

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION
OF THE REVIEW REPORT AND CONDENSED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2018**

(ORIGINALLY ISSUED IN TURKISH)

**(CONVENIENCE TRANSLATION OF THE REPORT ON REVIEW OF CONDENSED
INTERIM FINANCIAL INFORMATION ORIGINALLY ISSUED IN TURKISH)**

**REPORT ON REVIEW OF CONDENSED INTERIM
FINANCIAL INFORMATION**

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

Introduction

We have reviewed the accompanying condensed statement of financial position of Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. (“the Company”) as of 30 June 2018 and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with Turkish Accounting Standards 34 “Interim Financial Reporting” (“TAS 34”). 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 accompanying interim financial information is not prepared, in all material respects, in accordance with TAS 34 “Interim Financial Reporting”.

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

Okan Öz, SMMM
Partner

İstanbul, 9 August 2018

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2018 AND 31 DECEMBER 2017

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

		<i>Reviewed</i> 30 June 2018	<i>Audited</i> 31 December 2017
	Notes		
ASSETS			
Current assets		20,492,200	18,796,338
Cash and cash equivalents	4	1,489,956	897,501
Financial investments	5	133,525	186,274
Trade receivables	7	2,074,101	1,752,257
<i>Trade receivables due from related parties</i>	20	8,323	8,239
<i>Trade receivables due from third parties</i>		2,065,778	1,744,018
Other receivables	8	1,207,512	1,180,466
<i>Other receivables due from third parties</i>		1,207,512	1,180,466
Inventories	9	14,199,700	13,646,631
Prepaid expenses	14	1,220,158	986,501
Other current assets	13	167,248	146,708
Non-current assets		1,887,114	1,827,322
Trade receivables	7	1,432,930	1,686,645
<i>Trade receivables due from third parties</i>		1,432,930	1,686,645
Other receivables	8	1,008	988
Investment property		303,922	57,283
Property, plant and equipment	10	65,003	66,858
Intangible assets		2,343	2,911
Other non-current assets	13	81,908	12,637
Total assets		22,379,314	20,623,660

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2018 AND 31 DECEMBER 2017**

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

		<i>Reviewed</i> 30 June 2018	<i>Audited</i> 31 December 2017
	Notes		
LIABILITIES AND EQUITY			
Current liabilities		7,030,718	6,083,525
Current portion of non-current borrowings	6	773,040	482,364
Trade payables	7	2,038,532	1,266,648
<i>Trade payables due to related parties</i>	20	832,853	744,713
<i>Trade payables due to third parties</i>		1,205,679	521,935
Other payables	8	568,484	554,767
Deferred income	14	3,597,715	3,728,717
<i>Deferred income from related parties</i>	20	64,732	64,732
<i>Deferred income from third parties</i>		3,532,983	3,663,985
Current provisions		52,947	51,029
<i>Current provisions for employee benefits</i>		4,649	4,113
<i>Other current provisions</i>	12	48,298	46,916
Non-current liabilities		2,400,856	2,074,616
Long term borrowings	6	2,120,131	1,932,308
Trade payables		211,056	95,666
Other payables		59,523	37,306
Deferred income		3,174	3,174
Long term provisions		6,972	6,162
<i>Long term provisions for employee benefits</i>		6,972	6,162
Shareholders' equity		12,947,740	12,465,519
Paid-in capital	15	3,800,000	3,800,000
Treasury shares (-)		(284,480)	(284,480)
Share premium		2,366,895	2,378,513
Other comprehensive income / expense not to be reclassified to profit or loss		(42)	(42)
- <i>Gain/(loss) on remeasurement of employee benefits</i>		(42)	(42)
Restricted reserves		662,853	511,347
Retained earnings		5,271,709	4,304,087
Net profit for the period		1,130,805	1,756,094
Total liabilities and equity		22,379,314	20,623,660

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

INTERIM CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2018 AND 2017

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

		<i>Reviewed</i>	<i>Not</i>	<i>Reviewed</i>	<i>Not</i>
	<i>Notes</i>	<i>1 January- 30 June 2018</i>	<i>Reviewed 1 April- 30 June 2018</i>	<i>1 January- 30 June 2017</i>	<i>Reviewed 1 April- 30 June 2017</i>
Profit or loss					
Revenue	16	2,304,082	868,700	1,367,485	533,393
Cost of sales (-)	16	(1,032,386)	(495,340)	(570,979)	(185,828)
Gross profit		1,271,696	373,360	796,506	347,565
General administrative expenses (-)	17	(105,332)	(64,917)	(71,228)	(39,773)
Marketing expenses (-)	17	(27,878)	(14,162)	(31,517)	(12,557)
Other income from operating activities	18	299,509	137,544	208,961	99,964
Other expenses from operating activities (-)	18	(78,886)	(46,169)	(87,225)	(20,431)
Operating profit		1,359,109	385,656	815,497	374,768
Income from investing activities		435	353	1,760	399
Operating profit before financial income / (expense)		1,359,544	386,009	817,257	375,167
Financial income	19	57,325	36,679	46,419	33,156
Financial expenses (-)	19	(286,064)	(159,142)	(237,832)	(102,175)
Profit for the income		1,130,805	263,546	625,844	306,148
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		1,130,805	263,546	625,844	306,148
Earnings per share (in full TL)		0.0031	0.0007	0.0017	0.0008

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2018 AND 2017

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

	Share capital	Treasury shares (-)	Share premium	Restricted reserves	Other Comprehensive Income and Expense not to be Reclassified to Profit or Loss	Retained Earnings		Total equity
					Gain/Loss on remeasurement of employee benefits	Retained earnings	Net income for the period	
1 January 2017	3,800,000	(262,857)	2,378,513	423,295	(897)	2,630,863	1,761,276	10,730,193
Transfers	-	-	-	-	-	1,761,276	(1,761,276)	-
Total comprehensive income	-	-	-	-	-	-	625,844	625,844
30 June 2017	3,800,000	(262,857)	2,378,513	423,295	(897)	4,392,139	625,844	11,356,037
1 January 2018 (Previously Reported)	3,800,000	(284,480)	2,378,513	511,347	(42)	4,304,087	1,756,094	12,465,519
Accounting policy change effect (Note 3)	-	-	-	-	-	(4,142)	-	(4,142)
1 January 2018 (Restated)	3,800,000	(284,480)	2,378,513	511,347	(42)	4,299,945	1,756,094	12,461,377
Transfers	-	-	(11,618)	151,506	-	1,616,206	(1,756,094)	-
Dividend payment (Note: 15) (*)	-	-	-	-	-	(644,442)	-	(644,442)
Total comprehensive income	-	-	-	-	-	-	1,130,805	1,130,805
30 June 2018	3,800,000	(284,480)	2,366,895	662,853	(42)	5,271,709	1,130,805	12,947,740

(*) At the Ordinary General Assembly Meeting held on 28 March 2018, the decision on distributing cash dividend of 666.976 TL (31 March 2017: None) is approved. As of 30 March 2018, the Company has own 3,38% shares with a nominal value of 1 TL, is shown by netting off dividend to be distributed. Dividend payment was made on 30 May 2018.

