’s trade payables as of balance sheet date are as follows:

	30 September 2019	31 December 2018
<u>Short term trade payables</u>		
Trade payables	25,065,535	15,549,139
Trade payables to related parties (Note 4)	227,743	79,078
	<u>25,293,278</u>	<u>15,628,217</u>

Explanations about the nature and level of risks related to trade payables are provided in Note 23.

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**6. INVENTORIES**

Land stocks	31 December 2018			30 September 2019
	Cost Value	Addition	Disposal	Cost Value
Referans Bakırköy Konut Project <sup>(1)</sup>	473,957	-	(159,318)	314,639
Panaroma Plus Konut Project <sup>(2)</sup>	4,633,813	-	(876,773)	3,757,040
Sancaktepe - Konut Project <sup>(3)</sup>	69,511,723	-	(6,049,316)	63,462,407
Erzurum - Şehristan Project <sup>(4)</sup>	27,714,455	-	(23,420,676)	4,293,779
İzmir Project <sup>(5)</sup>	6,601,383	939,488	(784,776)	6,756,095
<b>Total</b>	<b>108,935,331</b>	<b>939,488</b>	<b>(31,290,859)</b>	<b>78,583,960</b>

Land stocks	31 December 2017			30 September 2018
	Cost Value	Addition	Disposal	Cost Value
Referans Bakırköy Konut Project <sup>(1)</sup>	2,739,448	-	(2,163,960)	575,488
Panaroma Plus Konut Project <sup>(2)</sup>	7,199,079	-	(1,957,662)	5,241,417
Sancaktepe - Konut Projesi <sup>(3)</sup>	177,343,489	39,519,891	(132,992,645)	83,870,735
Erzurum - Şehristan Project <sup>(4)</sup>	61,669,985	10,821,714	(38,192,886)	34,298,813
İzmir Project <sup>(5)</sup>	3,052,403	1,647,546	-	4,699,949
<b>Total</b>	<b>252,004,404</b>	<b>51,989,151</b>	<b>(175,307,153)</b>	<b>128,686,402</b>

<sup>(1)</sup> The Company has arranged a bid to develop a project on Bakırköy Land as Land Sale of Revenue Sharing Agreement (LSRSA) and as a consequence signed a contract with a firm on 17 February 2012. The projected land cost of the Company is TL 31,765,625. The company received its first building license on 31 May 2012. There are 254 and 73 commercial units in the Referans Bakırköy project. The Company issued condominium deeds on 29 April 2015. In 2017, the Company realized sharing in-kind and while 27 independent units left to the contractor, 9 independent units remained in the Company. Within the period of 30 September 2019, 1 house sales revenue amounting to TL 808,000 and cost of sales amounting to TL 159,318 recorded (31 December 2018: transfer of 5 deeds, revenue in the amount of TL 1,949,715 and cost of sales relating to these sales amounting to TL 1,060,088. Cost of sales includes taxes, duties and charges). There is no restriction on the land stock.

<sup>(2)</sup> The Company has obtained a construction license on a land of 13,073 square meters located in Eskişehir, Odunpazarı, Osmangazi Mahallesi, in old parcel no 1452 89, 90 and 110 on 22 April 2013. There are 97 residences and 5 commercial units in the project. The construction servitude and condominium title deeds of 97 residences and 5 commercial units were issued on 30 December 2014 and 2 November 2015, respectively. Within the period of 30 September 2019, with the transfer of property deeds of 2 independent units sales revenue amounting to TL 1,110,000, and cost of sales amounting to 894,063 recorded. (31 December 2018: transfer of 4 deeds, revenue in the amount of TL 1,635,000 and cost of sales relating to these sales amounting to TL 1,305,063). Cost of sales includes taxes, duties and charges. There is no restriction on the land stock.

<sup>(3)</sup> As at 16 October 2014, a land was purchased in Istanbul, Sancaktepe, Samandıra Mahallesi for TL 110,000,000 by Halk GYO-Vakıf GYO Joint Venture for real estate development project. The main contractor services agreement was signed at 22 October 2015 and the construction permit was granted on 6 November 2015. The Company issued property deeds on 8 February 2019. As of 30 September 2019, delivery process of 18 independent units has been completed. Total sales amounting TL 4,729,291 and TL 3,383,895 have been recognized as cost of sales (2018: transfer of 751 independent units, sales income amounting to TL 187,395,433 and cost of sales amounting to TL 148,395,114 have been recognized as income from residence sales and cost of residences).



## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

#### 6. INVENTORIES (cont’d)

(4) As at 1 April 2016, a land in Yakutiye /Erzurum was purchased for TL 17,500,000 by Halk GYO-Erkonut Adi Ortaklığı for real estate development project. The main contractor services agreement was signed at 31 May 2016 and the construction permit was granted on 10 May 2016. On 30.01.2019, the Company obtained deeds for condominium. As of 30 September 2019, 207 independent departments have completed the delivery of the project. Total sale of TL 33,107,284 was recognized and TL 23,633,984 was accounted for in cost of sales (2018: For 404 independent units a total sales of TL 61,944,577 was recognized and TL 46,136,315 was accounted for in cost of sales). There is no restriction on the land.

(5) As of 24 August 2017, Halk GYO and Teknik Yapı Joint Venture signed a LSRSA contract for a mixed project on the parcels located in İzmir, Konak Province, Umurbey and Kuruçay districts and this amount comprise of the official expenses made for the project. There is no restriction on the land. In the scope of the 1<sup>st</sup> Phase LSRSA contract (Evora İzmir), the building licenses for 451 residences with Lot no. 7700 and Parcel no. 1 were received on 27 September 2018, and the building licences for 321 residences wit Lot no. 7689 and Parcel no. 1 were received on 21 November 2018. The total number of independent units, licences of which are received, is 772. As of 30 September 2019, a preliminary sales contract was signed for 55 independent units.

#### 7. PREPAID EXPENSES AND DEFERRED INCOME

	30 September 2019	31 December 2018
Short Term Prepaid Expenses		
Prepaid insurance expenses (Note 4)	757,068	298,429
Other	11,138	349,148
	<u>768,206</u>	<u>647,577</u>
	30 September 2019	31 December 2018
Long term prepaid expenses		
Investment advances given	108,275,850	118,780,712
Other	324,192	48,296
	<u>108,600,042</u>	<u>118,829,008</u>

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**7. PREPAID EXPENSES AND DEFERRED INCOME (cont’d)**

	30 September 2019	31 December 2018
<b>Investment advances given</b>		
İstanbul Finance Center project	97,210,801	102,981,318
İzmir Evora project	11,045,373	15,776,089
Caddebostan project	19,676	8,210
Erzurum Şehristan project	-	15,095
	<u>108,275,850</u>	<u>118,780,712</u>
	30 September 2019	31 December 2018
<b>Short Term Deferred Income</b>		
Deferred residential sale income	11,320,210	10,102,627
Other	27,564	13,750
	<u>11,347,774</u>	<u>10,116,377</u>
	30 September 2019	31 December 2018
<b>Deferred revenues of property sale</b>		
İzmir Evora project	8,623,734	2,907,678
Bizimtepe Aydos project	1,301,991	5,444,637
Erzurum Şehristan project	658,690	1,017,775
Bakırköy project	710,592	710,592
Eskişehir Odunpazarı project	25,203	21,945
	<u>11,320,210</u>	<u>10,116,377</u>

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

## 8. INVESTMENT PROPERTIES

### Fair value measurement of the Company’s investment properties

The fair value of the Company’s investment properties as at 31 December 2018 have been arrived at on the basis of a valuation carried out on the respective dates by A Artıbir Gayrimenkul Değerleme A.Ş., independent valuers not related to the Company. A Artıbir Gayrimenkul Değerleme A.Ş., which is authorized by the CMB with appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values of the lands were determined based on the market comparable approach and cost value.

In estimating the fair value of the properties, the highest and best value in use of the properties is considered.

Details of the Company’s investment properties and information about the fair value hierarchy as at 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019	Fair value as at Reporting Date		
		Level 1	Level 2	Level 3
		TL	TL	TL
Land	31,970,000	-	7,286,000	24,684,000
Buildings	1,103,496,032	-	555,697,434	547,798,598
Investment properties under construction in progress	1,257,207,606	-	24,316,352	1,232,891,255
	<u>2,392,673,638</u>	<u>-</u>	<u>587,299,786</u>	<u>1,805,373,853</u>

  

	31 December 2018	Fair value as at Reporting Date		
		Level 1	Level 2	Level 3
		TL	TL	TL
Land	7,286,000	-	7,286,000	-
Buildings	1,098,187,635	-	555,224,537	542,963,098
Investment properties under construction in progress	1,183,298,775	-	24,303,775	1,158,995,000
	<u>2,288,772,410</u>	<u>-</u>	<u>586,814,312</u>	<u>1,701,958,098</u>

There were no transfers between Level 1, Level 2 and Level 3 during the period.

As of 30 September 2019, the total amount of insurance on investment properties is TL 1,525,473,077 (31 December 2018: TL 1,791,914,981). As of 30 September 2019, the total amount of capitalized interest expenses on investment properties is TL 86,908,633 TL (31 December 2018: TL 41,310,683).

