

**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĐI A.Ő.
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 30 JUNE 2021 WITH
AUDITOR’S REVIEW REPORT**

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

**(CONVENIENCE TRANSLATION OF THE REPORT INDEPENDENT AUDITOR'S
REVIEW AND THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH)**

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

**To the Board of Directors of
Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş.**

Introduction

We have reviewed the accompanying consolidated statement of financial position of Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company") and its subsidiaries (together the "Group") as at 30 June 2021, and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month interim period then ended. The Group management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with Turkish Accounting Standards 34 "Interim Financial Reporting" ("TAS 34"). Our responsibility is to express a conclusion on this interim consolidated 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 condensed 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 condensed consolidated 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**

Emrehan Demirel, SMMM
Partner

İstanbul, 17 August 2021

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

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**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION AS OF 30 JUNE 2021 AND 31 DECEMBER 2020**

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

	Notes	Reviewed 30 June 2021	Audited 31 December 2020
ASSETS			
Current assets		23,524,006	23,964,883
Cash and cash equivalents	4	1,515,101	2,005,246
Financial investments	5	119	306,015
Trade receivables	7	3,247,517	2,524,625
<i>Trade receivables due from related parties</i>	21	19,046	52,659
<i>Trade receivables due from third parties</i>		3,228,471	2,471,966
Other receivables	8	570,144	925,593
<i>Other receivables due from related parties</i>	21	545	465
<i>Other receivables due from third parties</i>		569,599	925,128
Inventories	9	16,134,767	16,262,148
Prepaid expenses	14	1,753,789	1,625,385
Other current assets	13	302,569	315,871
Non-current assets		4,646,553	4,679,407
Trade receivables	7	3,643,762	3,736,340
<i>Trade receivables due from third parties</i>		3,643,762	3,736,340
Other receivables	8	23,493	54,508
<i>Other receivables due from third parties</i>		23,493	21,734
<i>Other receivables due from related parties</i>	21	-	32,774
Financial investments		836	836
Investments accounted for using equity method		-	6,387
Investment properties	10	833,078	735,290
Right-of-use assets		63	75
Property, plant and equipment	11	124,935	115,677
Intangible assets		5,079	4,586
Prepaid expenses		6,127	-
Other non-current assets	13	7,074	23,895
Deferred tax assets	20	2,106	1,813
Total assets		28,170,559	28,644,290

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

**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION AS OF 30 JUNE 2021 AND 31 DECEMBER 2020**

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

	Notes	Reviewed 30 June 2021	Audited 31 December 2020
LIABILITIES AND EQUITY			
Current liabilities		10,610,129	11,032,208
Short-term borrowings	6	762,791	599,031
Short-term portions of long-term borrowings	6	1,066,823	1,602,587
<i>Short-term portion of long-term borrowings from related parties</i>			
Lease liabilities	21	3,197	3,399
<i>Short-term portion of long-term borrowings from third parties</i>			
Loans	6	1,063,626	1,599,188
Trade payables	7	2,320,308	2,494,109
Trade payables due to related parties	21	1,328,310	1,286,481
Trade payables due to third parties		991,998	1,207,628
Other payables	8	150,639	590,262
Other payables to related parties		403	403
Other payables to third parties		150,236	589,859
Deferred income	14	6,158,538	5,604,105
Deferred income from related parties	21	137,706	-
Deferred income from third parties		6,020,832	5,604,105
Current tax liabilities	20	2,627	-
Short-term provisions		148,403	142,114
Short-term provisions for employee benefits		17,249	14,957
Other short-term provisions	12	131,154	127,157
Non-current liabilities		2,460,135	3,118,074
Long-term borrowings		2,333,458	2,983,427
<i>Long-term borrowings from related parties</i>			
Lease liabilities	21	2,191	2,333
<i>Long-term borrowings from third parties</i>			
Bank Loans	6	2,331,267	2,981,094
Trade payables		2,145	28
Other payables		64,909	59,985
Deferred income		4,738	4,738
Long-term provisions		17,540	15,804
Long-term provisions for employee benefits		17,540	15,804
Deferred tax liability	20	37,345	54,092
Shareholders' equity		15,100,295	14,494,008
Total equity attributable to equity holders of the Company		15,101,481	14,495,188
Paid-in capital	15	3,800,000	3,800,000
Treasury shares (-)		(296,231)	(296,231)
Share premium (discounts)		2,366,895	2,366,895
Other comprehensive income (expense) not to be reclassified to profit or loss		(42)	(42)
- Gain (loss) on revaluation and remeasurement		(42)	(42)
Restricted reserves appropriated from profit		789,174	747,616
Retained earnings		7,755,948	7,040,692
Net profit for the year		685,737	836,258
Non-controlling Interests		(1,186)	(1,180)
Total liabilities and equity		28,170,559	28,644,290