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

INTERIM CONDENSED STATEMENTS OF CASH FLOWS FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2018 AND 2017

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

	Notes	1 January- 30 June 2018	1 January- 30 June 2017
Cash flows from operating activities			
Profit for the year		1,130,805	625,844
Adjustments to reconcile net profit			
Depreciation and amortization expenses	17	3,172	3,447
Adjustments for impairments		40,779	21,510
<i>Adjustments for impairment loss (reversal of impairment loss) of inventories</i>	9	15,542	21,510
<i>Adjustments for impairment loss (reversal of impairment loss) of investment properties</i>	18	25,237	-
Changes in provisions		8,237	(97,950)
<i>Adjustments for (reversal of) provisions related with employee benefits</i>		1,347	(1,923)
<i>Adjustments for (reversal of) lawsuit and/or penalty provisions</i>	12	1,382	(41,181)
<i>Adjustments for (reversal of) possible risks of cash and cash equivalents</i>		5,508	-
<i>Adjustments for (reversal of) other provisions</i>		-	(54,846)
Adjustments for interest (income) expenses		(20,961)	50,397
<i>Adjustments for interest income</i>	18.19	(306,778)	(187,288)
<i>Adjustments for interest expense</i>	19	285,817	237,685
Changes in net working capital		1,162,032	603,248
Adjustments for decrease (increase) in trade accounts receivable		(243,431)	(512,503)
<i>Decrease (increase) in trade accounts receivables from related parties</i>	20	(84)	7,391
<i>Decrease (Increase) in trade accounts receivables from third parties</i>		(243,347)	(519,894)
Adjustments for decrease (increase) in inventories		(368,284)	(787,739)
Adjustments for increase (decrease) in trade accounts payable		347,557	(1,658,075)
<i>Increase (decrease) in trade payables to related parties</i>		20,626	(2,034,859)
<i>Increase (decrease) in trade payables to third parties</i>		326,931	376,784
Adjustments for (decrease) in other operating receivables		(81,353)	(143,112)
Adjustments for increase (decrease) in other operating payables		(8,177)	516,299
Other adjustments for other increase (decrease) in working capital		(64,688)	246,959
Net cash flow from operating activities			
Interest received		89,484	74,713
Payments related with provisions for employee benefits		-	(9)
Income taxes paid		(86,776)	(32,200)
Cash flows from operating activities		746,364	(1,692,419)
Cash flows from investing activities			
Purchases of investment properties, tangible and intangible assets		(749)	(3,442)
Interest received		435	1,760
Purchases of financial assets		(7,000)	(4,831)
Returns of financial assets		13,116	128,374
Other inflows (outflows) of cash		46,629	(144,704)
Cash flow from investing activities		52,431	(22,843)
Cash flow from financing activities			
Proceeds from borrowings		610,000	1,379,963
<i>Proceeds from loans</i>		610,000	1,379,963
Repayments of borrowings, classified as financing activities		(154,595)	(110,000)
<i>Loan repayments</i>		(154,595)	(110,000)
Interest paid		(138,646)	(59,422)
Dividends Paid	15	(644,442)	-
Interest received	19	57,313	33,004
Other inflows (outflows) of cash		(117)	(305)
Cash flow from financing activities		(270,487)	1,243,240
Net Increase (decrease) in cash and cash equivalents		528,308	(472,022)
Cash and cash equivalents at the beginning of the year	4	385,081	985,315
Cash and cash equivalents at the end of the year	4	913,389	513,293

The Company has booked provision for impairment of TL 9.650 of cash and cash equivalents in accordance with TFRS 9 on its financial statements in the direction of expected credit losses.

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

NOTE 1 – ORGANIZATION AND OPERATION OF THE COMPANY

Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. ("Emlak Konut GYO" or the "Company") was established on 26 December 1990 as a subsidiary of Türkiye Emlak Bankası A.Ş. The Company is governed by its articles of association, and is also subject to the terms of the decree law about Public Finances Enterprises No. 233, in accordance with the statute of Türkiye Emlak Bankası A.Ş. The Company has been registered and started its activities on 6 March 1991. The Company's articles of association were revised on 19 May 2001 and it became an entity subject to the Turkish Commercial Code No. 4603.

The Company was transformed into a Real Estate Investment Company with Senior Planning Committee Decree No. 99/T-29, dated 4 August 1999, and according to Statutory Decree No. 588, dated 29 December 1999. According to Permission No. 298, dated 20 June 2002, granted by the Capital Markets Board ("CMB") regarding transformation of the Company into a Real Estate Investment Company and permission No. 5320, dated 25 June 2002, from the Republic of Turkey Ministry of Industry and Trade and amendment draft for the articles of association of the Company was submitted for the approval of the Board and the amendment draft was approved at the Ordinary General Shareholders Committee meeting of the Company convened on 22 July 2002, changing the articles of association accordingly.

The articles of association of the Company were certified by Istanbul Trade Registry Office on 29 July 2002 and entered into force after being published in Trade Registry Gazette dated 1 August 2002. As the result of the General Shareholders committee meeting of the Company convened on 28 February 2006, the title of the Company Emlak Gayrimenkul Yatırım Ortaklığı A.Ş. was changed to Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş.

By the decision of the Board of Directors of Istanbul Stock Exchange Market on 26 November 2010, 25% portion of the Company's class B shares with a nominal value of TL 625,000 has been trading on the stock exchange since 2 December 2010.

The registered address of the Company is as follows:

Barbaros Mah. Mor Sümbül Sok. No: 7/2 B (Batı Ataşehir) Ataşehir – İstanbul.

The objective and operating activity of the Company is coordinating and executing Real Estate Property Projects mostly housing, besides, commercial units, educational units, social facilities, and all related aspects, controlling and building audit services of the ongoing projects, marketing and selling the finished housing. Due to statutory obligation to be in compliance with the Real Estate Investment Companies decrees and related CMB communiqués, The Company cannot be a part of construction business, but only can organize it by auctioning between the contractors.

The financial statements at 30 June 2018 have been approved by the Board of Directors on 9 August 2018. The General Assembly of the Company has the power to amend these financial statements.

The ultimate parent and ultimate controlling party of the company is T.C. Toplu Konut İdaresi Başkanlığı (the Housing Development Administration of Turkey, "TOKİ"). TOKİ is a state institution under the control of T.C. Ministry of Environment and Urbanisation.

An "Ordinary Partnership" is formed between Dap Yapı İnşaat San. And Tic. Inc. 59,7% - Eltes İnşaat Tes. San. Tic. A.Ş. 0,3% and "the Company" which has 40% shares. Within the scope of "Istanbul Kartal LSRSA Project" structure has been established for the sale of a shopping center with an area of 51.000 m2 in the Istmarina project which is completed and ready to be sold to the rent and to manage the financial transactions of the shopping center. The related ordinary partnership is not included in the consolidation as of the reporting period, by reason of the financial statements are not affected significantly.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Preparation

The condensed interim financial statements of the Company have been prepared in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”) (hereinafter will be referred to as “the CMB Accounting Standards”) on 13 June 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Accounting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards (“TAS/TFRS”) and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority (“POA”).

The Company prepared its condensed interim financial statements for the period ended 30 June 2018 in accordance with the Communiqué and announcements regarding this Communiqué, in accordance with TAS 34, “Interim Financial Reporting”. In this respect, the Company has preferred to prepare condensed interim financial statements in the interim periods and prepared the mentioned condensed interim financial statements in compliance with CMB Accounting Standards. The condensed interim financial statements and the related notes to them are presented in accordance with the declaration dated 7 June 2013 and with the formats required by the CMB.

The Companies are free to prepare their interim financial statements as full or condensed in accordance with TAS 34. In this context, the Company choice to prepare its interim financial statements as condensed.

The Company maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. These condensed interim financial statements in Turkish Lira (“TRY”) based on the historical cost convention except for the financial assets and liabilities which are expressed with their fair value. The condensed interim financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Accounting Standards of the POA.

Accounting for the effects of hyperinflation

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards the application of inflation accounting is no longer required. Accordingly, the Company did not apply IAS 29 “Financial Reporting in Hyperinflationary Economies” issued by IASB in its financial statements for the accounting periods starting 1 January 2005.

Functional and presentation currency

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Preparation (Continued)

Offsetting

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

Going concern

The Company’s financial statements are prepared under the going concern assumption.

2.2 Conformity with the Portfolio Limitations

The information presented in Additional Note of this report, regarding control of conformity with the portfolio limitations, is a summary information extracted from financial statements in accordance with Article 16 of Communiqué No: II-14.1, “Principles of Financial Reporting in Capital Markets” and is prepared in accordance with the provisions of the control of portfolio limitations of Communiqué No: III-48.1, “Principles Regarding Real Estate Investment Companies”

NOTE 3 – ACCOUNTING POLICIES

Interim condensed financial statements for the period ended 30 June 2018, have been prepared in accordance with TMS 34 for the preparation of interim condensed financial statements of TFRS. In addition, the interim condensed financial statements of the period ending on 30 June 2018 were prepared by applying accounting policies consistent with the accounting policies applied during the preparation of condensed financial statements for the year ended 31 December 2017. Therefore, these interim financial statements should be evaluated together with the condensed financial statements for the year ended 31 December 2017.

3.1 New and Revised Turkish Accounting Standards

a) Amendments to TFRSs that are mandatorily effective for the current year

TFRS 9	<i>Financial Instruments</i>
TFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to TFRS 2	<i>Classification and Measurement of Share-Based Payment Transactions</i>
TFRS Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to TAS 40	<i>Transfers of Investment Property</i>
Annual Improvements to TFRS Standards 2014–2016 Cycle	<i>TFRS 1 , TAS 28</i>

TFRS 9 *Financial Instruments*

TFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2018**

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

NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Accounting Standards (Continued)

a) Amendments to TFRSs that are mandatorily effective for the current year (Continued)

Key requirements of TFRS 9:

- all recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, TFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under TAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, TFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under TAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under TFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2018**

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

NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Accounting Standards (Continued)

a) Amendments to TFRSs that are mandatorily effective for the current year (Continued)

TFRS 15 Revenue from Contracts with Customers

TFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. TFRS 15 will supersede the current revenue recognition guidance including TAS 18 *Revenue*, TAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of TFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under TFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in TFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by TFRS 15.