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**8. INVESTMENT PROPERTIES (cont’d)**

	31 December 2018			Fair value	30 September 2019
	Fair value	Addition	Disposal	difference	Fair value
<b>Investment properties</b>					
İstanbul Salıpzarı Land	7,286,000	-	-	-	7,286,000
Erzurum Yakutiye Land	-	10,047,000	-	-	10,047,000
Erzurum Palandöken Land	-	14,637,000	-	-	14,637,000
<b>Total land</b>	<b>7,286,000</b>	<b>24,684,000</b>	-	-	<b>31,970,000</b>
İstanbul Karaköy Building	37,825,000	-	-	-	37,825,000
İstanbul Salıpzarı Building	81,056,000	-	-	-	81,056,000
İzmir Konak Building-1	28,794,550	-	-	-	28,794,550
Ankara Kızılay Building	18,714,823	-	-	-	18,714,823
İstanbul Beyoğlu Building	28,741,669	-	-	-	28,741,669
İstanbul Beşiktaş Building	21,346,000	-	-	-	21,346,000
İstanbul Etiler Building	20,526,000	-	-	-	20,526,000
İstanbul Şişli Bulding	18,844,404	-	-	-	18,844,404
İzmir Konak Building-2	16,186,796	-	-	-	16,186,796
Ankara Başkent Building	12,642,550	-	-	-	12,642,550
İstanbul Bakırköy Building	25,154,333	-	-	-	25,154,333
Bursa Building	16,110,000	-	-	-	16,110,000
Ankara Bahçelievler Building 1	10,770,670	-	-	-	10,770,670
Kocaeli Building	13,100,920	-	-	-	13,100,920
İstanbul Fatih Building	13,475,250	-	-	-	13,475,250
Sakarya Adapazarı Building	10,979,699	-	-	-	10,979,699
Ankara Bahçelievler Building 2	9,000,000	-	-	-	9,000,000
İstanbul Ataköy Building	12,954,666	-	-	-	12,954,666
İstanbul Nişantaşı Building	10,288,500	-	-	-	10,288,500
Halkbank Finance Tower	228,385,286	472,897	-	-	228,858,183
Park Dedeman Levent Hotel	246,138,000	-	-	-	246,138,000
Kocaeli Şekerpinar Block A	137,773,786	-	-	-	137,773,786
Kocaeli Şekerpinar Office Project	77,995,312	-	-	-	77,995,312
Eskişehir B12 Apartment	680,248	-	-	-	680,248
Eskişehir B13 Apartment	703,173	-	-	-	703,173
Bizimtepe Aydos T 1-2-3 Nolu BB Nursery	-	1,462,550	-	895,450	2,358,000
Bizimtepe Aydos T 17-18-19-20-21-22 Nolu BB Market	-	799,931	-	866,569	1,666,500
Bizimtepe Aydos T 13 Nolu BB Seller of Dried Nuts	-	103,601	-	105,899	209,500
Bizimtepe Aydos T 13 Nolu BB Hairdresser	-	106,997	-	169,003	276,000
Bizimtepe Aydos T 16 Nolu BB Real Estate Agent	-	135,420	-	190,080	325,500
<b>Total Buildings</b>	<b>1,098,187,635</b>	<b>3,081,395</b>	-	<b>2,227,001</b>	<b>1,103,496,032</b>
İstanbul Finance Center Project	1,158,995,000	73,896,255	-	-	1,232,891,255
İstanbul Caddebostan Building Project	24,303,775	12,577	-	-	24,316,352
<b>Total investment properties</b>					
<b>under construction in progress</b>	<b>1,183,298,775</b>	<b>73,908,832</b>	-	-	<b>1,257,207,607</b>
<b>Total</b>	<b>2,288,772,410</b>	<b>101,674,227</b>	-	<b>2,227,001</b>	<b>2,392,673,638</b>

# HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

### 8. INVESTMENT PROPERTIES (cont’d)

	31 December 2017			Fair value difference	30 September 2018	
	Fair value	Addition	Disposal		Fair value	Fair value
<b>Investment properties</b>						
İstanbul Salıpaazarı Land	-	5,178,343	-	-	5,178,343	
<b>Total land</b>	-	<b>5,178,343</b>	-	-	<b>5,178,343</b>	
İstanbul Karaköy Building	36,000,000	-	-	-	36,000,000	
İstanbul Salıpaazarı Building	59,728,296	5,550,542	-	-	65,278,838	
İzmir Konak Building-1	27,156,000	-	-	-	27,156,000	
Ankara Kızılay Building	17,013,475	-	-	-	17,013,475	
İstanbul Beyoğlu Building	26,473,003	-	-	-	26,473,003	
İstanbul Beşiktaş Building	19,465,000	-	-	-	19,465,000	
İstanbul Etiler Building	18,440,000	-	-	-	18,440,000	
İstanbul Şişli Building	16,262,529	-	-	-	16,262,529	
İzmir Konak Building-2	16,090,500	-	-	-	16,090,500	
Ankara Başkent Building	11,854,750	-	-	-	11,854,750	
İstanbul Bakırköy Building	23,548,000	-	-	-	23,548,000	
Bursa Building	14,400,400	-	-	-	14,400,400	
İzmir Karşıyaka Building	-	-	-	-	-	
Ankara Bahçelievler Building 1	9,863,250	-	-	-	9,863,250	
Kocaeli Building	12,521,000	-	-	-	12,521,000	
İstanbul Fatih Building	12,477,083	-	-	-	12,477,083	
İstanbul Caddebostan Building	-	-	-	-	-	
Sakarya Adapazarı Building	12,525,000	-	-	-	12,525,000	
Ankara Bahçelievler Building 2	8,100,000	-	-	-	8,100,000	
İstanbul Ataköy Building	12,463,200	-	-	-	12,463,200	
İstanbul Nişantaşı Building	9,514,000	-	-	-	9,514,000	
Ataşehir Finance Plaza	209,450,640	-	-	-	209,450,640	
Levent Otel Project (b)	176,319,803	-	-	-	176,319,803	
Kocaeli Şekerpınar A Blok Data Center	98,016,800	-	-	-	98,016,800	
Eskişehir D Block Market	4,236,600	-	(4,236,600)	-	-	
Eskişehir 17 BB Commercial Unit	-	-	-	-	-	
Kocaeli Şekerpınar B Blok	75,832,883	163,896	-	-	75,996,779	
Eskişehir B12 Apartment	-	680,634	-	-	680,634	
<b>Total Building</b>	<b>927,752,212</b>	<b>6,395,072</b>	<b>(4,236,600)</b>	-	<b>929,910,684</b>	
İstanbul Finance Center Project	888,120,000	110,788,390	-	-	998,908,390	
İstanbul Caddebostan Building Project	12,512,591	1,664,232	-	-	14,176,823	
<b>Total of investment properties under construction in progress</b>	<b>900,632,591</b>	<b>112,452,622</b>	-	-	<b>1,013,085,213</b>	
<b>Total</b>	<b>1,828,384,803</b>	<b>124,026,037</b>	<b>(4,236,600)</b>	-	<b>1,948,174,240</b>	

# HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

### 8. INVESTMENT PROPERTIES (cont’d)

Construction in Progress	Portfolio Entry Date	Portfolio Entry Amount	Valuation Method	Valuation Date	Expertise Value	Tenant/Tenants	Rental Income (2019) 9 Months)	Direct Operating / Maintenance Costs (2019) (TL)	Rental Income (2018 9 Months)	Direct Operating / Maintenance Costs (2018) (TL)
Istanbul Salıpaazarı Land	26 January 2018	5,178,343	Precedent Comparison Method	10 December 2018	7,286,000	-	-	27,047	-	-
Erzurum Yakutiye Land 1 <sup>11</sup>	30 September 2019	10,047,000	Precedent Comparison Method	28 August 2019	9,850,000	-	-	-	-	-
Erzurum Palandöken Lands 1 <sup>10</sup>	5 September 2019	14,637,000	Precedent Comparison Method	28 August 2019	14,350,000	-	-	-	-	-
<b>Land Total</b>		<b>29,862,343</b>			<b>31,486,000</b>			<b>27,047</b>		
Ankara Bahçelievler Building 1 <sup>1</sup>	28 October 2010	6,681,356	Precedent Comparison Method	20 December 2018	10,770,670	Halk Bankası A.Ş.	693,636	3,585	603,162	3,560
Ankara Bahçelievler Building 2	28 October 2010	5,684,746	Precedent Comparison Method	10 December 2018	9,000,000	İpekyol Giyim Sanayi Pazarlama ve Ticaret A.Ş.	258,000	2,271	-	2,248
Ankara Başkent Building	28 October 2010	9,541,729	Precedent Comparison Method	21 December 2018	12,642,550	Ceda Akaryakıt İnş. Emlak Tur. Ltd Şti, Halkbank A.Ş.	1,037,614	10,304	926,615	10,285
Ankara Kızılay Building	28 October 2010	12,475,237	Precedent Comparison Method	28 December 2018	18,714,823	Halk Bankası A.Ş.	1,320,025	16,684	1,147,848	16,323
Ataşehir Finance Plaza	12 January 2012	126,548,795	Precedent Comparison Method	27 December 2018	228,385,286	Halk Bankası A.Ş.	12,540,000	262,685	11,700,000	253,568
Bursa Building	28 October 2010	8,500,000	Precedent Comparison Method	27 December 2018	16,110,000	Halk Bankası A.Ş.	919,036	9,783	799,162	9,812
Eskişehir B12 Apartment	24 January 2012	680,634	Precedent Comparison Method	28 December 2018	680,248	Ramazan Şahin	25,150	1,611	11,000	-
Eskişehir B13 Apartment	24 January 2012	607,604	Precedent Comparison Method	28 December 2018	703,173	Gökhan Yıldırım	24,795	1,727	-	-
Istanbul Ataköy Building	28 October 2010	5,061,500	Precedent Comparison Method	27 December 2018	12,954,666	Halk Bankası A.Ş.	768,977	8,431	668,676	8,350
Istanbul Bakırköy Building	28 October 2010	9,023,500	Precedent Comparison Method	27 December 2018	25,154,333	Halk Bankası A.Ş.	1,369,838	9,237	1,191,163	9,211
Istanbul Beşiktaş Building	27 October 2010	11,893,840	Precedent Comparison Method	21 December 2018	21,346,000	Halk Bankası A.Ş.	1,245,307	29,511	1,082,876	9,060
Istanbul Beyoğlu Building	28 October 2010	12,000,000	Precedent Comparison Method	28 December 2018	28,741,669	Halk Bankası A.Ş.	1,068,473	43,126	1,033,588	18,978
Istanbul Etiler Building	27 October 2010	11,000,000	Precedent Comparison Method	21 December 2018	20,526,000	Halk Bankası A.Ş.	971,339	18,830	844,643	16,299
Istanbul Fatih Building	28 October 2010	6,380,000	Precedent Comparison Method	27 December 2018	13,475,250	Halk Bankası A.Ş.	622,653	19,679	541,438	19,187
Istanbul Karaköy Building <sup>2</sup>	2 November 2010	23,500,000	Precedent Comparison Method	10 December 2018	37,825,000	-	-	32,394	-	31,593
Istanbul Nişantaşı Building	2 November 2010	5,000,000	Precedent Comparison Method	21 December 2018	10,288,500	Halk Bankası A.Ş.	523,029	4,849	454,808	4,569
Istanbul Salıpaazarı Building	28 October 2010	38,050,960	Cost Method	27 December 2018	81,056,000	Sapaz Otelecilik Turizm İnşaat Sanayi Ve Ticaret A.Ş.	4,300,127	157,960	3,680,374	160,896
Istanbul Şişli Building	2 November 2010	11,000,000	Precedent Comparison Method	28 December 2018	18,844,404	Halk Bankası A.Ş.	958,886	18,996	833,814	18,016
Izmir Konak Building-1	2 November 2010	13,400,000	Precedent Comparison Method	28 December 2018	28,794,550	Halk Bankası A.Ş.	1,307,572	69,768	1,137,019	16,775
Izmir Konak Building-2	2 November 2010	10,290,000	Precedent Comparison Method	28 December 2018	16,186,796	Halk Bankası A.Ş. , Halk Hayat ve Emeklilik A.Ş.	886,008	43,140	763,039	66,899
Kocaeli Building	28 October 2010	6,519,193	Precedent Comparison Method	27 December 2018	13,100,920	Halk Bankası A.Ş.	871,715	7,717	758,013	7,680
Kocaeli Şekerpınar A Block Data Center	11 September 2012	67,860,443	Cost Method	27 December 2018	137,773,786	Halk Bankası A.Ş.	5,645,413	211,270	4,940,898	204,291
Kocaeli Şekerpınar B Block <sup>3</sup>	11 September 2012	39,830,221	Current Construction Level	27 December 2018	77,995,312	-	-	307,603	-	304,832
Levent Otel Project (b)	3 November 2010	91,186,481	Cost Method	13 December 2018	246,138,000	Dedeman Turizm Yönetimi A.Ş.	15,660,292	143,754	10,237,500	136,143
Sakarya Adapazarı Building <sup>4</sup>	28 October 2010	5,960,000	Precedent Comparison Method	28 December 2018	10,979,699	-	-	9,674	692,281	8,077
Bizimtepe Aydos T 1-2-3 Nolu BB Nursery <sup>5</sup>	10 April 2019	1,462,550	Precedent Comparison Method	28 December 2018	2,358,000	Yakın Ufuklar Eğitim Kurumları A.Ş.	38,667	368	-	-
Bizimtepe Aydos T 17-18-19-20-21-22 Nolu BB Market <sup>6</sup>	16 April 2019	799,931	Precedent Comparison Method	28 December 2018	1,666,500	Mopaş Marketçilik Gıda San. ve Tic. A.Ş.	32,883	643	-	-
Bizimtepe Aydos T 13 Nolu BB Hairdresser <sup>7</sup>	10 June 2019	103,601	Precedent Comparison Method	28 December 2018	276,000	Real Person	2,800	138	-	-
Bizimtepe Aydos T 16 Nolu BB Seller of Dried Nuts <sup>8</sup>	23 Mayıs 2019	106,997	Precedent Comparison Method	28 December 2018	209,500	Real Person	3,600	137	-	-
Bizimtepe Aydos T 26 Nolu BB Real Estate Agent <sup>9</sup>	19 September 2019	135,420	Precedent Comparison Method	28 December 2018	325,500	Akatlı Grup Gayrimenkul İnş San ve Dış Tic Ltd Şti	-	-	-	-
<b>Building Total</b>		<b>541,284,738</b>			<b>1,103,023,135</b>		<b>53,095,835</b>	<b>1,445,875</b>	<b>44,047,917</b>	<b>1,336,652</b>
Istanbul International Finance Center Project	23 October 2010	572,234,011	Cost Method	27 December 2018	1,158,995,000	-	-	-	-	-
Istanbul Cadedebostan Building Urban Transformation Project	3 November 2010	7,850,159	Precedent Comparison Method	26 December 2018	24,303,795	-	-	-	-	-
<b>Total investment property under construction in progress</b>		<b>580,084,170</b>			<b>1,183,298,795</b>		<b>53,095,835</b>	<b>1,472,922</b>	<b>44,047,917</b>	<b>1,336,652</b>
<b>Total</b>		<b>1,151,231,251</b>			<b>2,317,807,930</b>		<b>53,095,835</b>	<b>1,472,922</b>	<b>44,047,917</b>	<b>1,336,652</b>