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

**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2021 AND 2020**

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

	Notes	Reviewed 1 January- 30 June 2021	Not Reviewed 1 April- 30 June 2021	Reviewed 1 January- 30 June 2020	Not Reviewed 1 April- 30 June 2020
Revenue	16	3,507,256	2,216,999	1,369,520	672,931
Cost of sales (-)	16	(2,620,681)	(1,628,147)	(868,124)	(456,347)
Gross profit		886,575	588,852	501,396	216,584
General administrative expenses (-)	17	(230,584)	(148,938)	(131,419)	(73,490)
Marketing expenses (-)	17	(34,481)	(20,410)	(23,423)	(11,404)
Other income from operating activities	18	339,596	231,483	234,937	85,435
Other expenses from operating activities (-)	18	(112,820)	(87,540)	(188,421)	(57,586)
Share of losses from investments accounted for using equity method		-	-	(949)	-
Operating profit		848,286	563,447	392,121	159,539
Income from investing activities		3,979	-	599	596
Operating profit before financial income / (expense)		852,265	563,447	392,720	160,135
Financial income	19	73,569	20,860	78,074	47,549
Financial expenses (-)	19	(248,050)	(117,579)	(227,217)	(88,816)
Profit from continuing operations, before tax		677,784	466,728	243,577	118,868
Tax (expense)/income from continuing operations		7,947	(4,485)	(5,596)	(6,243)
<i>Current period tax (expense) income</i>	20	(9,093)	(876)	-	-
<i>Deferred tax (expense)/income</i>	20	17,040	(3,609)	(5,596)	(6,243)
Net profit for the period		685,731	462,243	237,981	112,625
Profit for the period is attributable to:					
Non-controlling interests		(6)	(2)	309	(1,332)
Owners of the Company		685,737	462,245	237,672	113,957
Other comprehensive income		-	-	-	-
Items that will be reclassified to profit or loss					
<i>Actuarial losses related to employee benefit liabilities</i>		-	-	-	-
Total comprehensive income for the period		685,731	462,243	237,981	112,625
Profit (loss), attributable to					
Total comprehensive income is attributable to:					
Non-controlling interests		(6)	(2)	309	(1,332)
Owners of the Company		685,737	462,245	237,672	113,957
Earnings per share (in full TL)		0.0019	0.0013	0.0006	0.0003

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 AND 2020

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

					Other Accumulated Comprehensive Income and Expense not to be Reclassified to Profit or Loss	Retained Earnings				
	Share capital	Treasury shares (-)	Share premium/ discounts	Restricted reserves appropriated from profit	Gain/Loss on remeasurement of defined benefit plans	Prior years' profit	Net profit for the Equity attributable to the parent	Non-controlling interests	Total equity	
1 January 2020	3,800,000	(284,480)	2,366,895	721,385	(42)	6,362,400	778,369	13,744,527	(1,485)	13,743,042
Transfers	-	-	-	-	-	778,369	(778,369)	-	-	-
Increases/(Decreases) Related to the										
Acquisition of Treasury Shares	-	(11,751)	-	-	-	-	-	(11,751)	-	(11,751)
Total comprehensive income	-	-	-	-	-	-	237,672	237,672	309	237,981
30 June 2020	3,800,000	(296,231)	2,366,895	721,385	(42)	7,140,769	237,672	13,970,448	(1,176)	13,969,272
1 January 2021	3,800,000	(296,231)	2,366,895	747,616	(42)	7,040,692	836,258	14,495,188	(1,180)	14,494,008
Transfers	-	-	-	41,558	-	794,700	(836,258)	-	-	-
Dividend (Note 15) (*)	-	-	-	-	-	(79,444)	-	(79,444)	-	(79,444)
Total comprehensive income/(expense)	-	-	-	-	-	-	685,737	685,737	(6)	685,731
31 June 2021	3,800,000	(296,231)	2,366,895	789,174	(42)	7,755,948	685,737	15,101,481	(1,186)	15,100,295

(*) At the Ordinary General Assembly Meeting held on 25 March 2021, the decision to distribute a cash dividend of TL 79,444 (22 July 2020: TL 76,646) from the profits of 2020 was approved by majority vote. Since the Group owns its own shares with a nominal value of TL 1 at a rate of 3.38% as of 25 March 2021, the date of the profit distribution decision, the dividend related to the shares owned by the Group is netted off from the amount of dividends to be distributed. The dividend payment was made on 7 May 2021.