Later on *Clarifications to TFRS 15* in relation to the identification of performance obligations, principal versus agent considerations were issued, as well as licensing application guidance.

Amendments to TFRS 10 and TAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Amendments to TFRS 10 and TAS 28 have no impact on Company’s financial statements.

Amendments to TFRS 2 Classification and Measurement of Share-Based Payment Transactions

The amendments clarify the standard in respect of the share-based payment arrangement has a ‘net settlement feature’, such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

Amendments to TFRS 2 have no impact on the Company’s financial statements.

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

NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Accounting Standards (Continued)

a) Amendments to TFRSs that are mandatorily effective for the current year (Continued)

IFRS Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

IFRS Interpretation 22 has no impact on the Company’s financial statements.

Amendments to TAS 40 *Transfers of Investment Property*

The amendments to TAS 40:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

Amendments to TAS 40 have no impact on the Company’s financial statements.

Annual Improvements to IFRS Standards 2014–2016 Cycle

- **IFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
- **TAS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Annual improvements to IFRS Standards 2014-2016 cycle have no impact on the Company’s financial statements.

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NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Accounting Standards (Continued)

b) New and revised TFRSs in issue but not yet effective

The Company has not applied the following new and revised TFRSs that have been issued but are not yet effective:

TFRS 16	<i>Leases</i> ¹
Amendments to TAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
Amendments to TFRS 23	<i>Uncertainty over Income Tax Treatments</i>

¹ Effective for annual periods beginning on or after 1 January 2019.

TFRS 16 *Leases*

TFRS 16 specifies how a TAS reporter will recognise, measure, present and disclose leases and supersedes TAS 17 “Leases”. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with TFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, TAS 17.

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.

The Company evaluates the effects of these standards, amendments and improvements on the financial statements.

3.2 Changes in accounting policies

This note explains the impact of the adoption of TFRS 9 Financial Instruments, TFRS 15 Revenue from Contracts with Customers and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

a) **The change in accounting policies of impact on the Company’s condensed interim financial statements**

The application of changing accounting policies for the first time has no significant effect on the Company's financial statements.

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NOTE 3 – ACCOUNTING POLICIES (Continued)

3.2 Changes in accounting policies (Continued)

b) TFRS 9 Financial instruments

Transition to TFRS 9 “Financial Instruments”

The Company has applied TFRS 9 “Financial Instruments”, which has replaced TMS 39 on the transition date, 1 January 2018. The amendments include the classification and measurement of financial assets and liabilities and the expected credit risk model which will replace incurred credit risk model. Effect of transition is accounted based on the simplified approach. In accordance with this method, the Company recorded the cumulative effect related to the transition of TFRS 9 in retained earnings on the first application date. Therefore, prior year financial statements are not restated and these financial statements are presented in accordance with TMS 39.

Financial assets	Original classification under TMS 39	New classification under TFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Financial assets	Available for sale financial assets	Fair value through other comprehensive income

Financial liabilities	Original classification under TMS 39	New classification under TFRS 9
Borrowings	Amortized cost	Amortized cost
Factoring liabilities	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost

Impact on the Financial Statement

TFRS 9 replaces the provisions of TAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of TFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 3(c) below. In accordance with the transitional provisions in TFRS 9, comparative figures have not been restated.

The total impact on the Company’s retained earnings as at 1 January 2018 is as follows:

Retained Earnings – 31 December 2017	4,304,087
Impact on the retain earnings according to TFRS 9	(4,142)
Retain earnings - 1 January 2018	4,299,945

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

NOTE 3 – ACCOUNTING POLICIES (Continued)

3.2 Changes in accounting policies (Continued)

Classification and measurement – Financial assets

On 1 January 2018 (the date of initial application of TFRS 9), the Company’s management has assessed which business models apply to the financial assets held by the Company

- Treasury bonds and bills as held-to-maturity investments as disclosed in Note 5: These are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortized cost upon the application of TFRS 9.
- Trade and other receivables measured at amortized cost as disclosed in Note 7: These are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be measured at amortized cost upon the application of TFRS 9. All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under TAS 39.

3.3 Significant accounting policies – TFRS 9 Financial Instruments

Impairment – Financial assets and contract assets

TFRS 9 replaces the ‘incurred loss’ model in TAS 39 with a forward looking ‘expected credit loss’ (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under TFRS 9, loss allowances will be measured on either the following bases.

- 12 month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12 month ECL measurement applies if it has not.

An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing component. The Company will apply lifetime ECL measurement.

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

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

3.3 Significant accounting policies - TFRS 15 Revenue Recognition

Company recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

Company recognizes revenue based on the following main principles:

- (a) Identification of customer contracts
- (b) Identification of performance obligations
- (c) Determination of transaction price in the contract
- (d) Allocation of price to performance obligations
- (e) Recognition of revenue when the performance obligations are fulfilled

1. *Sale of vacant land and plots*

Revenue is recognised, when all the significant risks and rewards of the vacant land and plots are transferred to the buyer and the amount of revenue can be measured reliably.

2. *Sale of residential units produced by Turnkey projects*

Revenue is recognised when all significant risks and rewards regarding the completed residential units are transferred to the customers and the amount of revenue is measured reliably.

3. *Sale of land and plots by way of LSRSA*

The Company recognizes the revenue for the sale of land by way of LSRSA when the transfer of title deed, which means the legal ownership of land, is transferred to the buyer, the construction company, which in return passes the ownership of such land to the buyers of the residential and commercial units sold. When the title deed is not transferred, the Company follows-up its revenue share in the deferred revenue (Note 14) and the share of the construction entity as a liability to contractors under LSRSA (Note 7). The Company’s share in the Total Sales Revenue (“TSR”) is recorded as revenue from sale of land and the related cost of land is recognised as cost of land sold in the comprehensive income statement (Note 16).

Company recognized revenue from its customers only when all of the following criteria are met:

- (a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- (b) Company can identify each party’s rights regarding the goods or services to be transferred
- (c) Company can identify the payment terms for the goods or services to be transferred;
- (d) The contract has commercial substance,
- (e) It is probable that Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer’s ability and intention to pay that amount of consideration when it is due.

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3.3 Significant accounting policies - TFRS 15 Revenue Recognition (Continued)

Company determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. Company delivers the control of services related to the sale of extended warranty over time and it fulfills the performance obligation of extended warranty over time. Therefore, Company measures the delivery status of its performance obligation and recognize revenue in the financial statements accordingly. recognizes revenue from the sale of goods in the financial statements when the control of the good is transferred to the customer.

When another party is involved in providing goods or services to a customer, the Company determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for the other party to provide those goods or services. The company is a principal if it controls a promised good or service before the company transfers the good or service to a customer. When a company that is a principal satisfies a performance obligation, it recognizes as revenue the gross amount of consideration which it expects to be entitled to in exchange for those goods or services. The company is an agent if its performance obligation is to arrange for the provision of goods or services by another party.

Company recognizes revenue when it has right to collect the consideration which is equal to the price of performance obligation fulfilled by the perspective of customer (after the delivery of goods) in an amount of its right to invoice. Company expects that the difference between the timing of the transfer of goods of services determined at the beginning of the contact and the timing of the collection of transaction price by the customer does not differ more than one year and therefore transaction price does not contain a significant finance component.

Transaction price varies due to favors like discounts and rebates provided to the customers. Transaction price is determined based on the most likely amount method since Company provides bonus premium to its customers if the customers achieves the limit of sale.

Company recognizes a refund liability in the financial statements if the entity receives consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received (or receivable) for which the entity does not expect to be entitled. The refund liability is updated at the end of each reporting period for changes in circumstances.

3.4 Comparative information and revision of prior period financial statements

The Company classified CPI income accrual amount under the other current assets in previous periods. The company reassessed and decide to present CPI accruals under the trade receivables. As of 31 December 2017, TL 70,568 CPI accruals which are classified in other current assets, are reclassified as trade receivables.