1- Lease contract for Ankara Bahçelievler Building 2 ended as of 24 May 2017; and the building was rented to İpekyol Giyim San. Paz. ve Tic. A.Ş. on 1 April 2019.

2- Lease contract for İstanbul Karaköy Building ended as of 23 October 2017.

3- Marketing activities for Kocaeli Şekerpınar B Block Building are in progress.

4-Lease contract for Sakarya Adapazarı Building ended as of 31 October 2018.

5- Bizimtepe Aydos T Blok Bağımsız Bölümler (Kreş) No 01,02,03 was rented to Yakın Ufuklar Eğitim Kurumları A.Ş.

6- Bizimtepe Aydos Ticaret Blok Bağımsız Bölümler (Market) No 17,18,19,20,21,22 was rented to Mopaş Marketçilik Gıda San ve Tic A.Ş on 16.04.2019.

7- Bizimtepe Aydos Ticaret Blok 13 Bağımsız Bölüm (Kuaför) was rented to Real Person on 23.05.2019.

8- Bizimtepe Aydos Ticaret Blok 16 Bağımsız Bölüm (Kuryemiş) was rented to Real Person on 10.06.2019.

9-BizimtepeAydos Ticaret Blok 26 Bağımsız Bölüm(Emlakçı) was rented on 19.09.2019 in Akatlı Grup Gayrimenkul İnş.San. ve Dış Tic.Ltd. Şti.

10- Erzurum Palandöken Lands were transferred to Halk GYO A.Ş. from Er Konut İnş.Taah. İnşaat Mlz. Nakliye ve Mad. Tic.San. A.Ş.

11- Erzurum Yakutiye Land was transferred to Halk GYO A.Ş. from Er Konut İnş.Taah. İnşaat Mlz. Nakliye ve Mad. Tic.San. A.Ş

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**8. INVESTMENT PROPERTIES (cont’d)****Operating leases**The Company as lessor

The Company has signed operating lease agreements with Halkbank, Halk Hayat ve Emeklilik, Ceda Akaryakıt Turizm, Sapaz Otelcilik Turizm, Dedeman Turizm, İpekyol Giyim, Yakın Ufaklar Eğitim and Mopaş Marketçilik and 4 other real persons as tenants. The future minimum lease payments as at 30 September 2019 and 31 December 2018 under non-cancellable leases are as follows:

Operational lease	30 September 2019	31 December 2018
Agreements for less than 1 year lease	64,981,718	59,141,590
Agreements for between one and five years	175,582,397	182,540,699
Agreements for more than five years	175,756,637	215,038,955
	416,320,753	456,721,244

**9. PROPERTY, PLANT AND EQUIPMENT****Cost Value**

	Furniture and fixture	Leashold improvements	Assets from Operating Leases	Total
Opening balance as at 1 January 2019	1,855,540	670,527	-	2,526,067
Additions	35,216	3,366,909	2,017,401	5,419,526
Disposals	(11,017)	-	-	(11,017)
Closing balance as at 30 September 2019	1,879,739	4,037,436	2,017,401	7,934,576

**Accumulated Depreciation**

Opening balance as at 1 January 2019	(1,062,661)	(663,086)	-	(1,725,747)
Period charge	(175,096)	(562,531)	(498,139)	(1,235,766)
Disposals	10,500	-	-	10,500
Closing balance as at 30 September 2019	(1,227,257)	(1,225,617)	(498,139)	(2,951,013)
Carrying value as at 30 September 2019	652,482	2,811,819	1,519,262	4,983,563

**Cost Value**

	Furniture and fixture	Leashold improvements	Assets from Operating Leases	Total
Opening balance as at 1 January 2018	1,215,693	663,427	-	1,879,120
Additions	71,291	7,098	-	78,389
Closing balance as at 30 September 2018	1,286,984	670,525	-	1,957,509

**Accumulated Depreciation**

Opening balance as at 1 January 2018	(947,106)	(661,362)	-	(1,608,468)
Period charge	(81,826)	(1,534)	-	(83,360)
Closing balance as at 30 September 2018	(1,028,932)	(662,896)	-	(1,691,828)
Carrying value as at 30 September 2018	258,052	7,629	-	265,681

The following useful lives are used in the calculation of depreciation:

	Useful life
Furniture and fixture	5 years
Leashold improvements	5 years

Depreciation expenses of TL 652,257 (30 September 2018: TL 83,360) have been charged in ‘general administrative expenses’ and TL 583,509 (30 September 2018: None) have been charged to marketing expenses.

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**10. INTANGIBLE ASSETS**

<b>Cost Value</b>	<b>Other intangible assets</b>	<b>Total</b>
Opening balance as at 1 January 2019	1,019,841	1,019,841
Additions	3,882	3,882
Closing balance as at 30 September 2019	1,023,723	1,023,723

<b>Accumulated Amortization</b>		
Opening balance as at 1 January 2019	(673,528)	(673,528)
Period charge	(33,151)	(33,151)
Closing balance as at 30 September 2019	(706,679)	(706,679)
Carrying value as at 30 September 2019	317,044	317,044

<b>Cost Value</b>	<b>Other intangible assets</b>	<b>Total</b>
Opening balance as at 1 January 2018	756,715	756,715
Additions	161,053	161,053
Closing balance as at 30 September 2018	917,768	917,768

<b>Accumulated Amortization</b>		
Opening balance as at 1 January 2018	(650,997)	(650,997)
Period charge	(12,382)	(12,382)
Closing balance as at 30 September 2018	(663,379)	(663,379)
Carrying value as at 30 September 2018	254,389	254,389

Amortization expenses of TL 33,151 (30 September 2018: TL 12,382) have been charged in ‘general administrative expenses’.

The following useful lives are used in the calculation of amortization:

	<b>Useful life</b>
Other intangible assets	3 years



## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

#### 11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

##### a) Provisions

As at 30 September 2019 and 31 December 2018 lawsuit details is as follows:

	30 September 2019	31 December 2018
Other short term provisions		
Lawsuit provision	209,483	205,335
Other provisions	173,807	81,912
	<u>383,290</u>	<u>287,247</u>
	Legal claims	Total
Balance at 1 January 2019	205,335	205,335
Additional provisions recognized	4,148	4,148
Balance at 30 September 2019	<u>209,483</u>	<u>209,483</u>
	Legal claims	Total
Balance at 1 January 2018	67,760	67,760
Balance at 30 September 2018	<u>67,760</u>	<u>67,760</u>

##### b) Collateral-Pledge-Mortgage (“CPM”)

As per the decision of the CBM, made in the meeting no. 28/780, dated 9 September 2009, in which the collateral-pledge-mortgages (CPMs) given by publicly owned companies to the guarantee a third party’s debts;

For companies other than publicly owned investment trusts and financial institutions, no limitation is imposed;

- For their own corporate identities
- In favour of fully consolidated subsidiaries
- In favour of 3rd parties in the normal course of their operations.