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

**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR
THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 AND 2020**

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

	Notes	1 January- 30 June 2021	1 January- 30 June 2020
Cash flows from operating activities			
Profit for the period		685,731	237,981
Adjustments related to reconcile of net profit for the period			
Adjustments related to depreciation and amortization expenses	17, 18	18,731	15,936
Adjustments related to tax expense (income)	20	(7,947)	5,596
Adjustments related to undistributed losses of investments accounted for using the equity method		-	949
Adjustments related to (reversal of) impairments (net)		(123,374)	147,822
<i>Adjustments related to (reversal of) impairment of inventories (net)</i>	9	(123,374)	147,822
Adjustments related to provisions		16,376	5,621
<i>Adjustments related to (reversal of) provisions for employee benefits</i>		10,971	1,387
<i>Adjustments related to (reversal of) provision for lawsuit and/or penalty</i>	12	3,997	5,223
<i>Adjustments related to (reversal of) provisions for possible risks</i>	18	1,408	(989)
Adjustments for interest (income) and expenses		65,145	(26,747)
<i>Adjustments for interest income</i>		(249,268)	(250,369)
<i>Adjustments for interest expense</i>	18, 19	314,413	223,622
Net cash from operations before changes in assets and liabilities		654,662	387,158
Changes in net working capital:			
Adjustments related to (increase) / decrease in trade receivable		(906,256)	365,456
<i>Decrease (increase) in trade receivables from related parties</i>		33,613	150,219
<i>Decrease (Increase) in trade receivables from third parties</i>		(939,869)	215,237
Adjustments related to decrease/(increase) in inventories		1,181,757	(750,815)
Adjustments related to increase/(decrease) in trade payables		(1,155,370)	228,127
<i>Increase (decrease) in trade payables to related parties</i>		(894,380)	1,073
<i>Increase (decrease) in trade payables to third parties</i>		(260,990)	227,054
Adjustments related to decrease (increase) in other receivables related to operations		359,547	(78,199)
Adjustments related to increase (decrease) in other payables related to operations		693,505	467,779
Adjustments related to other increase (decrease) in working capital		(380,024)	(310,764)
Net cash flows from operating activities			
Interest received		167,567	31,270
Payments related to provisions for employee benefits		(816)	(75)
Income taxes paid		(115,634)	(64,048)
Cash flows from operating activities		498,938	275,889
Purchases of investment properties, property, plant and equipment and intangible assets		(13,027)	(7,910)
Interest received		2,624	599
Purchases of financial assets		-	(38,021)
Returns of financial assets		304,764	10,000
Other cash inflows (outflows)		8,691	12,000
Cash flows from investing activities		303,052	(23,332)
Payments for acquisition of treasury shares	15	-	(11,751)
Proceeds from Borrowings		853,827	3,343,971
<i>Proceeds from Loans</i>		256,827	2,288,971
<i>Proceeds from Issue of Debt Instruments</i>		597,000	1,055,000
Repayments of borrowings		(1,860,365)	(2,294,750)
<i>Loan Repayments</i>		(1,210,365)	(1,051,852)
<i>Payments of Issued Debt Instruments</i>		(650,000)	(1,242,898)
Cash outflow from debt payments for lease contracts		(1,212)	(438)
Interest paid		(260,428)	(162,007)
Dividends paid		(79,444)	-
Interest received		66,990	53,734
Other cash inflows (outflows)		(402,713)	(38,782)
Cash flow from financing activities		(1,683,345)	889,977
Net increase (decrease) in cash and cash equivalents		(881,355)	1,142,534
Cash and cash equivalents at the beginning of the period	4	1,121,635	432,038
Cash and cash equivalents at the end of the period	4	240,280	1,574,572

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

**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AND ITS SUBSIDIARIES**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD 30 JUNE 2021**

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

NOTE 1 – ORGANIZATION AND OPERATION OF THE GROUP

Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. (“Emlak Konut GYO” or the “Group”) was established on 26 December 1990 as a subsidiary of Türkiye Emlak Bankası A.Ş. The Group 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 Group has been registered and started its activities on 6 March 1991. The Group’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 Group is Barbaros Mah. Mor Sümbül Sok. No: 7/2 B (Batı Ataşehir) Ataşehir – İstanbul. As of 30 June 2021, the number of employees of the Group is 669 (31 December 2020 - 601).

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 consolidated financial statements at 30 June 2021 have been approved by the Board of Directors on 17 August 2021.

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

Emlak Konut GYO will be referred to as the “Group” with its subsidiaries and interests in joint ventures.

**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AND ITS SUBSIDIARIES**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD 30 JUNE 2021**

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

NOTE 1 – ORGANIZATION AND OPERATION OF THE GROUP (Continued)

Subsidiaries

Subsidiaries of Emlak Konut GYO operate in Turkey and their main operations are as follows:

Subsidiaries	Main Operations
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. (“EPP”)	Real Estate Investments
Emlak Konut Asansör Sistemleri Sanayi ve Ticaret A.Ş.	Production, Sales and Marketing
EPP – Emay Adi Ortaklığı (“EPP-EMAY”)	Construction
EPP – Fideltus – Öztaş Ortak Girişimi	Construction

	30 June 2021		31 December 2020	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
EPP (*)	100	100	100	100
Emlak Konut Asansör Sistemleri Sanayi ve Ticaret A.Ş. (**)	100	100	-	-
EPP-EMAY	60	60	60	60
EPP-Fideltus-Öztaş Ortak Girişimi	40	40	40	40

(*In parallel with the Company’s growing strategy, Emlak Planlama İnşaat Proje Yönetimi ve Ticaret A.Ş. was fully owned by the Company with the decision of Board of Directors dated 9 November 2018 and numbered 62/163.

