

TORUNLAR REIC 1H 2015 Investor E-Bulletin**Economic and sectorial outlook**

In the first half of this year, rapid appreciation of US Dollar dominated the headlines in global markets. Improvements in the US labor and housing markets, as well as the announcements by FED officials are fueling the strength of US Dollar. Furthermore, expansionary policies of central banks in Europe and Japan for an extended period of time, support the US Dollar's strength.

The first half of 2015, in addition to these gloomy global conditions, has created an additional risk factor with June 7 general elections in Turkey. The most obvious negative impact of the developments referred to above, was seen in consumer and investor confidence. Turkish lira losing value and the high level of food prices prevented the decline in commodity prices from passing through on consumer price inflation in Turkey.

As an exception to this general stagnation that dominated the economic activity in the first half, domestic sales in the automotive sector soared 50.7% compared to the same period last year, while the residential sales are up 21% with the white goods sector growing by 10.3%.

Despite political uncertainty and TL depreciation weighing on the retailer activity, occupier activity remained relatively stable in the second quarter of 2015. Local investors continue to dominate the activity and are showing a strong appetite to improve and expand their retail portfolio. As of July 2015, 11 shopping malls with a leasable area of 351,092 m² were delivered to the market since the beginning of the year.

Istanbul office market sees rising levels of occupier activity, but this is being matched by a healthy development pipeline which is keeping headline rates stable in the most sought after locations of the central business district. Some occupiers either postponed their relocation decision or new entrants were deterred by rising uncertainty. Corporate leases were generally concentrated on office spaces under 2,500 m². On the other hand, leases of entire office buildings centered above 5,000 m².

1H 2015 FINANCIAL PERFORMANCE

Major highlights of 1H15 financial results are as follows:

Sales revenues stood at TRY 215.2 million, with 65.7% coming from rental revenues (up 16.8% LfL despite currency caps) and boosted by fully operational MOI and Torun Tower.

EBITDA came at TRY 150.9 million with 70.1% margin, supported by TRY 14.3 million dividend income and TRY 10.3 million operational forex gain (from reversal of previous period forex losses related to Torun Center hard currency off-plan office sales).

The company incurred TRY 158.5 bottom-line loss driven by TRY 259.7 million non-cash forex loss.

We witnessed robust off-plan sales of 5th Levent project at TRY 695 million and 41% of the whole project as of 14.08.2015, reinforcing our cash position.

Net debt amounted to TRY 1.8 billion with USD 612.9 million (10,3% down YtD) and Euro 177.2 million (0.8% down YtD) net short position.

The company spent TRY 155.6 million in 1H 2015 mainly on Torun Center, 5th Levent and MOI 2nd phase hotel and office projects.

Torun Center office deliveries are expected in 4Q 2015 with Pasabahce and Deepo Mall extension due to start by the end of 2015.

The company paid TRY 50 million in dividend (3% yield) on 02.06.2015 from the fiscal 2014 profit.

Ultimately, because of volatility in the global markets and upcoming snap parliamentary elections in 4Q 2015, and geo-political risks around us, we believe that maintaining a cautious stance against the macroeconomic risks is crucial.

Financial Data (000 TRY)	30 June 2015	31 December 2014	Variance %
Portfolio Value	6.817.243	6.938.584	(1,7)
Market Cap	1.715.000	1.725.000	(0,5)
Total Equity	3.748.947	3.957.423	(5,2)
Total Assets	7.380.807	7.242.477	1,9
Net Debt	1.807.554	1.777.147	1,7
(000 TRY)	June 2015	June 2014	Variance %
Sales	215.235	457.853	(53,0)
Residence and Office Sales	40.411	372.407	(89,1)
Mall and Office Rental	141.603	65.886	114,9
EBITDA	150.971	283.386	(46,7)

Net Profit	(158.537)	271.085	NM
-------------------	-----------	---------	----