After the decision is published at the Public Disclosure Platform, publicly owned companies would not give commitments, except for those given under normal course of their operations, to real people or corporations other than mentioned at the bullets (i) and (ii) above or to third parties other than mentioned at the bullet (iii). If any commitment has already been given it would be reduced to nil until 31 December 2014.

On the Company’s behalf, 1 ongoing tax case filed by the Company, and 19 ongoing cases filed against the Company which comprises of 12 consumer cases, 3 foreclosure suit, 1 negative declaratory action, 2 civil law suit, 1 case arising from labour law. 2 consumer case and 4 consumer arbitration committee application filed against Halk GYO-Er Konut Joint Operations. 28 consumer case and 1 consumer arbitration committee application against Halk GYO-Vakıf GYO Joint Operations.

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont’d)****b) Collateral-Pledge-Mortgage (“CPM”) (cont’d)**

30 September 2019		TL equivalent
A. CPMs given for Company’s own legal personality		245,537,296
	<i>-Collateral</i>	95,537,296
	<i>-Pledge</i>	-
	<i>-Mortgage</i>	150,000,000
B. CPMs given on behalf of fully consolidated companies		-
	<i>-Collateral</i>	-
	<i>-Pledge</i>	-
	<i>-Mortgage</i>	-
C. CPMs given in the normal course of business activities on behalf of third parties		106,403,481
	<i>-Collateral</i>	106,403,481
	<i>-Pledge</i>	-
	<i>-Mortgage</i>	-
D. Total amount of other CPMs		-
i. Total amount of CPMs given on behalf of the parent		-
	<i>-Collateral</i>	-
	<i>-Pledge</i>	-
	<i>-Mortgage</i>	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C		-
	<i>-Collateral</i>	-
	<i>-Pledge</i>	-
	<i>-Mortgage</i>	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C		-
	<i>-Collateral</i>	-
	<i>-Pledge</i>	-
	<i>-Mortgage</i>	-
<b>Total</b>		<b>351,940,777</b>

A. Total amount of CPM's given on behalf of own legal entity	Project	Type of CPM	30 September 2019	31 December 2018
Halk Bankası A.Ş.	Halkbank Finance Tower	Mortgage	150,000,000	150,000,000
İller Bankası A.Ş.	İstanbul Finance Center	Letter of Guarantee	92,161,474	92,161,474
Real Persons	Referans Bakırköy	Guarantee Statement	2,325,000	2,991,000
2,5 ve 8 No'lu Eskişehir Directorate of Execution	Eskişehir Project	Letter of Guarantee	224,624	224,624
T.C. İstanbul Metropolitan Municipality	Dedeman Otel	Letter of Guarantee	593,193	551,455
CNV Yapı Mimarlık San. Tic. A.Ş.	Caddebostan Project	Guarante Notes	219,565	219,565
Sakarya Elektrik Perakende Satış A.Ş.	Kocaeli Project	Letter of Guarantee	13,440	13,440
			245,537,296	246,161,558

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

**11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont’d)**

b) Collateral-Pledge-Mortgage (“CPM”) (cont’d)

C. Total Amount of CPM's Given by Other Third Parties for the Purpose of Carrying out Ordinary Business Activities	30 September 2019					
	Letter of Guarantee	Letter of Conveyance	Guarantee Limit	Company Share %50	Sales under Guarantee	Company Share %50
Halk GYO-Vakıf GYO Joint Operaiton (*)	-	-	662,500,000	331,250,000	29,964,000	14,982,000
Halk GYO-Er Konut Joint Operaiton (**)	-	-	205,637,000	102,818,500	7,230,962	3,615,481
Teknik Yapı-Halk GYO Joint Operaiton (***)	50,112,000	125,500,000	-	-	-	87,806,000
<b>Total</b>	<b>50,112,000</b>	<b>125,500,000</b>	<b>868,137,000</b>	<b>434,068,500</b>	<b>37,194,962</b>	<b>106,403,481</b>

(\*) This is the guarantee amount given to the banks in the event that the customers whose preliminary sales started for Bizimtepe Aydos project are purchased by using housing loans from the contracted banks within the scope of related projects.

(\*\*) This is the guarantee amount given to the banks in the event that the customers whose preliminary sales started for Erzurum Şehristan project are purchased by using housing loans from the contracted banks within the scope of related projects.

(\*\*\*) As of June 30, 2019, within the scope of the Teknik Yapı-Halk GYO Adi Ortaklığı İzmir Project, a letter of guarantee amounting to TL 50,112,000 was given by the partnership and a letter of conveyance amounting to TL 125,500,000 was given to the T.Halk Bankası A.Ş. by the partnership within the scope of Revenue Sharing for Land Sale in İzmir Konak 1 st Stage.

C. Total amount of CPM's given by other third parties for the purpose of carrying out ordinary business activities	31 December 2018					
	Letter of Guarantee	Letter of Conveyance	Guarantee Limit	Company Share %50	Sales under Guarantee	Company Share %50
Halk GYO-Vakıf GYO Joint Operaiton	-	-	722,830,850	361,415,425	45,661,700	22,830,850
Halk GYO-Er Konut Joint Operaiton	-	-	255,000,000	127,500,000	7,774,472	3,887,236
Teknik Yapı-Halk GYO Joint Operaiton	66,880,000	125,500,000	-	-	-	96,190,000
<b>Total</b>	<b>66,880,000</b>	<b>125,500,000</b>	<b>977,830,850</b>	<b>488,915,425</b>	<b>53,436,172</b>	<b>122,908,086</b>

The ratio of other CPMs given by the Company to the Company's equity is as follows:

	30 September 2019	Equity Ratio	31 December 2018	Equity Ratio
A. Total amount of CPM's given on behalf of own legal entity	245,537,296	%10.66	246,161,558	%10.88
C.Total amount of CPM's given by other third parties for the purpose of carrying out ordinary business activities				
<i>Halk GYO-Vakıf GYO Joint Operaiton (*)</i>	<i>14,982,000</i>	<i>%0.65</i>	<i>22,830,850</i>	<i>%1.01</i>
<i>Halk GYO-Er Konut Joint Operaiton (**)</i>	<i>3,615,481</i>	<i>%0.16</i>	<i>3,887,236</i>	<i>%0.17</i>
<i>Teknik Yapı-Halk GYO Joint Operaiton (***)</i>	<i>87,806,000</i>	<i>%3.81</i>	<i>96,190,000</i>	<i>%4.25</i>

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont’d)****b) Collateral-Pledge-Mortgage (“CPM ) (cont’d)**

31 December 2018		TL equivalent
A. CPMs given for Company’s own legal personality		246,161,558
	-Collateral	96,161,558
	-Pledge	-
	-Mortgage	150,000,000
B. CPMs given on behalf of fully consolidated companies		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
C. CPMs given in the normal course of business activities on behalf of third parties		122,908,086
	-Collateral	122,908,086
	-Pledge	-
	-Mortgage	-
D. Total amount of other CPMs		-
i. Total amount of CPMs given on behalf of the parent		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
<b>Total</b>		<b>369,069,644</b>

**b) Collateral-Pledge-Mortgage (“CPM ) (cont’d)**

As of 30 September 2019 and 31 December 2018, the letters of gurantee received by the Company are as follows:

Collateral, Pledge and Mortgage Received	Project	Type of CPM	30 September 2019	31 December 2018
YDA İnşaat San. Ve Tic. A.Ş.	İstanbul Finance Center	Letter of Guarantee	144,617,238	152,709,440
Buga Otis Asansör San.ve Tic.A.Ş.	İstanbul Finance Center	Letter of Guarantee	43,408,872	42,316,560
Dedeman Turizm Yönetimi A.Ş.	Levent Otel (renter)	Letter of Guarantee	23,003,985	24,112,000
Haldız İnşaat Otomotiv ve Tic. Ltd. Şti.	Bizimtepe Aydos	Letter of Guarantee	14,400,000	19,925,000
Sapaz Otelcilik Turizm İnşaat Sanayi Ve Ticaret A.Ş.	İstanbul Salıpzarı (renter)	Letter of Guarantee	9,477,466	9,042,000
Er Konut İnş. Taah. İnşaat Malz. Nak. ve Mad. Tic. A.Ş.	Erzurum Şehristan	Letter of Guarantee	3,150,000	3,165,095
UCD Yapı A.Ş.	İzmir Evora	Guarantee Notes	1,830,490	-
Teknik Yapı Proje A.Ş.	İzmir Evora	Guarantee Notes	720,000	720,000
Entegre Proje Yönetim Dan.Müh.Tic. A.Ş.	İstanbul Finance Center	Letter of Guarantee	702,750	702,750
Abad Gayrimenkul A.Ş.	İzmir Evora	Guarantee Notes	701,500	701,500
CNV Yapı Mimarlık San. Tic. Ltd. Şti.	Caddebostan project	Letter of Guarantee	379,775	629,775
İpekyol Giyim Sanayi Pazarlama ve Ticaret A.Ş.	Ankara Bahçelievler (renter)	Letter of Guarantee	304,440	-
Biskon Yapı A.Ş.	Referans Bakırköy	Letter of Guarantee	300,000	300,000
YPU Yapı Proje Uygulama Ltd. Şti.	İstanbul Finance Center	Letter of Guarantee	240,300	240,300
Direk Reklam İnş. San. Tic. A.Ş.	Sancaktepe Project	Letter of Guarantee	30,975	235,410
Ceda Akaryakıt İnşaat Emlak Tur. Tic. Ltd. Şti.	Ankara Başkent (renter)	Letter of Guarantee	200,000	200,000
Other			193,365	304,480
			<b>243,661,156</b>	<b>255,304,310</b>

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**12. EMPLOYEE BENEFITS****Short-term provisions for employee benefits**

	30 September 2019	31 December 2018
Employee bonus accruals	730,510	773,398
Unused vacation accruals	613,761	489,102
	<u>1,344,271</u>	<u>1,262,500</u>

**Long-term provisions for employee benefits**

	30 September 2019	31 December 2018
Retirement pay provision	684,687	529,935
	<u>684,687</u>	<u>529,935</u>

**Provision for retirement pay liability:**

The movements of provision for retirement pay liability in the accounting periods for the periods ended 30 September 2019 and 31 December 2018, are as follows:

	1 January- 30 September 2019	1 January- 30 September 2018
Provision at 1 January	529,935	318,371
Service cost	151,967	55,333
Interest cost	15,216	11,127
Retirement pay paid	(12,431)	-
Provision at 30 September	<u>684,687</u>	<u>384,831</u>

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

The amount payable consists of one month’s salary limited to a maximum of TL 6,017.60 for each period of service at 30 September 2019 (31 December 2018: TL 5,434.42).