(**) By taking into account the needs of the construction and real estate sector, the Group has decided to establish a new subsidiary and to participate in this new established subsidiary in order to create a domestic brand, the main activity of which will be elevator systems and which will have the potential to compete with the important actors of the global market.

Investments valued by equity method (Affiliates)

Affiliates of Emlak Konut GYO operate in Turkey and their main operations are as follows:

Investments valued by equity method (Affiliates)	Main Operation
Bio İstanbul Proje Geliştirme ve Yatırım A.Ş. (“Bio”)	Consultancy and Construction Services

	30 June 2021		31 December 2020	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
Bio (*)	-	-	32.5	32.5

(* On 12 January 2021, all shares of Bio İstanbul Proje Geliştirme ve Yatırım A.Ş. have been sold to Bio City Development Company B.V.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2021

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

NOTE 1 – ORGANIZATION AND OPERATION OF THE GROUP (Continued)

Shares in Joint Operations

Shares in Joint Operations of Emlak Konut GYO operate in Turkey and their main operations are as follows:

Shares in joint operations

Main Operations

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”) Shopping Mall and Office Management

Büyükyalı Tesis Yönetimi A.Ş. Shopping Mall and Office Management

	30 June 2021		31 December 2020	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
İstmarina AVM Adi Ortaklığı (*)	40	40	40	40
Büyükyalı Tesis Yönetimi A.Ş.	37	37	37	37

(*)An "Ordinary Partnership" is formed between Dap Yapı İnşaat San. and Tic. A.Ş., Eltes İnş. Tes. San. Tic. A.Ş. and the Group with the ownership rate of 59.7%, 0.3% and 40%, respectively with the purposes of the sale of one Shopping Mall (AVM) on a land of 51,000 m2 in the Istmarina project and which was constructed under "Istanbul Kartal LSRSA Project" ready to operate after being rented and the financial management of the shopping center.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

The accompanying consolidated 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”) which is published on Official Gazette numbered 28676 dated 13 June 2013 and Turkish Financial Reporting Standards and appendices and interpretations related to them adopted by the Public Oversight Accounting and Auditing Standards Authority (“POA”) have been taken as basis. TFRS is updated through communiqués in order to comply with the changes in the International Financial Reporting Standards (IFRS).

The interim condensed consolidated financial statements are presented in accordance with the formats specified in the “Communiqué on TFRS Taxonomy” published by the POA on 15 April 2019 and the Illustrations of Financial Statements and Application Guidance published by the CMB .

The Group prepared its interim condensed consolidated financial statements for the period ended 30 June 2021 in accordance with the TAS 34 “Interim Financial Reporting Standard” within the framework of the Communiqué Serial: XII No. 14.1 and announcements regarding this Communiqué published by CMB.

**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AND ITS SUBSIDIARIES**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD 30 JUNE 2021**

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

**NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.1. Basis of Presentation (Continued)

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

The Group maintains its books of account and prepares its statutory financial statements in accordance with the principals issued by CMB, the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The consolidated financial statements have been prepared on the basis of historical cost, with the necessary adjustments and classifications reflected in the statutory records in accordance with TFRS.

Preparation of financial statements in hyperinflationary periods

With the decision numbered 11/367 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 TFRS, the application of inflation accounting is no longer required. Accordingly, the Group has not applied “Financial Reporting in Hyperinflationary Economies” (“TAS 29”) in its financial statements for the accounting periods starting 1 January 2005.

Functional and Presentation Currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The functional currency of the Group is TL and the reporting currency is thousand TL.

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.

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**NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.2. Changes in accounting policies, accounting estimates and errors

Significant changes in accounting policies and significant accounting errors are applied retrospectively and the financial statements of the previous periods are restated if the financial position, performance or cash flow effects of transactions and events are presented in a more appropriate and reliable manner.

A new type of coronavirus (COVID-19), which first appeared in China, was classified as an epidemic affecting countries globally by the World Health Organization on 11 March 2020. COVID-19 has impacts on economic conditions, sectors, businesses, consumers, as well as asset and commodity prices, liquidity, exchange rates, interest rates, money and capital markets and many other issues, and remains uncertain about the future. While many countries have announced financial and financial support programs in order to limit the damage caused by the virus in the economies, Turkey has implemented regulatory financial and monetary actions to support companies and households in these difficult conditions. Additional regulatory measures continue to be announced to combat adverse impacts on companies and certain industries.