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NOTE 4 – CASH AND CASH EQUIVALENTS

	30 June 2018	31 December 2017
Cash on hand	30	-
Banks	1,489,926	897,501
- Demand deposit	242,686	191,479
- Time deposits up to 3 months maturity	1,247,240	706,022
	1,489,956	897,501

Maturities of cash and cash equivalents are as follows:

	30 June 2018	31 December 2017
Demand	242,686	191,479
Up to 3 month	1,247,240	706,022
Less: Blocked deposits with maturities less than 3 months	(33,650)	(30,977)
	1,456,276	866,524

Average effective interest rates of in TL time deposits are as follows:

	30 June 2018	31 December 2017
	(%)	(%)
	15.96%	10.41%

The calculation of cash and cash equivalents of the Company for the use in statements of cash flows is as follows:

	30 June 2018	31 December 2017
Cash and cash equivalents	1,489,956	897,501
Less: Interest accruals	(11,390)	(2,707)
Less: LSRSA project deposits (*)	(286,263)	(237,198)
Less: TOKİ deposits (**)	(270,799)	(255,176)
Less: Blocked deposits	(17,765)	(17,339)
Add: TFRS 9 impact	9,650	-
	913,389	385,081

(*) The contractors’ portion of the residential unit sales in accordance with the related agreements, realized from the ongoing LSRSA projects is deposited in time deposit bank accounts that are opened for the related LSRSA projects. The Company has the authority to control these accounts TL 286,263 (31 December 2017: TL 237,198) part of the total project amount deposits TL 15,885 (31 December 2017: TL 13,638) comprises of blocked deposits.

(**) According to the protocols signed with TOKİ regarding to land purchases, the cost of lands purchased from TOKİ is kept in time deposit accounts of Emlak Konut in the name of TOKİ, until the payment date determined by TOKİ. All of this accumulated interest income on time deposits will be paid to TOKİ.

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

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NOTE 5 - FINANCIAL INVESTMENTS

Financial investments	30 June 2018	31 December 2017
Blocked deposits more than 3 months maturity (**)	119,108	165,741
Bond	2,400	8,266
Special issue government bonds (*)	12,017	12,267
	133,525	186,274

(*) The Republic of Turkey, Undersecretaries of Treasury (“Turkish Treasury”) issues special Domestic Government Debt securities in the name of the Company to make the HAS payments on behalf of Turkish Treasury. In 2010, special Domestic Government Debt securities amounted to TL 429,617 has been issued to the Company. The Bonds are redeemed partially and early readapted and the amount is transferred to the Company’s accounts when the HAS lists are specified (Note 8). These government bonds are non-interest bearing and are not subject to sale on secondary market therefore the fair values are also their nominal values.

(**) In order to provide low interest rate financing to customers who want to buy home from the projects developed by the company, the aim is to keep the loan amounts used by the customers as blocked deposits in the bank. The relevant amounts are ready for the use of the company in the specified period. The contractor portion of blocked deposits in the bank accounts which opened in the name of the related project and more than 3 months maturity, is TL 59,605 (31 December 2017: TL 80,748) while the company portion of the blocked shares is TL 59,503 (31 December 2017: TL 84,993).

The Company acquired bonds amounting to 2,400 TL as of 30 June 2018 (31 December 2017: 8,266 TL) from free market. These bonds are measured at fair value. The fair value of these bonds are calculated by using the effective interest rates quarterly. Average effective interest rate of financial assets at 30 June 2018 is 14.09 % (31 December 2017: 12.92%). As of 30 June 2018, average term of the treasure bills changes between three and six months (31 December 2017: changes between three and six months).

NOTE 6 - FINANCIAL LIABILITIES

	30 June 2018	31 December 2017
Short-term financial liabilities		
Short-term portion of long-term borrowings	773,040	482,364
	773,040	482,364
Long-term financial liabilities	30 June 2018	31 December 2017
Long-term borrowings	2,120,131	1,932,308
	2,120,131	1,932,308

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

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

The weighted average interest rate of the borrowing as at 30 June 2018 is 14.84% (31 December 2017: 14.75 %).

The redemption schedules of the borrowings at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	31 December 2017
2019	484,743	746,154
2020	970,618	746,154
2021	617,078	440,000
2022	47,692	-
	2,120,131	1,932,308

The allocation of interest rate sensitivity of financial liabilities according to their repricing dates is as follows:

	30 June 2018	31 December 2017
Less than 3 months	106,048	47,692
Between 3 - 12 months	666,992	434,672
Between 1 - 5 years	2,120,131	1,932,308
	2,893,171	2,414,672

It is anticipated that the long-term borrowings with the floating rates reflect the fair values of the borrowings.

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	30 June 2018	31 December 2017
Short-term trade receivables		
Receivables from LS RSA contractors invoiced	1,315,361	951,881
Receivables from sale of residential and commercial units	687,970	792,099
Assigned receivables from sale of residential and commercial units (*)	44,958	-
Receivables from land sales	24,779	11,289
Receivables from related parties (Note 20)	8,323	8,239
Rent receivables	1,283	1,572
Other	2,287	2,429
Unearned finance income	(10,860)	(15,252)
	2,074,101	1,752,257
Doubtful receivables	1,837	1,837
Less: Provision for doubtful receivables	(1,837)	(1,837)
	2,074,101	1,752,257

(*)The Company has assigned a certain portion of its receivables arising from instalment sales that it has realized as "irrevocable". This amount comprises of the receivables from the receivables financing company.

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

	30 June 2018	31 December 2017
Long-term trade receivables		
Receivables from sale of residential and commercial units	1,655,435	1,944,998
Unearned finance income	(222,505)	(258,353)
	1,432,930	1,686,645

	30 June 2018	31 December 2017
Short-term trade payables		
Payables to related parties (Note 20)	832,853	744,713
Payables to LSRSA contractors invoiced	470,552	314,001
Trade payables	722,321	195,211
Time deposit interest accruals from LSRSA contractors invoiced (*)	12,806	12,723
	2,038,532	1,266,648

(*) The contractors’ portion of the residential unit sales as defined in the agreement which gained from ongoing LSRSA projects is deposited in the time deposit bank accounts under control of the Company within the related LSRSA projects.

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

	30 June 2018	31 December 2017
Short-term other receivables		
Receivables from contractors	808,290	783,205
Housing Acquisition Support (“HAS”) related receivables from Turkish Treasury	390,768	390,771
Receivables from the authorities	7,801	6,360
Other	653	130
	1,207,512	1,180,466

	30 June 2018	31 December 2017
Long-term other receivables		
Deposits and guarantees given	1,008	988
	1,008	988

	30 June 2018	31 December 2017
Short term other payables		
Payable to HAS beneficiaries	402,898	403,013
Payable to contractors (*)	88,752	88,752
Taxes and funds payable	13,254	10,187
Other	63,580	52,815
	568,484	554,767

(*) The amount includes the unissued invoice by the contractor amount of TL 88,752 regarding to the units received as a result of revenue allocation at İzmir Mavisehir Phase 3 project, where the contractor filed a lawsuit regarding the revenue sharing percentages (31 December 2017: TL 88,752).

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NOTE 8 - OTHER RECEIVABLES AND PAYABLES (Continued)

As of 30 June 2018, other long-term payables comprises of deposits and guarantees received.

The movements of the payments either from Company’s shareholder’s equity to HAS beneficiaries and the detail of HAS payments and HAS receivables and payables related to Treasury Support as of for 30 June 2018 and 2017 are shown below:

	1 January 2018	Additions within the period	Disposals	30 June 2018
Treasury support share				
Receivable from Treasury	390,771	-	(3)	390,768
Special purpose government Bond (Note 5)	12,267	-	(250)	12,017
Cash generated from government bond redemption	(25)	252	(114)	113
Total consideration received or receivable from Treasury	403,013			402,898
Payable to HAS beneficiaries	(403,013)			(402,898)

	1 January 2017	Additions within the period	Disposals	30 June 2017
Treasury support share				
Receivable from Treasury	390,780	2	(8)	390,774
Special purpose government Bond	12,517	-	(250)	12,267
Cash generated from government bond redemption	150	258	(192)	216
Total consideration received or receivable from Treasury	403,447			403,257
Payable to HAS beneficiaries	(403,447)			(403,257)

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

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NOTE 9 -INVENTORIES

	30 June 2018	31 December 2017
Lands	3,009,042	4,022,623
<i>Cost</i>	3,031,312	4,033,188
<i>Impairment</i>	(22,270)	(10,565)
Planned land by LSRSA	7,313,733	6,362,982
Planned land by turnkey project	3,160,964	2,433,661
Residential and commercial units ready for sale	715,961	827,365
<i>Cost</i>	731,062	838,629
<i>Impairment</i>	(15,101)	(11,264)
	14,199,700	13,646,631

As of 31 December 2017, independent valuation reports prepared by Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. ve Yetkin Gayrimenkul Değerleme ve Danışmanlık A.Ş. are taken into consideration in order to calculate the fair value and impairment loss, if any, on land units and commercial units ready for sale.