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

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

#### 12. EMPLOYEE BENEFITS (cont’d)

##### Provision for retirement pay liability (cont’d):

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 30 September 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 3.84 % real discount rate (31 December 2018: 3.84%) calculated by using 12% annual inflation rate and 16.30 % interest rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 4.45% for employees with 0-15 years of service, and 0% for those with 16 or more years of service. Ceiling amount of TL 6,379.86 which is in effect since 30 June 2019 is used in the calculation of Company’s provision for retirement pay liability (1 January 2019: TL 6,017.60).

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate. If the discount rate would have been 1% lower/(higher), provision for employee termination benefits would increase/(decrease) by TL 78,002 / TL (94,774). If the anticipated turnover rate would have been 1% higher/(lower) while all other variables were held constant, provision for employee termination benefits would decrease/(increase) by TL 5,268 / TL (5,483).

#### 13. OTHER ASSETS AND LIABILITIES

	30 September 2019	31 December 2018
<u>Other current assets</u>		
Value added tax (“VAT”) carried forward (*)	71,446,131	66,985,147
Deposits and guarantees given	219,752	216,207
Business advances given	38,755	16,558
Other	719,676	474,296
	<u>72,424,314</u>	<u>67,692,208</u>

	30 September 2019	31 December 2018	
<u>(*) Detail of VAT Carried forward</u>			
	<u>Project</u>		
Halk GYO-Vakıf GYO Joint Operation	Bizimtepe Aydos	38,431,395	34,899,955
Halk GYO-Erkonut Joint Operation	Erzurum Şehristan	11,641,834	11,755,517
Halk GYO-Teknik Yapı Joint Operation	İzmir	111,144	
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	Center	21,261,758	20,329,675
		<u>71,446,131</u>	<u>66,985,147</u>

	30 September 2019	31 December 2018
<u>Other non-current assets</u>		
Value added tax (“VAT”) carried forward (**)	1,488,604	950,204
	<u>1,488,604</u>	<u>950,204</u>

(\*\*) As of 30 September 2019, carried forward VAT receivable amounting to TL 1,488,604 (31 December 2018: TL 950,204), from Izmir Project of Teknik Yapı-Halk GYO Joint Venture, are classified under “other non-current assets” since the project to be constructed on the land is a long term project.

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

#### 13. OTHER ASSETS AND LIABILITIES (cont’d)

	30 September 2019	31 December 2018
<u>Other Current Liabilities</u>		
Deposits and guarantees received(*)	6,275,620	8,435,393
Progress payment for finished works	-	19,370,104
Taxes and funds payable	480,940	655,861
Other current liabilities	642,221	264,737
	<u>7,398,781</u>	<u>28,726,095</u>

(\*) Deposits and guarantees received consist of cash guarantees received from contractors for projects under construction

#### 14. SHARE CAPITAL, RESERVES AND OTHER EQUITY

##### a) Share Capital

As of 30 September 2019 and 31 December 2018 the share capital held is as follows:

Shareholders	Group	%	30 September 2019		31 December 2018	
				%		
Halkbank	A	1.58	14,663,070	1.58	13,557,019	
Halkbank(*)	B	70.38	653,146,923	70.38	603,879,347	
Halk Yatırım Menkul Değerler A.Ş.	A	0.04	350,189	0.04	323,773	
Halk Finansal Kiralama AŞ	A	<0.01	1	<0.01	1	
Publicly traded	B	28.00	259,839,817	28.00	240,239,859	
Nominal capital		100	928,000,000	100	858,000,000	
Total capital			<u>928,000,000</u>		<u>858,000,000</u>	

(\*) Halkbank also has 68,341,356 B group shares with 7.36% in the publicly traded held group (31 December 2018: 60,387,845 shares).

The Company shares are issued to the names into two groups; Group A and Group B. The Group A shares have the right to nominate the members of the Board of Directors (“BOD”). More than half of the BOD members are elected from the nominees of A Group shares and remaining members are elected from mutual nominees of A Group and B Group shares by the General Assembly. In capital increases new Group A shares are issued for Group A shares and new Group B shares are issued for Group B shares.

However, if the BOD restricts preemptive rights of shareholders, new shares are issued as Group B shares.

The Company has been established with registered capital ceiling of TL 1,500,000,000 each with par value of TL 1. The Company’s issued capital is 928,000,000 shares amounting to TL 928,000,000. All capital has been committed by the founders; TL 196,217,979 paid in cash, TL 265,500,000 incorporated into capital from reserves and TL 466,282,021 paid in kind (real estates) by main shareholder Halkbank.

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont’d)****a) Share Capital (cont’d)**

As per the Board of Directors decision numbered 49/110 on 15 August 2012, the Company’s capital was increased to TL 662,500,000. The increase of TL 185,500,000 corresponding to 185,500,000 shares were publicly offered during 13-15 February 2013. As at 20 June 2013, the Company increased its share capital by TL 11,138,704 from retained earnings.

As at 5 June 2014, the Company increased its share capital by TL 24,261,296 from retained earnings.

As at 11 June 2015, the Company increased its share capital to TL 743,000,000 by transferring TL 45,100,000 from retained earnings to share capital.

As at 25 May 2016, the Company increased its share capital to TL 790,000,000 by transferring TL 47,000,000 from retained earnings to share capital.

As at 15 August 2017, the Company increased its share capital to TL 820,000,000 by transferring TL 30,000,000 from retained earnings to share capital.

As at 8 June 2018, the Company increased its share capital to TL 858,000,000 by transferring TL 38,000,000 from retained earnings to share capital.

As at 17 June 2019, the Company increased its share capital to TL 928,000,000 by transferring TL 70,000,000 from retained earnings to share capital.

**b) Treasury shares acquired**

The Company’s treasury shares acquired are accounted for at cost. The Company holds 26,162,328 treasury shares as of 30 September 2019 (31 December 2018: 24,188,879 shares). The details of the treasury shares acquired for the period ended 30 September 2019 are as follows:

Transaction	Transaction date	Nominal value	Weighted average share price	Transaction amount
Repurchased shares	26 February 2013	933,649	1.34	1,251,090
Repurchased shares	27 February 2013	736,571	1.34	987,004
Repurchased shares	28 February 2013	1,000,000	1.34	1,340,000
Repurchased shares	1 March 2013	2,297,269	1.32	3,021,922
Repurchased shares	5 March 2013	3,455,130	1.33	4,608,678
Repurchased shares	11 March 2013	457,867	1.32	604,384
Repurchased shares	12 March 2013	586,245	1.32	773,843
Repurchased shares	15 March 2013	2,000,000	1.32	2,640,000
Repurchased shares	21 March 2013	7,210,586	1.33	9,582,612
Bonus shares from incorporating reserves	20 June 2013	314,024	-	-
Bonus shares from incorporating reserves	5 June 2014	683,977	-	-
Bonus shares from incorporating reserves	11 June 2015	1,271,466	-	-
Bonus shares from incorporating reserves	25 May 2016	1,325,030	-	-
Bonus shares from incorporating reserves	17 August 2017	845,764	-	-
Bonus shares from incorporating reserves	8 June 2018	1,071,301	-	-
Bonus shares from incorporating reserves	17 June 2019	1,973,449	-	-
Total repurchased shares		<u>26,162,328</u>		<u>24,809,533</u>



**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont’d)****c) Share premiums/discounts**

The surplus of sales price over nominal value of shares amounted to TL 64,925,000 during the initial public offering on 13-15 February 2013 were accounted for as share premium. Commission expenses and legal expenses which are related with the initial public offering amounting to TL 8,847,688 are netted off with share premium. Additionally, the differences of sales price over nominal value of treasury shares acquired amounted to TL 6,132,216 are netted off with share premium.

**d) Kardan ayrılmış kısıtlanmış yedekler**

The legal reserves consist of first and second reserves, in accordance with the Turkish Commercial Code. The first legal reserve appropriated out of the statutory profit at the rate of 5% until the total reserve reaches a maximum of 20% of the Company’s paid-in capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company’s paid-in capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital but may be used to absorb losses in the event that the general reserve is exhausted. In accordance with the Turkish Commercial Code, the Company has to appropriate restricted reserve equivalent to the Company’s treasury shares acquired. Such reserve can only be released in the amount of any sold or destroyed shares valued at acquisition cost. As at 30 September 2019, the Company’s restricted reserves are legal reserves amounting to TL 49,937,018 (31 December 2018: TL 42,011,650).

**15. REVENUE AND COST OF SALES**

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
<b>a) Sales</b>				
Income on properties	92,850,410	51,159,871	265,242,786	168,230,302
<i>Income from sale of residence(*)</i>	39,754,575	33,006,584	221,194,869	152,699,343
<i>Rental income</i>	53,095,835	18,153,287	44,047,917	15,530,959
Income on debt instruments	3,075,085	1,629,195	5,079,766	912,289
<i>Interest income on deposits</i>	3,075,085	1,629,195	5,079,766	912,289
	<u>95,925,495</u>	<u>52,789,066</u>	<u>270,322,552</u>	<u>169,142,591</u>

(\*) For the year ended 30 September 2019, the Company accounted a net sales of TL 39,754,575 related to the performance obligations realized at a certain point in time.