The effects of this global epidemic on the Company's financial statements are regularly monitored by the Company Management. While preparing its interim financial statements as of 30 June 2021, the Company has reflected the possible effects of the COVID-19 outbreak on the important estimates and assumptions used in the preparation of the financial statements. The Company Management takes the necessary measures to keep the negative effects under control and to live at a minimum level. This approach, which was preferred for the period of 30 June 2021, will be reviewed in the following reporting periods, taking into account the impact of the epidemic and future expectations. Due to the fact that the density of the company's stocks consists of residential-type independent sections, there is no negative impact on sales on demand during the COVID-19 outbreak.

2.3. 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

Entities have permission to choose preparing their interim financial statements as a full set or as a condensed in accordance with TAS 34 standard. In addition, the Group has preferred to prepare condensed consolidated financial statements in the interim periods. The Group's interim condensed consolidated financial statements do not consist all the explanations and notes that are required to be included in the consolidated financial statements for the end of the year and should be read together with the Group's financial statements as of 31 December 2020.

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NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Financial Reporting Standards (Continued)

a) Amendments and interpretations mandatorily effective as of 2021

Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform — Phase 2

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity’s progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted .

The Group management assessed that the adoption of this amendment does not have any effect on the Group’s consolidated financial statements. As of 30 June 2021, the relevant standard changes does not have a material impact on the consolidated financial statements.

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

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

TFRS 17	<i>Insurance Contracts</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to TAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to TAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to TFRS Standards 2018-2020	<i>Amendments to TFRS 1, TFRS 9 and TAS 41</i>
Amendments to TFRS 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</i>
Amendments to TFRS 16	<i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>

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NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Financial Reporting Standards (Continued)

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

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2023.

Amendments to TAS 1 Classification of Liabilities as Current or Non-Current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references at the same time or earlier.

Amendments to TAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

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NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Financial Reporting Standards (Continued)

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

Amendments to TAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 1 First time adoption of International Financial Reporting Standards

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to TFRSs.

Amendments to TFRS 9 Financial Instruments

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

Amendments to TAS 41 Agriculture

The amendment removes the requirement in paragraph 22 of TAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in TFRS 13.

The amendments to TFRS 1, TFRS 9, and TAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

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NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Financial Reporting Standards (Continued)

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

Amendments to TFRS 4 Extension of the Temporary Exemption from Applying TFRS 9

With the postponement of the effective date of TFRS 17 to 1 January 2023, the expiry date of the temporary exemption period for the application of TFRS 9 provided to insurers has also been revised to 1 January 2023.

Amendments to TFRS 16 COVID-19 Related Rent Concessions beyond 30 June 2021

Public Oversight Accounting and Auditing Standards Authority (“POA”) has published COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to TFRS 16) that extends, by one year, the June 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period over which the practical expedient is available for use.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

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

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NOTE 4 – CASH AND CASH EQUIVALENTS

	30 June 2021	31 December 2020
Cash on hand	48	19
Banks	1,458,306	1,953,138
- Demand deposit	50,124	25,509
- Time deposits with maturities less than 3 months	1,408,182	1,927,629
Other cash and cash equivalents	56,747	52,089
	1,515,101	2,005,246

Maturities of cash and cash flows are as follows:

	30 June 2021	31 December 2020
Demand	50,124	25,509
Up to 3 month	1,408,182	1,927,629
Less: Blocked deposits with maturities less than 3 months	(19)	(201)
	1,458,287	1,952,937

Average effective annual interest rates on time deposits in TL on the balance sheet date:

	30 June 2021	31 December 2020
	(%)	(%)
	19.00%	17.66%

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

	30 June 2021	31 December 2020
Cash and cash equivalents	1,515,101	2,005,246
Less: Interest accruals on deposits	(10,432)	(557)
Less: LSRSA project deposits (*)	(435,582)	(741,280)
Less: T.C. Çevre ve Şehircilik Bakanlığı deposits (**)	(348,430)	(144,625)
Less: T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”) (**)	(481,917)	-
Less: Blocked deposits with maturities less than 3 months	(19)	(77)
Add: the effect of provisions released under TFRS 9	1,559	2,928
	240,280	1,121,635

(*) The contractors’ portion of the residential unit sales from the Land Subject to Revenue Sharing Agreements (“LSRSA”) projects under construction and which accumulated in the bank accounts opened under the control of the Group is kept in deposits accounts in the name of the related projects under the control of the Group as stated in the agreement. There is no blocked deposit (31 December 2020: TL 124) for the project accounts amounting to TL 435,582 (31 December 2020: TL 741,280).

(**) Within the scope of the protocols signed with the Republic of Turkey Ministry of Environment and Urbanization and T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”) regarding the land purchase, the cost of the lands purchased from the Ministry of Environment and Urbanization and TOKİ is evaluated in the term accounts of Emlak Konut on behalf of the Ministry of Environment and Urbanization and TOKİ until the payment date determined by the Ministry of Environment and Urbanization and TOKİ. All of the interest income accumulated in these time deposit accounts will be paid to the Ministry of Environment and Urbanization and TOKİ.