The movement of the impairment on land and residential unit inventories is as follows:

	2018	2017
Balance at 1 January	21,829	18,808
Impairment charge for the period	42,857	30,990
Reversal of impairment	(27,315)	(9,480)
Balance at 30 June	37,371	40,318

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

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NOTE 9 - INVENTORIES (Continued)

The details of land and residential stocks of the company are shown below as of 30 June 2018 and 31 December 2017:

Lands	30 June 2018	31 December 2017
İstanbul Küçükçekmece Lands	1,462,913	1,341,390
İstanbul Bakırköy Lands	445,004	685,406
İstanbul Başakşehir Lands	373,169	352,243
İstanbul Tuzla Lands	205,917	205,917
İstanbul Arnavutköy Lands	147,667	333,309
İstanbul Kartal Lands	133,878	133,878
Samsun Canik Lands	94,265	94,265
İstanbul Ataşehir Lands	40,136	40,136
İstanbul Esenyurt Lands	39,178	49,588
Ankara Çankaya Lands	17,202	46,042
İzmir Konak Umurbey Lands	12,966	-
Kocaeli Gebze Lands	12,363	7,839
İstanbul İstinye Lands	7,734	7,734
Tekirdağ Çorlu Lands	5,227	6,153
Maltepe Küçükyalı Lands	3,010	3,010
Tekirdağ Kapaklı Lands	1,862	6,210
İstanbul Umraniye Lands	1,844	1,844
Kocaeli Tütünçiftliği Lands	1,528	1,528
İstanbul Zekeriyaköy Lands	677	677
İstanbul Çekmeköy Lands	-	247,830
İstanbul Şişli Lands	-	455,122
İstanbul Şile Lands	2,441	2,441
Other	61	61
	3,009,042	4,022,623

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

NOTE 9 - INVENTORIES (Continued)

Planned lands by LSRSA	30 June 2018	31 December 2017
Nidapark İstinye Project	993,433	994,512
Nidapark Kucukyali Project	677,715	678,835
Büyükyali Project	656,802	656,805
Merkez Ankara Project	634,550	639,672
Nişantaşı Project	455,344	-
Bizim 2.Mahalle Project	434,877	486,288
Zeytinburnu Beştelsiz Project	408,029	407,730
Florya Şenlik Mahallesi Project	363,097	-
Beykoz Riva Project	352,492	-
İstanbul Çekmeköy Taşdelen Project	254,114	-
Nidapark Kayasehir Project	197,924	179,903
Antalya Muratpaşa Project	197,916	194,435
Köy Project	161,681	225,564
Validebağ Konakları Project	153,764	153,775
Avangart İstanbul Project	120,077	120,077
Tual Bahçekent Project	118,929	105,104
Koordinat Çayyolu Project	97,138	97,138
Tual Adalar Project	90,842	91,079
Temaşehir Konya Project	86,704	86,704
Evvel İstanbul Project	81,166	72,590
Avrupark Project	80,798	71,818
Evora Denizli Project	76,256	77,197
Kocaeli Derince Project	70,360	70,360
Cer İstanbul Project	67,520	67,520
Karat 34 Project	67,480	67,438
Ebruli İspartakule Project	58,105	57,817
Avrupark Hayat Project	54,056	48,665
Semt Bahçekent Project	50,574	45,413
İspartakule 6. Etap Project	47,979	47,979
Yeniköy Konakları İstanbul Project	45,368	45,475
Maslak 1453 Project	35,469	35,469
Çankaya Oran Project	33,079	-
Ofis Karat Bakırköy Project	30,605	30,919
Tuzla İçmeler Project	20,016	20,016
İstmarina Project	26,719	194,406
Şile Çavuş Project	8,617	9,813
Ankara Saraçoğlu Project	2,442	-
Göl Panorama Project	-	13,720
Avrupa Konutları Başakşehir Project	-	126,977
Other	1,696	141,769
	7,313,733	6,362,982

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

NOTE 9 - INVENTORIES (Continued)

Planned lands by turnkey project	30 June 2018	31 December 2017
Ayazma Emlak Konutları Project	577,366	431,551
Başkent Emlak Konutları Project	451,090	470,380
Ispartakule 1. Etap 1. Kısım Project	326,552	265,455
Kuzey Yakası Project	337,301	227,941
Gebze Emlak Konutları	382,314	211,815
Ispartakule 1. Etap 2. Kısım Project	293,543	223,584
Nevşehir Emlak Konutları Project	193,902	163,996
Körfezkent 4. Etap Project	185,346	126,008
Ankara Başkent Project	181,523	-
Başakşehir Ayazma 2. Etap Project	106,321	108,261
Niğde Emlak Konutları	99,697	64,486
Kocaeli Körfezkent Commercial Units	26,009	11,262
Emlak Konut Başakşehir Evleri 2. Etap Project	-	128,922
	3,160,964	2,433,661

Completed units	30 June 2018	31 December 2017
Sarphan Finanspark Project	228,887	231,042
Maslak 1453 Project	167,224	168,335
Metropol İstanbul Project	100,467	141,096
Batışehir Project	34,108	41,631
Başakşehir Emlak Konutları 2. Etap	32,802	-
Esenler Emlak Konutları	30,885	138,828
Nidakule Ataşehir Project	30,862	30,862
Bahçekent Emlak Konutları 1.Etap 3.Kısım	10,405	11,616
Dumankaya Mıks Project	23,889	24,866
Unikonut Project	23,181	23,435
Bahçekent Flora Evleri	16,991	-
Başakşehir Emlak Konutları 1. Etap 2.Kısım	4,345	4,345
Bulvar İstanbul Project	3,962	3,917
Park Yaşam Mavişehir Evleri	2,143	1,739
Kocaeli Körfezkent Emlak Konutları	1,089	1,089
Kayabaşı Emlak Konutları	2,572	2,418
Spradon Vadi Evleri	603	599
Emlak Konut Mavişehir Evleri	404	-
Other	1,142	1,547
	715,961	827,365

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

30 June 2018	Buildings	Motor vehicles	Furniture, equipment and fix assets	Construction in progress	Total
Net book value as of 1 January 2018	58,504	833	7,427	94	66,858
Additions	-	-	291	3	294
Depreciation expense(-)	(567)	(148)	(1,434)	-	(2,149)
Net book value 30 June 2018	57,937	685	6,284	97	65,003
Cost	62,129	2,160	18,152	97	82,538
Accumulated depreciation (-)	(4,192)	(1,475)	(11,868)	-	(17,535)
Net book value 30 June 2018	57,937	685	6,284	97	65,003

30 June 2017	Buildings	Motor vehicles	Furniture, equipment and fix assets	Construction in progress	Total
Net book value as of 1 January 2017	59,327	1,226	8,599	29	69,181
Additions	812	-	1,117	-	1,929
Depreciation expense(-)	(1,068)	(197)	(1,458)	-	(2,723)
Net book value 30 June 2017	59,071	1,029	8,258	29	68,387
Cost	62,062	2,160	17,133	29	81,384
Accumulated depreciation (-)	(2,991)	(1,131)	(8,875)	-	(12,997)
Net book value 30 June 2017	59,071	1,029	8,258	29	68,387

NOTE 11 –INVESTMENT PROPERTIES

Investment properties are for rent and sales comparison approach and income methods by discounted cash flows are used as fair value in these valuations and impairment calculations.

Regarding the measurement of fair values of investment properties at 31 December 2017, the valuation reports are taken from independent valuation CMB authorised firms Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Yetkin Gayrimenkul Değerleme ve Danışmanlık A.Ş. As of 30 June 2018, a provision for impairment of TL 25.237 is reserved for investment property (Note 18). The fair values of the investment property determined by independent valuation experts are as follows:

	30 June 2018	31 December 2017
Lands	23,744	23,744
Atasehir General Management Office A Block	83,524	83,524
Independent commercial units of Istmarina AVM (*)	270,950	-
	378,218	107,268

(*)The Company purchased independent commercial units in 2018 with the aim of obtaining rental income from the Istmarina shopping center, which was completed within the scope of "İstanbul Kartal LSRSA Project".