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira ("TL"))

**15. REVENUE AND COST OF SALES (cont'd)**

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
<b>b) Cost of Sales</b>				
Cost of residence sales	28,071,259	23,252,253	176,772,949	122,865,788
Insurance expenses	614,749	182,511	550,248	183,469
Estate tax expenses	508,515	-	513,418	-
Maintenance and Shares for general expenses	150,090	101,649	79,413	7,495
Support service expenses	124,450	42,578	95,373	32,386
Depreciation expenses	-	-	-	-
Other	75,118	4,821	15,308	10,718
	<u>29,544,181</u>	<u>23,583,812</u>	<u>178,026,709</u>	<u>123,099,856</u>

**16. EXPENSES BY NATURE**

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
Cost of residence sales	26,926,314	22,107,308	176,772,949	122,865,788
Personnel expenses	7,938,101	2,710,946	6,069,361	2,044,387
Building common expenses	1,337,270	308,567	-	-
Depreciation and amortization charges	1,268,917	562,189	95,742	11,190
Advertisement expenses	1,049,522	175,554	1,229,586	203,684
Taxes and duties expenses	758,116	94,556	466,393	88,486
Insurance expenses	654,749	222,511	-	-
Outsource service expenses	568,856	180,076	757,204	216,447
Property tax expenses	508,515	-	513,418	-
Maintenance expenses	231,248	56,311	26,525	12,281
Travel and car expenses	205,290	32,326	464,864	155,020
Consulting expenses	163,191	51,898	302,904	107,768
Rent expenses	117,527	20,022	433,344	151,311
Stationery and IT related expenses	122,480	41,066	104,470	32,720
Commission expenses	68,013	10,876	382,254	374,829
Other	1,787,800	1,297,787	1,264,340	412,273
	<u>43,705,909</u>	<u>27,871,993</u>	<u>188,883,354</u>	<u>126,676,184</u>

**17. GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SALES EXPENSES**

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
General administrative expenses (-)	10,737,713	3,433,182	9,653,475	3,029,047
Marketing expenses (-)	3,424,015	855,000	1,203,170	547,281
	<u>14,161,728</u>	<u>4,288,182</u>	<u>10,856,645</u>	<u>3,576,328</u>

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**17. GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SALES EXPENSES  
(cont’d)**a) Detail of general administrative expenses

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
Personnel expenses	7,675,568	2,566,565	6,069,361	2,044,387
Depreciation and amortization charges	685,408	225,388	95,742	11,190
Outsource service expenses	568,856	180,076	757,204	216,447
Taxes and duties	557,092	81,289	444,349	83,324
Advertisement expenses	407,522	162,434	913,890	201,178
Maintenance expenses	231,248	56,311	26,525	12,281
Travel and car expenses	205,290	32,326	464,864	155,020
Consulting expenses	163,191	51,898	302,904	107,768
Stationery and IT related expenses	122,480	41,066	104,470	32,720
Rent expenses	9,476	2,893	433,344	151,311
Other	111,582	32,936	40,822	13,421
	<u>10,737,713</u>	<u>3,433,182</u>	<u>9,653,475</u>	<u>3,029,047</u>

Detail of personnel expenses

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
Wages and salaries	5,642,829	1,929,552	4,277,342	1,475,809
Social Security Institution employer's shares	849,863	303,771	687,063	220,574
Insurance Expenses	420,754	148,477	284,415	97,515
Board of directors' remunerations	401,654	168,314	337,047	119,895
Employee benefits provision	347,821	54,304	105,792	7,161
Other	275,180	106,529	377,702	123,433
	<u>7,938,101</u>	<u>2,710,947</u>	<u>6,069,361</u>	<u>2,044,387</u>

b) Detail of marketing expenses

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
Common building expenses	1,337,270	308,567	-	-
Advertisement expenses	642,000	13,120	315,696	2,506
Depreciation and amortization charges	583,509	336,801	-	-
Personnel expenses	262,533	144,382	-	-
Taxes and duties	201,024	13,267	22,044	5,162
Sales office rent expenses	108,051	17,128	-	-
Commission expenses (*)	68,013	10,876	382,254	374,829
Other	221,615	10,859	483,176	164,784
	<u>3,424,015</u>	<u>855,000</u>	<u>1,203,170</u>	<u>547,281</u>

(\*) The amount comprises sales commissions paid related to the property projects.

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**18. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES**

Other operating income:

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
Income on indemnified guarantees and penalties	359,998	11	-	-
Foreign exchange gains from operations	324,379	(496,941)	4,297,018	2,720,963
Incentives and discounts from public institutions	178,353	42,687	-	-
Provisions no longer required	-	-	489,237	124,456
Other income	824,329	708,899	1,393,678	1,193,851
	<u>1,687,059</u>	<u>254,656</u>	<u>6,179,933</u>	<u>4,039,270</u>

Other operating expense:

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
Foreign exchange losses from operations	(268,132)	(150,766)	(810,006)	(691,821)
Donations	-	-	(4,760)	(4,696)
Other expense	(33,542)	(2,208)	(185,159)	(96,366)
	<u>(301,674)</u>	<u>(152,974)</u>	<u>(999,925)</u>	<u>(792,883)</u>

**19. FINANCE EXPENSES**

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
Interest expenses on bank loans	7,270,121	2,557,394	4,367,551	1,945,138
Commission expenses	620,906	177,404	275,897	56,130
Borrowings costs for financial leases	268,487	7,185	3,788,731	3,788,731
Interest expenses on short term bonds	-	-	1,333,855	578,030
Interest expenses on short term lease certificates	-	-	5,413,060	1,106,165
Other	154,043	81,668	-	-
	<u>8,313,557</u>	<u>2,823,651</u>	<u>15,179,094</u>	<u>7,474,194</u>
Amounts included in the investment properties	<u>45,438,957</u>	<u>14,355,130</u>	<u>27,501,213</u>	<u>16,165,848</u>
Total finance expense	<u>53,752,514</u>	<u>17,178,781</u>	<u>42,680,307</u>	<u>23,640,042</u>

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

#### 20. INCOME TAXES

According to the Article 5/1(d) (4) of the Corporate Tax Law numbered 520, earnings of real estate investment trusts are exempt from Corporate Income Tax in Turkey.

#### 21. EARNINGS PER SHARE

<b>Earning per share</b>	<b>1 January- 30 September 2019</b>	<b>1 January- 30 September 2018</b>
Weighted average number of shares available during the period (full value)	928,000,000	858,000,000
Net profit for the period owned by parent company shareholders	47,518,415	71,440,112
Earnings per share due from ongoing and discontinued operations	0.0512	0.0833

#### 22. FINANCIAL INSTRUMENTS

##### Financial Liabilities

<b>Financial liabilities</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
a) Borrowing Instruments	284,427,808	250,839,562
b) Bank Loans	41,615,108	39,705,725
c) Finance Lease Payables(*)	16,706,529	24,078,915
d) Operating Lease Payables	1,521,067	-
	<b>344,270,512</b>	<b>314,624,202</b>

(\*) The Company signed an agreement with Buga Otis Asansör Sanayi ve Ticaret A.Ş. within the scope of service procurement for vertical transports (elevator and escalator) in Halk Office Towers to be built related to the project of Istanbul International Finance Center and signed financial lease agreement with Halk Finansal Kiralama A.Ş. for relevant service procurement.

<b>Borrowing instruments</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
<i>Short term lease certificates</i>	284,427,808	250,839,562
	<b>284,427,808</b>	<b>250,839,562</b>

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**22. FINANCIAL INSTRUMENTS (cont’d)****Financial Liabilities (cont’d)**

	30 September 2019	31 December 2018
<b>Bank Loans</b>		
<i>Short term bank loans</i>	36,389,472	32,277,472
<i>Short term portion of long term bank loans</i>	3,396,280	3,397,826
<i>Long term bank loans</i>	1,829,356	4,030,427
	<u>41,615,108</u>	<u>39,705,725</u>

Interest rates of financial liabilities are as follows:

Financial Instrument	Currency	Nominal interest rate	30 September 2019	
			Short term	Long term
Lease certificates	TL	16.81%	284,427,808	-
Floating rate loans	TL	22.90%	36,389,472	-
Fixed rate loans	TL	8.00%	3,396,280	1,829,356
Financial lease	EUR	5.10%	11,698,086	4,700,969
Financial lease	TL	28.50%	118,131	189,343
Operating lease	TL	22.97% - 24.07%	614,032	656,575
Operating lease	EUR	5.10%	137,081	113,379
			<u>336,780,890</u>	<u>7,489,622</u>

Financial Instrument	Currency	Nominal interest rate	31 December 2018	
			Short term	Long term
Lease certificate	TL	24.84%	250,839,562	-
Floating rate loans	TL	26.82%	32,277,472	-
Fixed rate loan	TL	8.00%	3,397,826	4,030,427
Financial lease agreement	EUR	5.10%	10,768,287	13,233,249
Financial lease agreement	TL	40.00%	34,716	42,663
			<u>297,317,863</u>	<u>17,306,339</u>

Maturities of bank borrowings and debt securities are as follows:

	30 September 2019	31 December 2018
Less than 1 year	336,780,890	297,317,863
Between 1-2 years	7,398,484	13,992,333
Between 2-3 years	91,138	3,314,006
	<u>344,270,512</u>	<u>314,624,202</u>

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

#### 23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

##### a) Capital risk management

The Company manages its capital to ensure that the Company 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 Company consists of debts, which includes the borrowings disclosed in Note 22, comprising cash and cash equivalents, issued capital, reserves and retained earnings.

The Company’s risk management committee reviews the capital structure of the Company collectively on a quarterly basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee, the Company balances its overall capital structure through the payment of dividends, new share issues and acquiring own shares, as well as the issue of new debt or the redemption of existing debt.

In addition and consistent with other entities in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the statement of financial position plus net debt.

During 2019, the Company’s strategy has not changed from 2018. As of 30 September 2019 and 31 December 2018, the net debt/capital ratio calculated as net debt divided by total capital (net debt is calculated as total borrowings less cash and cash equivalents and short-term financial investments) is as follows:

	30 September 2019	31 December 2018
Financial liabilities	344,270,512	314,624,202
Less: Cash and cash equivalents	(18,595,456)	(28,825,032)
Net debt	325,675,056	285,799,170
Total shareholders equity	2,304,271,990	2,261,618,820
Total share capital	928,000,000	858,000,000
Gearing ratio	35%	33%

##### b) Financial Risk Factors

The Company’s activities expose it to a variety of financial risks including interest rate risk, liquidity risk, currency risk and credit risk. Company’s risk management programme generally focuses on uncertainty in financial markets and minimizing potential negative effects on Company’s financial performance.