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NOTE 5 – FINANCIAL INVESTMENTS

Short-term financial investments	30 June 2021	31 December 2020
Blocked deposits with maturities longer than 3 months (*)	119	272
Lease certificate (**)	-	305,743
	119	306,015

(*) The Group keeps the credit amounts used by customers as blocked deposits at the bank in order to provide low interest rate financing to its customers who want to purchase residentials from the projects that the Group has developed. The relevant amounts are ready for the use of the company at the specified terms. While the contractor portion of blocked deposits in the bank accounts which opened in the name of the related project under the control of the Group and which have maturities more than 3 months is TL 81 (31 December 2020: TL 184), the Group portion is TL 38 (31 December 2020: TL 88).

(**) The Group purchased a lease certificate with a nominal amount of TL 200,000, a maturity date of 16 February 2021 and an interest rate of 8% on 19 August 2020 and another one with a nominal amount of TL 100,000, a maturity date of 3 February 2021 and an interest rate of 8.25% on 6 August 2020. Both of the relevant lease certificates was purchased from Türkiye Emlak Katılım Bankası A.Ş. which is one of the related parties of the Company (Note: 21).

As of 30 June 2021 Group’s long-term investments consist of the investments which are less than 10% in the capitals of Kazakistan Ziraat International Bank, Sınırlı Sorumlu İstanbul Gıda Toptancıları İmalat Sanayi ve Depocuları Toplu İşyeri Yapı Kooperatifi, Cathay-EPP Adi Ortaklığı and Tobaş Toplu Konut Büyükşehir Belediyesi İnşaat Emlak Mimarlık ve Proje A.Ş.

NOTE 6 – FINANCIAL LIABILITIES

	30 June 2021	31 December 2020
Short-term financial liabilities		
Short-term portion of long-term borrowings	1,063,626	1,599,188
Issued debt instruments (*)	412,577	475,531
Short-term bank loans	350,214	123,500
Lease obligation	3,197	3,399
	1,829,614	2,201,618

(*) The Group issued 4 different lease certificates with a nominal amount of TL 47,000, with a maturity date of 7 July 2021 with dividend 17.50% on 3 March 2021, TL 150,000 with a maturity date of 4 August 2021 with dividend 19.25% on 31 March 2021, TL 100,000 with a maturity date of 7 September 2021 with dividend 18.95% on 28 April 2021, TL 100,000 with a maturity of 5 October 2021 with dividend 18.80% on 26 May 2020.

Long-term financial liabilities	30 June 2021	31 December 2020
Long-term borrowings	2,331,267	2,981,094
Lease obligation	2,191	2,333
	2,333,458	2,983,427

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NOTE 6 – FINANCIAL LIABILITIES (Continued)

Borrowings used as of 30 June 2021 are denominated in TL and the weighted average interest rate is 11.43% (31 December 2020: 10.88%)

The redemption schedules of the borrowings as of 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021	31 December 2020
2022	423,948	1,086,705
2023	743,076	735,390
2024	808,538	802,361
2025	355,705	356,638
	2,331,267	2,981,094

The maturity distributions of the remaining time of borrowings to repricing are as follows:

	30 June 2021	31 December 2020
Less than 3 months	270,740	517,368
Between 3 - 12 months	1,143,100	1,205,320
Between 1 - 5 years	2,331,267	2,981,094
	3,745,107	4,703,782

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	30 June 2021	31 December 2020
Receivables from contractors of the lands invoiced under LSRSA	1,504,973	1,470,439
Receivables from sale of residential and commercial units	1,419,056	651,932
Receivables from land sales	340,408	364,721
Receivables from related parties (Note 21)	19,046	52,659
Receivables from lessees	7,391	8,184
Notes of receivables	557	835
Other	16,843	13,879
Unearned finance income	(60,757)	(38,024)
	3,247,517	2,524,625
Doubtful receivables	2,983	2,538
Less: Provision for doubtful receivables	(2,983)	(2,538)
	3,247,517	2,524,625

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NOTE 7 – TRADE RECEIVABLES AND PAYABLES (Continued)

	30 June 2021	31 December 2020
Long-term trade receivables		
Receivables from sale of residential and commercial units	4,241,771	4,057,766
Receivables from land sales	124,768	227,084
Unearned finance income	(722,777)	(548,510)
	3,643,762	3,736,340

	30 June 2021	31 December 2020
Short-term trade payables		
Payables to related parties (Note 21)	1,328,310	1,286,481
Payables to LSRSA contractors invoiced	631,341	857,840
Trade payables	308,913	302,404
Interest accruals on time deposits of contractors (*)	51,744	47,384
	2,320,308	2,494,109

(*) The contractors’ portion of the residential unit sales from the LSRSA projects under construction and which accumulated in the bank accounts opened under the control of the Company is kept in deposits accounts in the name of the related projects under the control of the Company as stated in the agreement. The Company tracks the contractor’s share of the interest obtained from the advances accumulated in these accounts in short-term payables.