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

NOTE 12 –PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	30 June 2018	31 December 2017
Provisions		
Provision for lawsuits	48,298	46,916
	48,298	46,916

The movements of provision for lawsuits as of 30 June 2018 and 2017 are as follows:

	2018	2017
Balance at 1 January	46,916	73,238
Provision released within the current period (Note 18)	-	(31,602)
Provision charged for the period (Note 18)	1,382	-
Provision used in the period	-	(42)
Provision paid in the period	-	(9,579)
Balance at 30 June	48,298	32,015

12.1 Continued and Contingency Cases

- 12.1.1** Contractor firm filed a lawsuit against the Company claiming compensation because of damage caused by our company in the agreement of The LSRSA Project regarding İstanbul Bakırköy, 51/4 section 257 zone 33 & 38 parcels. the requested case has been concluding against the Company by the local court and the judgment of the Court of Cassation is dismissed in favor of the Company and the decision of the local court is expected. The Company made provision amounting to TL 19,989 from the related case.
- 12.1.2** Plaintiff contractor firm filed a lawsuit against the Company claiming compensation because of receivables, cancellation of title deed, registration. The decision of the contractor to unjustly terminate the contract has been finalized. Lawsuits filed by the company, amounting to TL 6.681, have been partially accepted and the trial has been appealed The Company made provision amounting to TL 6,717 from the related case.
- 12.1.3** The plaintiff is requested by the contractor to register a legal mortgage amounting to TL 4,065 for the buildings constructed in İstanbul, Kucukcekmece District 478, parcel 6, and parcel 844, parcel 1. The İstanbul 16th Asliye Commercial Court dismissed the lack of jurisdiction by stating that the Bakırköy courts were the definite authority. The decision has been appealed and the Court of Cassation upheld the decision of the local court. The proceedings are continuing at the Bakırköy 4th Asliye Commercial Court. The Company made provision amounting to TL 4,184 from the related case.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

NOTE 12 –PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

12.2 Contingent Liabilities of Emlak Konut GYO

In the financial statements prepared as of 30 June, 2018, the ongoing litigation liabilities were evaluated in the following matters. According to the opinion of the Company Management and its lawyers, no provision has been made in the financial statements prepared as of 30 June, 2018 on the grounds that it is not probable that the outflow of resources with economic benefits will be realized in cases filed against the Company in order to fulfill its obligation.

12.2.1 The LSRSA Project Agreement dated 21 December 2005 regarding 750 units in İzmir Mavisehir Upper North Area 2. Phase has been abolished on 21 December 2009 since the contractor did not meet the requirements of the provisions in the agreement. Following the cancellation of the agreement, the project has been transferred to the Company and the remaining part of the project has been completed by another construction company which was assigned in accordance with public tender law. The related units have been completed and are sold by the Company as in Turnkey projects.

The prior contractor filed a lawsuit against the Company claiming that the completion percentage of the project was significantly high and that the agreement between the parties was based on construction right in return for flat. The Company and the contractor filed counter lawsuits in the following period and an additional report was decided to be issued. The additional report is about the final receivables and payables of the parties considering all the claims. The additional report is completed. The court decided to apply secondary expert report as a result of additional report examination on 11 June 2014.

In the expert report dated 19 January 2016, it has been made a decision of whether related cancellation is unfair, and there alternative calculations has been realized over the possibility of whether the cancellation is right and over the effects on forward and backward. The expert report has been contested and it has been requested from the court that the expert report is declared “null and void” and that to receive a report that contains the objections of parties by creating a new committee.

The Company filed a lawsuit as well for collecting amount of TL 34,100 without prejudice to further claims as of 7 July 2011.

According to comments received from the Company’s lawyer, it is not expected to arise any liability that put the Company under obligation as a result of related case.

12.2.2 The LSRSA project agreement regarding İzmir Mavisehir Upper North Area 3. Phase has been signed on 19 December 2005 and following almost all the contractual obligations have been performed by the parties, the Contractor filed a lawsuit against the Company claiming that the agreement conditions should be revised considering the changing conditions. The Contractor wants all the agreement provisions to be cancelled except for the provisions where the Company’s revenue portion is TL 67,515 plus VAT calculated as TL 175,000 plus VAT total project revenue times 38.58% Company’s revenue portion.

The Contractor wants all the properties and related land portion to be valued by an independent valuation company as of the date of the lawsuit and that 38.58% of the total value to be appropriated to the Company and the remaining 61.42% of the total value to be appropriated to the Contractor.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

NOTE 12 –PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

12.2 Contingent Liabilities of Emlak Konut GYO (Continued)

The court rejected the case on 5 March 2015. The claimant has filed an appeal. The result of appeal is being waited. As a result of the appeal the court’s verdict was approved from the supreme court.

12.2.3 Contractor firm filed a lawsuit against the Company claiming compensation amounting to 21.690 TL. The court decided to accept the case. The decision of the local court was corrupted by the Court of Cassation in favor of Emlak Konut GYO. The correctness of the decision is expected. According to comments received from the Company’s lawyer, it is not expected to arise any liability that put the Company under obligation as a result of related case.

12.2.4 Contractor of İzmir Mavisehir Upper North Area 2. Phase LSRSA Project, the contractor was filed a lawsuit for assignment that the claimant has given. The case is proceeding and According to comments received from the Company’s lawyer, it is not expected to arise any liability that put the Company under obligation as a result of related case.

12.2.5 In terms of the assignment given by the Istanbul Ümraniye Phase 1 LSRSA contractor, ordinary partnership received amount of TL 46,000 from Şekerbank T.A.Ş. according to the contract with Emlak Konut GYO. Şekerbank T.A.Ş. claiming that the amount of TL 34,134 has not been paid unjustly to the transferring entity. The plaintiff requested that the mortgage be put on a part of the immovable subject matter in order to constitute the guarantee of taking the case. The trial is ongoing.

12.3 Contingent Assets of Emlak Konut GYO

12.3.1 As of 30 June 2018 and 31 December 2017, the breakdown of nominal trade receivables resulted from the residential and commercial unit sales and the expected timing of the nominal installments not due or not collected that are not included in the balance sheet as TAS 18 criteria has not been met since the construction is still ongoing or the construction has been completed but the units have not been delivered in accordance with pre-sales contract:

30 June 2018	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	638,471	537,795	1,176,266
2 year	433,973	419,218	853,191
3 year	286,252	421,168	707,420
4 year	297,498	363,788	661,286
5 year and above	637,712	1,652,769	2,290,481
	2,293,906	3,394,738	5,688,644

31 December 2017	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	721,531	755,373	1,476,904
2 year	480,164	564,401	1,044,565
3 year	343,526	488,004	831,530
4 year	217,240	345,673	562,913
5 year and above	904,068	1,622,221	2,526,289
	2,666,529	3,775,672	6,442,201

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

NOTE 13 - OTHER ASSETS AND LIABILITIES

	30 June 2018	31 December 2017
Other current assets		
Progress payments given to contractors	138,624	83,020
Accrued income	19,624	40,989
Receivables from tax office	9,000	20,187
Deferred VAT	-	2,512
	167,248	146,708

	30 June 2018	31 December 2017
Other non-current assets		
Deferred VAT	81,908	12,637
	81,908	12,637

NOTE 14 - DEFERRED INCOME AND PREPAID EXPENSES

	30 June 2018	31 December 2017
Short-term deferred income		
Deferred income from LSRSA projects (*)	1,550,749	2,069,084
Advances taken from LSRSA contractors (**)	793,330	850,342
Advances taken from turnkey project sales	619,623	582,153
Alienable deferred incomes (***)	350,000	-
Deferred income from sales of completed units	219,281	162,406
Advances taken from related parties (Note 20)	64,732	64,732
	3,597,715	3,728,717

(*) The balance is comprised of deferred income of future land sales regarding the related LSRSA projects residential unit's sales.

(**) In certain LSRSA projects, the Company collects a certain portion of the total Company revenue from the project before signing the agreement with the contractor

(***)The Company is obliged to collect cash by assigning a certain portion of its receivables arising from term sales that it has realized as "irrevocable recourse".