Risk management, is conducted by a treasury department with policies approved by the Board of Directors. Treasury department of the Company defines and evaluates the financial risk, and by working with the operation units by using tools to decrease the risk. Board of Directors maintains generates a written procedure about foreign exchange risk, interest rate risk, credit risk, usage of non-derivative financial instruments, and evaluating excess liquidity or other various risks.

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

**23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)***b.1) Credit risk management***Details of credit risk by class of financial instruments**

	<b>Receivables</b>				<b>Deposits at Banks</b>
	<b>Trade Receivables</b>		<b>Other Receivables</b>		
<b>30 September 2019</b>	<b>Related Parties</b>	<b>Other</b>	<b>Related Parties</b>	<b>Other</b>	
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	1,072	16,067,378	-	-	18,595,456
- Secured portion of the maximum credit risk by guarantees (**)	-	-	-	-	-
	-	5,887,034	-	-	-
	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	1,072	16,067,378	-	-	18,595,456
B. Net book value of financial assets that are past due but not impaired	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-
- Past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-

(\*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

(\*\*) Guarantees consist of *guarantee letters, guarantee notes and mortgages* obtained from the customers.



**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

**23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)***b.1) Credit risk management (cont’d)***Details of credit risk by class of financial instruments**

	<u>Receivables</u>				<u>Deposits at Banks</u>
	<u>Trade Receivables</u>		<u>Other Receivables</u>		
<u>31 December 2018</u>	<u>Related Parties</u>	<u>Other</u>	<u>Related Parties</u>	<u>Other</u>	
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	627	15,972,980	-	-	28,825,032
- Secured portion of the maximum credit risk by guarantees (**)	-	2,676,421	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	627	15,972,980	-	-	28,825,032
B. Net book value of financial assets that are past due but not impaired	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-
- Past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-

(\*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

(\*\*) Guarantees consist of *guarantee letters, guarantee notes and mortgages* obtained from the customers.

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira ("TL"))

**23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)***b.1) Credit risk management (cont'd)*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Company, aiming to decrease credit risk by transacting only with parties who has credit assurance and where possible, obtaining sufficient gurantee. Credit risks which the Company is exposed and credibility of customers are being monitored regularly. Credit risk is being controlled by the risk management committee through limits which are determined and annually controlled by the Board of Directors.

*b.2) Liquidity risk management*

The ultimate responsibility for liquidity risk management belongs to the Board of Directors. The Board of Directors has established a liquidity risk management in order to meet short, mid and long term financing, and liquidity requirements. The Company manages liquidity risk by monitoring expected and actual cash flows closely, and by maintaining sustainability of sufficient borrowing funds through matching maturities of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

**Liquidity risk table:****30 September 2019**

<b><u>Contractual Terms</u></b>	<b><u>Carriving value</u></b>	<b><u>Total Contractual</u></b>			
		<b><u>Cash Outflows (I+II+III)</u></b>	<b><u>Less than 3 months (I)</u></b>	<b><u>3 to 12 months (II)</u></b>	<b><u>1 to 5 years (III)</u></b>
<b>Non-derivative financial liabilities</b>					
Bank loans	41,615,108	42,057,871	37,284,483	2,685,031	2,088,356
Debt securities issued	284,427,808	295,125,070	216,696,070	78,429,000	-
Financial lease liabilities	16,500,810	17,291,732	3,115,850	9,185,716	4,990,165
Long-term liabilities from operating lease(*)	1,726,786	2,018,492	250,496	751,488	1,016,509
Trade payables	25,293,278	25,293,278	25,293,278	-	-
Other liabilities	7,398,781	7,398,781	7,398,781	-	-
<b>Total liabilities</b>	<b>376,962,571</b>	<b>389,185,224</b>	<b>290,038,958</b>	<b>91,051,235</b>	<b>8,095,030</b>

**31 December 2018**

<b><u>Contractual Terms</u></b>	<b><u>Carriving value</u></b>	<b><u>Total Contractual</u></b>			
		<b><u>Cash Outflows (I+II+III)</u></b>	<b><u>Less than 3 months (I)</u></b>	<b><u>3 to 12 months (II)</u></b>	<b><u>1 to 5 years (III)</u></b>
<b>Non-derivative financial liabilities</b>					
Bank loans	39,705,725	40,630,402	33,171,983	2,685,031	4,773,388
Debt securities issued	250,839,562	263,733,849	80,763,699	182,970,150	-
Financial lease liabilities	24,078,915	25,295,900	2,918,758	8,756,273	13,620,869
Trade payables	15,628,217	15,628,217	15,628,217	-	-
Other liabilities	28,726,095	28,726,095	28,726,095	-	-
<b>Total liabilities</b>	<b>358,978,514</b>	<b>374,014,463</b>	<b>161,208,752</b>	<b>194,411,454</b>	<b>18,394,257</b>

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira ("TL"))

**23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)***b.3) Market risk management*

During the current period, there has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

*b.3.1) Foreign currency risk management*

The carrying amounts of the Company's foreign currency denominated monetary and non-monetary assets and monetary and non-monetary liabilities at the reporting period are as follows:

	30 September 2019		
	TL Amount	US Dollar	Euro
1. Trade Receivables	-	-	-
2a. Monetary Financial Assets	15	3	-
2b. Non-monetary Financial Assets	894,138	158,000	-
3. Other	-	-	-
4. CURRENT ASSETS	894,153	158,003	-
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non-monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON-CURRENT ASSETS	-	-	-
9. TOTAL ASSETS	894,153	158,003	-
10. Trade Payables	14,375	-	2,325
11. Financial Liabilities	11,698,085	-	1,891,792
12a. Monetary Other Liabilities	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-
13. CURRENT LIABILITIES	11,712,460	-	1,894,117
14. Trade Payables	-	-	-
15. Financial Liabilities	4,700,971	-	760,232
16a. Monetary Other Liabilities	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-
17. NON-CURRENT LIABILITIES	4,700,971	-	760,232
18. TOTAL LIABILITIES	16,413,431	-	2,654,349
19. Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a-19b)	-	-	-
19.a Derivative Financial Assets	-	-	-
19.b Derivative Financial Liabilities	-	-	-
20. Net Foreign Currency Assets/Liabilities Position	15,519,278	(158,003)	2,654,349
21. Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+5+6a-10-11-12a-14-15-16a)	(16,413,416)	3	(2,654,349)

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)***b.3.1) Foreign currency risk management (cont’d)*

	31 December 2018		
	TL Amount	US Dollar	Euro
1. Trade Receivables	-	-	-
2a. Monetary Financial Assets	2,169,749	-	359,945
2b. Non-monetary Financial Assets	831,222	158,000	-
3. Other	-	-	-
4. CURRENT ASSETS	3,000,971	158,000	359,945
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non-monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON-CURRENT ASSETS	-	-	-
9. TOTAL ASSETS	3,000,971	158,000	359,945
10. Trade Payables	-	-	-
11. Financial Liabilities	10,803,003	-	1,792,137
12a. Monetary Other Liabilities	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-
13. CURRENT LIABILITIES	10,803,003	-	1,792,137
14. Trade Payables	53,264	10,124	-
15. Financial Liabilities	13,196,350	-	2,189,176
16a. Monetary Other Liabilities	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-
17. NON-CURRENT LIABILITIES	13,249,614	10,124	2,189,176
18. TOTAL LIABILITIES	24,052,617	10,124	3,981,313
19. Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a-19b)	-	-	-
19.a Derivative Financial Assets	-	-	-
19.b Derivative Financial Liabilities	-	-	-
20. Net Foreign Currency Assets/Liabilities Position	(21,051,646)	147,876	(3,621,368)
21. Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+5+6a-10-12a-14-16a)	(21,882,868)	(10,124)	(3,621,368)

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)*****b.3.1) Foreign currency risk management (cont’d)***Foreign currency sensitivity analysis

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

The following table details the Company’s sensitivity to a 10% increase and decrease in foreign currency against TL. 10% 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 10% change in foreign currency rates. A positive number below indicates an increase in profit/loss or equity.

	<b>30 September 2019</b>			
	Profit / Loss		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
In case of US Dolar increases in 10% against TL				
1 - US Dollar net asset/liability	2	(2)	2	(2)
2- US Dollar hedges (-)	-	-	-	-
<b>3- Net effect of US Dollar (1 +2)</b>	<b>2</b>	<b>(2)</b>	<b>2</b>	<b>(2)</b>
In case of Euro increases in 10% against TL				
4 - Euro net asset/liability	(1,672,090)	1,672,090	(1,672,090)	1,672,090
5 - Euro hedges (-)	-	-	-	-
<b>6- Net effect of Euro (4+5)</b>	<b>(1,672,090)</b>	<b>1,672,090</b>	<b>(1,672,090)</b>	<b>1,672,090</b>
	<b>(1,672,088)</b>	<b>1,672,088</b>	<b>(1,672,088)</b>	<b>1,672,088</b>

	<b>31 December 2018</b>			
	Profit / Loss		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
In case of US Dolar increases in 10% against TL				
1 - US Dollar net asset/liability	(5,326)	5,326	(5,326)	5,326
2- US Dollar hedges (-)	-	-	-	-
<b>3- Net effect of US Dollar (1 +2)</b>	<b>(5,326)</b>	<b>5,326</b>	<b>(5,326)</b>	<b>5,326</b>
In case of Euro increases in 10% against TL				
4 - Euro net asset/liability	(2,182,960)	2,182,960	(2,182,960)	2,182,960
5 - Euro hedges (-)	-	-	-	-
<b>6- Net effect of Euro (4+5)</b>	<b>(2,182,960)</b>	<b>2,182,960</b>	<b>(2,182,960)</b>	<b>2,182,960</b>
	<b>(2,188,286)</b>	<b>2,188,286</b>	<b>(2,188,286)</b>	<b>2,188,286</b>

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

**23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)***b.3.2) Interest rate risk management*

The Company borrows funds at fixed interest rate. Risk hedging strategies are evaluated regularly in order to comply with interest rate anticipations and defined risks.