	30 June 2018	31 December 2017
Prepaid expenses		
Advances given for inventory (*)	1,220,116	986,501
Prepaid expenses	42	-
	1,220,158	986,501

(*) A protocol has been signed between the Company and the Tariş Cooperative Associations to develop revenue sharing project on a total of 143,366-m2 land, which is belonging to the Tariş Cooperative Unions, located within the boundaries of Kurukay / Umurbey, Konak district of İzmir. The Company has provided an advance of stock amounting to TL 416,938. The Company has also provided a stock advance of 742,808 TL to the contractors for the houses and commercial units they have received from Ankara Yeninahalle Station and Büyükyalı projects.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

NOTE 15 - SHAREHOLDERS' EQUITY

The Company's authorized capital amount is TL 3,800,000 (31 December 2017: TL 3,800,000) and consists of 380,000,000,000 (31 December 2017: 380,000,000,000) authorized number of shares with a nominal value of TL 0,01 each.

The Company's shareholders and their shareholding percentages as of 30 June 2018 and 31 December 2017 is as follows:

Shareholders	30 June 2018		31 December 2017	
	Share (%)	TL	Share (%)	TL
Public offering portion	50.66	1,925,111	50.66	1,925,111
T.C. Toplu Konut İdaresi Başkanlığı "TOKİ"	49.34	1,874,831	49.34	1,874,831
HAS beneficiaries	0.00	56	0.00	56
Other	0.00	2	0.00	2
Total paid in capital	100	3,800,000	100	3,800,000

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve balance reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

In accordance with the Communiqué Serial: II, No: 14,1 which became effective as of 13 June 2013 and according to the CMB's announcements clarifying the said Communiqué, “Share Capital”, “Restricted Reserves Allocated from Profit” and “Share Premiums” need to be recognized over the amounts contained in the legal records. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows:

- if the difference is arising from the valuation of “Paid-in Capital” and not yet been transferred to capital should be classified under the “Inflation Adjustment to Share Capital”;
- if the difference is arising from valuation of “Restricted Reserves” and “Share Premium” and the amount has not been subject to dividend distribution or capital increase, it shall be classified under “Retained Earnings”. Other equity line should be revaluated in accordance with the CMB standards.

There is no any use of the adjustment to share capital except adding it to the share capital.

On 28 March 2018, the General Assembly decided to distribute dividends of TRY 666.976. This dividend which amounting to TL 22,534 is related to the recovered shares, are netted under equity.

Between 1 November 2017 and 17 November 2017, The Company has repurchased 8,309,000 numbers of shares with nominal value between full TL 2.55 and full TL 2.70 and total amounting to full TL 21,623,770 full TL). Shares average purchase price is TL 2.60 and as a result of the purchases, the share of the total shares to the total share lot is 3.38%

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

NOTE 16 - REVENUE AND COST OF SALES

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Sales income				
Land sales	1,935,461	657,538	949,260	536,755
<i>Income from sale of land and plots by way of LSRSA</i>	<i>1,477,203</i>	<i>199,280</i>	<i>949,260</i>	<i>536,755</i>
<i>Land sales income</i>	<i>458,258</i>	<i>458,258</i>	-	-
Residential and commercial units sales	368,925	210,891	500,111	79,051
Other Income	3,028	1,944	1,701	1,163
	2,307,414	870,373	1,451,072	616,969
Sales returns	(1,841)	(915)	(83,291)	(83,280)
Sales discounts	(1,491)	(758)	(296)	(296)
Net sales income	2,304,082	868,700	1,367,485	533,393
Cost of sales				
Cost of land sales	(788,158)	(372,747)	(209,421)	(144,654)
<i>Cost of land and plots sold by way of LSRSA</i>	<i>(588,836)</i>	<i>(173,425)</i>	<i>(209,421)</i>	<i>(144,654)</i>
<i>Cost of land sales</i>	<i>(199,322)</i>	<i>(199,322)</i>	-	-
Cost of residential and commercial units sales	(244,228)	(122,593)	(361,558)	(41,174)
	(1,032,386)	(495,340)	(570,979)	(185,828)
Gross profit	1,271,696	373,360	796,506	347,565

NOTE 17 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
General administrative expenses				
Personnel expenses	(29,022)	(13,771)	(25,977)	(14,318)
Taxes, duties and fees	(21,073)	(11,982)	(16,174)	(9,288)
Donations	(18,718)	(18,563)	(806)	(776)
Consultancy expenses	(9,677)	(6,577)	(7,287)	(4,175)
Information technology expenses	(4,331)	(956)	(5,472)	(2,648)
Travel expenses	(2,871)	(1,132)	(2,208)	(724)
Depreciation and amortisation	(3,172)	(1,382)	(3,447)	(1,814)
Lawsuit and notary expenses	(2,595)	(2,478)	(928)	(600)
Maintenance	(1,994)	(1,292)	(978)	(162)
Due and contribution expenses	(1,924)	(1,377)	(2,596)	(1,779)
Insurance expenses	(517)	(400)	(215)	(184)
Communication	(293)	(202)	(272)	(147)
Other	(9,145)	(4,805)	(4,868)	(3,158)
	(105,332)	(64,917)	(71,228)	(39,773)

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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NOTE 17 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES (Continued)

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Marketing, sales and distribution expenses				
Advertising expenses	(23,170)	(11,726)	(28,410)	(10,969)
Personnel expenses	(3,024)	(2,077)	(2,576)	(1,371)
Office expenses	(188)	(68)	-	-
Notary expenses	(50)	(33)	-	-
Other	(1,446)	(258)	(531)	(217)
	(27,878)	(14,162)	(31,517)	(12,557)

NOTE 18- OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Other income from operating activities				
Finance income from credit sales	166,498	56,189	107,156	43,248
Delay penalty interest from project contractors	64,379	25,199	32,073	12,776
Due date differences	18,153	18,153	-	-
Recirculate commission income	12,562	5,934	7,961	3,887
Impairment provision reversals (Note 9)	27,315	26,135	9,480	-
Fee returns from land offices	1,284	770	-	-
Income from tender contract sales	151	26	-	-
Released lawsuit provisions (Note 12)	76	-	31,602	26,380
Other	9,091	5,138	20,689	13,673
	299,509	137,544	208,961	99,964

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Other expenses from operating activities				
Investment properties impairment provision expenses	(25,237)	(1,904)	-	-
Home and land inventories impairment provision expenses (Note 9)	(42,857)	(34,047)	(30,990)	(4,272)
Cash and cash equivalents impairment provision expenses	(5,508)	(5,508)	-	-
Lawsuit provision charge for the period (Note 12)	(1,382)	(1,382)	-	-
Reversal of due date differences	-	-	(51,944)	(12,853)
Other	(3,902)	(3,328)	(4,291)	(3,306)
	(78,886)	(46,169)	(87,225)	(20,431)

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

NOTE 19 - FINANCIAL INCOME / EXPENSES

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Financial income				
Interest income from time deposits	57,313	36,674	33,004	19,743
Interest income from TOKI	-	-	13,295	13,295
Foreign exchange income	12	5	120	118
	57,325	36,679	46,419	33,156

	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Financial expenses				
Loan interest expense	(161,742)	(103,282)	(47,765)	(29,514)
Assigned receivables and commission expense	(27,376)	17,062	-	-
Interest expense on payable to TOKI (*)	(67,514)	(44,449)	(135,118)	(24,490)
Interest discount on pay off debt	(29,185)	(28,440)	(46,039)	(44,966)
Foreign exchange loss	(247)	(33)	(147)	-
Interest expense on Turkish Treasury borrowings	-	-	(8,763)	(3,205)
	(286,064)	(159,142)	(237,832)	(102,175)

(*) This amount comprises of the interest expense accrued as of 30 June 2018 for the debts arising from payments of land received from the Toplu Konut İdaresi.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

NOTE 20 - RELATED PARTY DISCLOSURES

The main shareholder of the Company is T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”). TOKİ is a state institution under control of T.C. Ministry of Environment and Urbanisation. Related parties of the Company are as listed below:

1. T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)
2. Emlak Planlama, İnşaat, Proje Yönetimi ve Ticaret A.Ş. (an affiliate of TOKİ)
3. GEDAŞ (Gayrimenkul Değerleme A.Ş.) (an affiliate of TOKİ)
4. TOBAŞ (Toplu Konut - Büyükşehir Bel. İnş. Emlak ve Proje A.Ş.) (an affiliate of TOKİ)
5. Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (an affiliate of TOKİ)
6. Vakıf İnşaat Restorasyon ve Ticaret A.Ş. (an affiliate of TOKİ)
7. Emlak-Toplu Konut İdaresi Spor Kulübü
8. Emlak Planlama İnş. Prj. Yön. A.Ş. – Fideltus İnş. – Öztaş İnş. Ortak Girişimi
9. Ege Yapı - Emlak Planlama, İnşaat, Proje Yönetimi ve Ticaret A.Ş.
10. Emlak Planlama İnşaat. Proje. Yönetimi ve Ticaret. A.Ş. – Cathay Ortak Girişimi
11. Emlak Konut Spor Kulübü Derneği
12. DAP Yapı İnşaat Sanayi ve Ticaret A.Ş. ve Eltes İnşaat Tesisat Sanayi ve Ticaret A.Ş. Ortak Girişimi – Emlak Konut GYO A.Ş. İstmarina AVM Adi Ortaklığı

According to the revised TAS 24 – “Related Parties Transactions Standard”, exemptions have been brought to the disclosure requirements of balances. The Company has transactions with state banks (T.C. Ziraat Bankası A.Ş., Türkiye Vakıflar Bankası T.A.O., Türkiye Halk Bankası A.Ş.) and Turkish Treasury.

- Balances and transactions with respect to Turkish Treasury are detailed in Note 4, 5 and 8.
- The Company mostly deposits its cash in State Banks in compliance with its related statute. The bank balances with state banks amounted to TL 674,320 as of 30 June 2018 (31 December 2017: TL 508,974) Regarding these bank balances, the Company also generated interest income from the related State banks amounted to TL 71,183 in as of 30 June 2018 (30 June 2017: TL 34,539). Average effective interest rates of time deposits of the Company as of 30 June 2018 are explained in Note 4.

The transactions made between the Company and TOKİ and its affiliates and other related parties are presented below:

	30 June 2018	31 December 2017
Trade receivables from related parties		
Emlak Planl. İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd. Şti.	1,413	1,353
Emlak Planl. İnş. Prj. Yön. A.Ş. - Fideltus İnş-Öztaş İnş O.G.	5,576	5,576
Emlak Planl. İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	1,334	1,310
	8,323	8,239

	30 June 2018	31 December 2017
Trade payables to related parties		
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	831,530	743,388
Ege Yapı Ltd. Şti.-Emlak Pazarlama O.G.	1,323	1,325
	832,853	744,713

(*) The Company has purchased various lands from its ultimate parent company (TOKİ). The remaining payable from this purchases to TOKİ is amounting to TL 489,277 (31 December 2017: TL 489,380) and accrued interest is TL 58,403 (31 December 2017: TL 38,200).

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

NOTE 20 - RELATED PARTY DISCLOSURES (Continued)

Advances received from related parties	30 June 2018	31 December 2017
Emlak Planl. İnş. Prj. Yön. A.Ş. - Fideltus İnş.- Öztaş İnş. O.G. (*)	64,732	64,732
	64,732	64,732

(*) Represents the initial collections made from LSRSA projects, where the Company collects a predetermined portion of the total sales amount in line with the agreements.

Purchases from related parties	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	12,058	-	1,012,000	1,012,000
Emlak Planlama İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd Şti.	-	-	1,791	1,791
Emlak Planlama İnş. Prj. Yön. A.Ş. - Emlak Basın Yayın A.Ş.	577	291	505	281
	12,635	291	1,014,296	1,014,072

Finance expense from related parties	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	67,514	44,449	135,118	24,490
	67,514	44,449	135,118	24,490

According to the protocols signed with TOKİ regarding to land purchases, the cost of lands purchased from TOKİ is kept in time deposit accounts of Emlak Konut in the name of TOKİ, until the payment date determined by TOKİ. Interest income from time deposit of Emlak Konut in the name of TOKİ are net off from Interest income from time deposits in the financial statements. All of this accumulated interest income on time deposits will be paid to TOKİ.

Sales to related parties	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	-	-	27,309	27,309
Emlak Planlama İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd. Şti.	-	-	86	84
	-	-	27,395	27,393

In the Company, the president of the Board of Directors, members of Board of Directors, Audit Committee members, General Manager, Assistant General Managers and General Manager consultant and other decision makers who are in charge to manage the operations are assumed as Key management. Short-term benefits given to Key management are stated below:

Remuneration of key management	1 January- 30 June 2018	1 April- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2017
Salaries and other short-term employee benefits	2,982	1,686	2,922	1,389
	2,982	1,686	2,922	1,389

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

NOTE 21 - COMMITMENTS

The mortgage and guarantees received of the Company as of 30 June 2018 and 31 December 2017 are explained below;

	30 June 2018	31 December 2017
Guarantees received (*)	3,877,900	3,606,210
Mortgages received (**)	58,542	57,685
	3,936,442	3,663,895

(*) Guarantees received comprises of accurate and temporary guarantees given by contractors for construction projects during the tendering process.

(**) Mortgages taken comprises of mortgaged independent sections and land which sold but not yet collected.

The collaterals, pledges and mortgages (“CPM”) of the Company as of 30 June 2018 and 31 December 2017 are explained below;

	30 June 2018	31 December 2017
A. CPM given on behalf of the Company's legal personality	53,095	56,397
B. CPM given on behalf of fully consolidated subsidiaries	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM	-	-
i) Total amount of CPM given on behalf of majority shareholder	-	-
ii) Total amount of CPM given on behalf of other companies which are not in scope of B and C	-	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C	-	-
	53,095	56,397

NOTE 22 - EVENTS AFTER THE REPORTING PERIOD

None.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

ADDITIONAL NOTE - CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS

	Non-Consolidated (Individual) Financial Statements Main Account Items	Related Regulation	Current Period 30 June 2018 (TL)	Prior Period 31 December 2017 (TL)
A	Money and Capital Market Instruments	Series:III-No:48, Art,24/(b)	1,066,419	591,401
B	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)	14,600,778	13,802,092
C	Affiliates	Series:III-No:48, Art,24/(b)	-	-
	Due from related parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
	Other Assets		6,712,117	6,134,501
D	Total Assets	Series:III-No:48, Art,3/(k)	22,379,314	20,527,994
E	Financial Liabilities	Series:III-No:48, Art,31	2,893,171	2,414,672
F	Other Financial Liabilities	Series:III-No:48, Art,31	-	-
G	Due from Financial Leases	Series:III-No:48, Art,31	-	-
H	Due to Related Parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
I	Shareholders’ equity	Series:III-No:48, Art,31	12,947,740	12,465,519
	Other Resources		6,538,403	5,647,803
D	Total Resources	Series:III-No:48, Art,3/(k)	22,379,314	20,527,994
	Non-Consolidated (Individual) Financial Statements Other Account Items	Related Regulation	Current Period 30 June 2018 (TL)	Prior Period 31 December 2017 (TL)
A1	The portion of Money and Capital Market Instruments held for Payables of Properties for the following 3 Years	Series:III-No:48, Art,24/(b)	1,066,419	591,401
A2	Term/ Demand/ Currency	Series:III-No:48, Art,24/(b)	913,419	385,081
A3	Foreign Capital Market Instruments	Series:III-No:48, Art,24/(d)	-	-
B1	Foreign Properties, Projects based on properties and Rights based on Properties	Series:III-No:48, Art,24/(d)	-	-
B2	Idle Lands	Series:III-No:48, Art,24/(c)	589,273	330,670
C1	Foreign Affiliates	Series:III-No:48, Art,24/(d)	-	-
C2	Affiliates for Operating Company	Series:III-No:48, Art,28	-	-
J	Non-cash Loans	Series:III-No:48, Art,31	53,095	56,397
K	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

ADDITIONAL NOTE - CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS (Continued)

	Portfolio restrictions	Related regulation	30 June 2018 (%)	31 December 2017 (%)	Minimum/ Maximum Rate
1	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-	<10%
2	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)(b)	70	70	>50%
3	Money and Capital Market Instruments and Affiliates	Series:III-No:48, Art,24/(b)	-	8	<50%
4	Foreign Properties, Projects based on Properties, Rights based on Properties, Affiliates, Capital Market Instruments	Series:III-No:48, Art,24/(d)	-	-	<49%
5	Idle Lands	Series:III-No:48, Art,24/(c)	3	2	<20%
6	Affiliates to the Operating Company	Series:III-No:48, Art,28	-	-	<10%
7	Borrowing Limit	Series:III-No:48, Art,31	23	3	<500%
8	TL and Foreign Currency Time and Demand Deposits	Series:III-No:48, Art,22/(e)	-	-	<10%

The information in the table of control of compliance with the portfolio limitations', in accordance with Capital Markets Board's Communiqué Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1 "Real Estate Investment Company" published in official gazette no 28660 on 28 May 2013.

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