*Interest rate sensitivity analysis*

The details of the interest-bearing financial assets of the Company are as follows:

<b>Interest Position Table</b>			
	<u>30 September 2019</u>	<u>31 December 2018</u>	
<b>Fixed Interest Rate Instruments</b>			
Financial Liabilities	289,653,444	258,267,815	
<b>Variable Interest Rate Instruments</b>			
Financial Liabilities	36,389,472	32,277,472	

**24. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES)**

30 September 2019	Loans and receivables (Including cash and cash equivalents)	Financial Liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>				
Cash and cash equivalents	18,595,456	-	18,595,456	26
Trade receivables	16,068,450	-	16,068,450	5
<u>Financial liabilities</u>				
Borrowings	-	344,270,512	344,270,512	22
Trade payables	-	25,065,535	25,065,535	5
Due to related parties	-	227,743	227,743	4
Other financial liabilities	-	7,398,781	7,398,781	13

31 December 2018	Loans and receivables (Including cash and cash equivalents)	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>				
Cash and cash equivalents	28,825,032	-	28,825,032	26
Trade receivables	15,973,607	-	15,973,607	5
<u>Financial liabilities</u>				
Borrowings	-	314,624,202	314,624,202	22
Trade payables	-	15,549,139	15,549,139	5
Due to related parties	-	79,078	79,078	4
Other financial liabilities	-	28,726,095	28,726,095	13

(\*) The Company management considers the carrying amounts of financial instruments approximate their fair values.

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

#### 24. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES) (cont’d)

##### Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flows analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities are determined where there is no observable market data.

#### 25. EVENTS AFTER THE REPORTING PERIOD

The company has borrowed at 9 October 2019 through a lease certificate with nominal value of TL 100,000,000, with 14% rate of return and maturity of 10 March 2020.

#### 26. NOTES ON STATEMENT OF CASH FLOWS

	30 September 2019	31 December 2018
Cash at banks	18,595,679	28,814,246
<i>Demand deposits(*)</i>	<i>542,238</i>	<i>691,954</i>
<i>Deposits with maturities less than three months</i>	<i>18,053,441</i>	<i>28,122,292</i>
Expected credit loss (-)	(223)	(346)
Other liquid assets (**)	-	11,132
<i>Cash and cash equivalents in the statement of financial position</i>	<i>18,595,456</i>	<i>28,825,032</i>
Less: Interest income accruals on cash equivalents	<i>(544,545)</i>	<i>(223,504)</i>
<i>Cash and cash equivalents in the statement of cash flows</i>	<i>18,050,911</i>	<i>28,601,528</i>

(\*) As at 30 September 2019 and 31 December 2018 there is a blocked amount for salary payments to personnel from demand deposits.

(\*\*) As at 30 September 2019 and 31 December 2018, other liquid assets consist of credit card receivables from sales of residential units of Bizimtepe Aydos project.

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”))

**26. NOTES ON STATEMENT OF CASH FLOWS (cont’d)**

As at 30 September 2019 and 31 December 2018, the details of time deposits at banks are as follows:

<b>30 September 2019</b>	<b>Amount</b>	<b>Interest rate</b>	<b>Maturity</b>
<b><u>Time deposits</u></b>			
TL	17,444,207	%18.00	19 November 2019
TL	336,206	%13.25	01 October 2019
TL	65,891	%10.03	01 October 2019
TL	207,137	%14.50	01 October 2019
	18,053,441		
<b><u>31 December 2018</u></b>			
<b><u>Time deposits</u></b>			
TL	19,444	%21.00	02 January 2019
TL	1,062	%2.00	02 January 2019
TL	21,126	%19.50	02 January 2019
TL	550,000	%22.00	02 January 2019
TL	20,000,000	%23.25	22 January 2019
TL	5,360,987	%22.00	30 January 2019
EUR	2,169,673	%3.75	02 January 2019
	28,122,292		

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 23.

**27. OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR SHOULD BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS**

An indictment was filed against the Company's main shareholder, Türkiye Halk Bankası A.Ş. (main shareholder Bank) on 15 October 2019 by the New York Southern District Attorney General of the United States Department of Justice, which repeated the allegations made in the case against the former executive of the main shareholder Bank for violation of Iranian sanctions. The prosecution process is ongoing by the court. The prosecution process is closely monitored by the Bank through specialized US law firms.

The appeal process of the case which resulted in conviction for the defendant former executive of the main shareholder Bank, who was released on 19 July 2019 and returned back to Turkey, is ongoing.

Main shareholder Bank is always sensitive in complying with national and international regulations and puts considerable efforts in improving such compliance policies in line with international standards.

In providing the banking transactions, the main shareholder Bank is not following the foreign trade applications, mechanisms, methods and systems, other than prevailing banking practices and those adopted by other banks. The foreign trade transactions and Money transfers are open and transparent, and easily be monitored by authorities. The main shareholder Bank will continue to adopt the same policies of transparency and compliance with international regulations.



## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

#### 28. ADJUSTMENTS TO THE PRIOR PERIOD FINANCIAL STATEMENTS

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 the changes in the presentation in the current period financial statements, and material differences are disclosed.

##### *Material Adjustments:*

In the current period, the Company has reevaluated the inventories, other liabilities and cost of sales in the previous period financial statements related to costs incurred subsequently to a completed project.

	Previously Reported 31 December 2018	Adjustments	Restated 31 December 2018
Inventories	103,021,423	5,913,908	108,935,331
<b>Total adjustments assets</b>		<b>5,913,908</b>	
Other short term liabilities	9,355,991	19,370,104	28,726,095
Profit for the period	394,801,082	(13,456,196)	381,344,886
<b>Total adjustments liabilities</b>		<b>5,913,908</b>	

#### APPENDIX 1 CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO

The information contained in the table of control of compliance with restrictions on the investment portfolio is a summarized information derived from the financial statements according to Article 16 of the “Communiqué on Financial Reporting in Capital Markets Serial: II, No: 14.1”. This information has been prepared in accordance with the statements of the CMB’s “Communiqué on Principles Regarding Real Estate Investment Trusts Serial: III, No: 48.1” published in the Official Gazette numbered 28660, regulating the compliance with portfolio limitations.

As at 30 September 2019, the Company complied with the restrictions that stated in the paragraph “a, b, c, ç and d” of 24th, 22nd and 38th articles of the CMB’s communiqué no III-48.1, “Communiqué on Principles Regarding Real Estate Investment Trusts”, published in the Official Gazete numbered 28660. The ratios related with these restrictions are shown below:

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

**APPENDIX 1 - CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO (cont'd)**

	<b>Financial statement primary account items</b>	<b>Regulation</b>	<b>30 September 2019 (TL)</b>	<b>31 December 2018 (TL)</b>
<b>A</b>	Money and capital market instruments	Serial: III-48.1, Article 24/(b)	18,595,456	28,825,032
<b>B</b>	Real estates, based on real estates, rights based on real estates	Serial: III-48.1, Article 24/(a)	2,471,257,598	2,397,707,741
<b>C</b>	Subsidiaries	Serial: III-48.1, Article 24/(b)	--	--
	Due from related parties (non-trade)	Serial: III-48.1, Article 23/(f)	--	--
	Other assets		205,141,529	206,260,620
<b>D</b>	<b>Total Assets</b>	Serial: III-48.1, Article 3/(k)	<b>2,694,994,583</b>	<b>2,632,793,393</b>
<b>E</b>	Loans and borrowings	Serial: III-48.1, Article 31	326,042,916	290,545,287
<b>F</b>	Other financial liabilities	Serial: III-48.1, Article 31	--	--
<b>G</b>	Financial leasing obligations	Serial: III-48.1, Article 31	16,706,529	24,078,915
<b>H</b>	Due to related parties (non-trade)	Serial: III-48.1, Article 23/(f)	--	--
<b>İ</b>	Equity	Serial: III-48.1, Article 31	2,304,271,990	2,261,618,820
	Other liabilities		47,973,148	56,550,371
<b>D</b>	<b>Total liabilities and equity</b>	Serial: III-48.1, Article 3/(k)	<b>2,694,994,583</b>	<b>2,632,793,393</b>
	<b>Other financial information</b>		<b>30 September 2019 (TL)</b>	<b>31 December 2018 (TL)</b>
<b>A1</b>	Portion of money and capital markets instruments for real estate payments of 3 years	Serial: III-48.1, Article 24/(b)	--	--
<b>A2</b>	Time deposit/ demand deposit/ TL / foreign currency	Serial: III-48.1, Article 24/(b)	18,595,679	28,814,246
<b>A3</b>	Foreign capital market instruments	Serial: III-48.1, Article 24/(d)	--	--
<b>B1</b>	Foreign real estates, based on real estates projects, rights for real estates	Serial: III-48.1, Article 24/(d)	--	--
<b>B2</b>	Idle land	Serial: III-48.1, Article 24/(c)	--	--
<b>C1</b>	Foreign Subsidiaries	Serial: III-48.1, Article 24/(d)	--	--
<b>C2</b>	Investment in the operating company	Serial: III-48.1, Article 28	--	--
<b>J</b>	Non-cash loans	Serial: III-48.1, Article 31	201,940,777	219,069,644
<b>K</b>	Mortgage amounts on land that project to be developed but the ownership does not belong the entity	Serial: III-48.1, Article 22/(e)	--	--
<b>L</b>	Total investments of money and capital market instruments at one company	Serial: III-48.1, Article 22/(l)	--	--

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (“TL”))

**APPENDIX 1 - CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO (cont'd)**

	Portfolio Restrictions	Regulations	Calculation	Min/Max Rate	30 September 2019 (TL)	31 December 2018 (TL)
1	Mortgage amounts on land that project to be developed but the ownership does not belong the entity	Serial: III-48.1, Article22/(e)	K/D	Maximum %10	--	--
2	Real estates, based on real estates projects, rights for real estates	Serial: III-48.1, Article24/(a),(b)	(B+A1)/D	Minimum %51	91.7%	91.05%
3	Money and capital market instruments and associates	Serial: III-48.1, Article24/(b)	(A+C-A1)/D	Maximum %49	0.69%	1.10%
4	Foreign real estates, based on real estates projects, rights for real estate, associates, capital market instruments	Serial: III-48.1, Article24/(d)	(A3+B1+C1)/D	Maximum %49	--	--
5	Idle Land	Serial: III-48.1, Article24/(c)	B2/D	Maximum %20	--	--
6	Investment in operating company	Serial: III-48.1, Article28	C2/D	Maximum %10	--	--
7	Borrowing Limit	Serial: III-48.1, Article31	(E+F+G+H+J)/İ	Maximum %500	23.64%	23.46%
8	Time Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1, Article24/(b)	(A2-A1)/D	Maximum %10	0.69%	1.10%
9	Total investments of money and capital market instruments at one company	Serial: III-48.1, Article22/(l)	L/D	Maximum %10	--	--