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

	30 June 2021	31 December 2020
Short-term other receivables		
Advances given to contractor firms	543,040	496,485
HAS related receivables from Turkish Treasury (*)	-	402,527
Receivables from the authorities	23,657	24,274
Other receivables from related parties (Note 21)	545	465
Other	2,902	1,842
	570,144	925,593

	30 June 2021	31 December 2020
Long-term other receivables		
Other receivables from third parties	22,479	20,720
Deposits and guarantees given	1,014	1,014
Other receivables from related parties (Note 21)	-	32,774
	23,493	54,508

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NOTE 8 – OTHER RECEIVABLES AND PAYABLES (Continued)

	30 June 2021	31 December 2020
Short-term other payables		
Payables to HAS beneficiaries (*)	-	402,713
Payables to contractors (**)	88,752	88,752
Taxes and funds payable	33,576	28,248
Other payables to related parties	403	403
Other	27,908	69,953
	150,639	590,262

(*) Group has received a special issue Government Domestic Borrowing Note (“DIBS”) amounting to TL 429,617 from the Treasury in 2010 for the payments to be made to the rightsholders of the Housing Support (“KEY”) with the Law No. 5664 on behalf of the Undersecretariat of Treasury (“Treasury”). As the KEY rightsholders are determined as a result of the determinations made, the Group amortizes a certain part of this Government Debt Security early and transfers it to the Group accounts for payment.

In accordance with the relevant articles of the Law No. 5564 on Payments to Rightsholders of Housing Support Owners, the receivables that are not requested within five years from the announcement date are recorded as appropriation reimbursement. Due to the expiration of the payment request period of the rightsholders in the current period, the Group's receivables and payables within the scope of Housing Support have expired.

(*) 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 2020: TL 88,752).

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NOTE 8 – OTHER RECEIVABLES AND PAYABLES (Continued)

The movements of HAS payments transferred from Group’s shareholder’s equity and HAS receivables and payables related to Treasury Support for the periods 30 June 2021 and 2020 are as follows:

	1 January 2021	Additions within the period	Disposals	30 June 2021
Treasury support				
Receivables from Treasury	402,527	-	(402,527)	-
Cash generated from government bond redemption	186	-	(186)	-
Total consideration received or receivable from Treasury	402,713			-
Payables to HAS beneficiaries	(402,713)			-

	1 January 2020	Additions within the period	Disposals	30 June 2020
Treasury support				
Receivables from Treasury	402,527	-	-	402,527
Special issue Government Debt Securities	10,054	38,021	(10,000)	38,075
Cash generated from government bond redemption	(9,868)	-	(28,021)	(37,889)
Total consideration received or receivable from Treasury	402,713			402,713
Payables to HAS beneficiaries	(402,713)			(402,713)

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NOTE 9 – INVENTORIES

	30 June 2021	31 December 2020
Lands	6,024,246	5,764,103
<i>Cost</i>	6,063,711	5,803,093
<i>Impairment</i>	(39,465)	(38,990)
Planned land by LSRSA	4,874,578	4,423,215
Planned land by turnkey project	3,123,430	4,378,258
Residential and commercial units ready for sale	2,112,513	1,696,572
<i>Cost</i>	2,189,685	1,897,593
<i>Impairment</i>	(77,172)	(201,021)
	16,134,767	16,262,148

As of 31 December 2020, the appraisal reports prepared by Atak Gayrimenkul Değerleme A.Ş., Reel Gayrimenkul Değerleme A.Ş., GEDAŞ Gayrimenkul Değerleme A.Ş. and Yetkin Gayrimenkul Değerleme ve Danışmanlık A.Ş. have taken into consideration in the appraisal of assets classified as “Inventories” and in the calculation on impairment, if any.

The movements of impairment on inventories are as follows:

	2021	2020
Opening balance at 1 January	240,011	291,887
Impairment on inventories within the current period (Note 18)	12,974	158,508
Reversal of impairment on inventories within the current period (Note 18)	(136,348)	(10,686)
Closing balance at 30 June	116,637	439,709

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NOTE 9 – INVENTORIES (Continued)

As of 30 June 2021 and 31 December 2020 the details of land and residential inventories of the Group are as follows:

Lands	30 June 2021	31 December 2020
İstanbul Çekmeköy Lands	1,929,022	990,043
İstanbul Avcılar Lands	1,420,003	1,420,000
İstanbul Küçükçekmece Lands	1,114,054	1,113,989
İstanbul Kartal Lands	548,907	532,565
İstanbul Başakşehir Lands	307,916	271,465
İstanbul Arnavutköy Lands	171,408	170,581
İstanbul Eyüp Lands	168,485	168,485
İstanbul Ataşehir Lands	100,671	100,642
İstanbul Resneli Lands	76,797	76,797
İstanbul Zekeriyaköy Lands	52,963	52,940
Ankara Çankaya Lands	51,183	51,173
İstanbul Esenyurt Lands	36,654	39,178
İzmir Konak Umurbey Lands	13,030	13,030
Kocaeli Lands	8,278	8,278
Sakarya-Sapanca Lands	7,027	7,027
Tekirdağ Çorlu Lands	6,153	6,153
İstanbul Sarıyer Lands	5,094	410,094
Maltepe Küçükyalı Lands	3,010	3,010
İstanbul Umraniye Lands	1,844	1,844
Tekirdağ Kapaklı Lands	1,058	1,058
Tuzla Orhanlı Project	540	540
İstanbul Beşiktaş Lands	-	325,161
Other	149	50
	6,024,246	5,764,103

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NOTE 9 – INVENTORIES (Continued)

Planned lands by LSRSA	30 June 2021	31 December 2020
Nidapark Istinye Project	992,600	992,600
Merkez Ankara Project	666,252	659,410
Nişantaşı Koru Project	643,815	643,965
Nidapark Kucukyali Project	503,623	564,518
Sarıyer Huzur Mahallesi Project	405,047	-
Düşler Vadisi Project	391,326	390,613
Ormanköy Project	351,513	347,731
Beşiktaş Ortaköy Project	256,965	-
Meydan Başakşehir Project	203,503	161,578
Avrasya Konutları Project	133,016	132,745
Beşiktaş Dikilitaş Project	68,197	-
Cer İstanbul Project	67,333	67,308
Evora Denizli Project	62,443	62,319
Avrupark Hayat Project	54,057	54,057
Nidapark Kayasehir Project	35,372	35,761
Ebruli Ispartakule Project	28,309	28,204
İdealist Cadde Project	10,100	10,079
Allsancak Project	1,005	145
Evora İzmir Project	102	642
Avangart İstanbul Project	-	111,644
Validebağ Konakları Project	-	72,096
Ispartakule 6. Etap Project	-	31,288
Ofis Karat Bakırköy Project	-	30,826
Köy Project	-	9,517
Other	-	16,169
	4,874,578	4,423,215

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NOTE 9 – INVENTORIES (Continued)

Residential and commercial units completed	30 June 2021	31 December 2020
Semt Bahçekent 1. Etap Projesi	429,499	-
Maslak 1453 Project	397,277	462,675
Kuzey Yakası Project	286,667	290,132
Köy Project	180,674	-
Sarphan Finanspark Project	156,448	185,738
Gebze Emlak Konutları	155,229	192,509
Validebağ Konakları Project	149,453	-
Büyükyalı Project	72,266	56,241
Karat 34 Project	67,637	78,592
Yeniköy Konakları İstanbul Project	51,768	-
Başkent Emlak Konutları Project	42,471	187,425
Evora Denizli Project	17,770	17,770
Koordinat Çayyolu Project	17,470	19,352
Kocaeli Körfezkent Emlak Konutları	17,395	28,604
İstmarina Project	12,541	47,327
Nidakule Ataşehir Project	10,664	16,597
Tual Bahçekent Project	7,826	19,967
Dumankaya Miks Project	6,977	12,209
Göl Panorama Project	5,828	7,832
Niğde Emlak Konutları	5,630	21,230
Ispartakule Emlak Konutları	4,772	9,477
Tual Adalar Project	4,265	6,958
Metropol İstanbul Project	3,448	3,448
Temaşehir Project	2,146	3,512
Başakşehir Ayazma Emlak Konutları	1,757	2,299
Batışehir Project	-	8,282
Unikonut Project	-	4,838
Nevşehir Emlak Konutları	-	2,972
Bahçekent Flora Evleri	-	2,553
Esenler Emlak Konutları	-	1,999
Bulvar İstanbul Project	-	1,383
Bahçekent Emlak Konutları 1.Etap 3.Kısım	-	584
Other	4,635	4,067
	2,112,513	1,696,572

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NOTE 9 – INVENTORIES (Continued)

Planned lands by turnkey project	30 June 2021	31 December 2020
Bizim Mahalle Project	1,060,159	926,609
Halkalı Emlak Konutları Project	629,003	544,523
Emlak Konut Florya Evleri Project	467,681	416,258
Köy Project	256,940	586,733
IGTOD Rami Gıda Toptancıları Project	245,172	838,486
Yalova Armutlu Project	119,317	139,421
Emlak Konut Vadi Evleri Project	84,042	-
Ankara Saraçoğlu Project	82,757	27,806
Merkez Ankara Project	77,991	-
Ümraniye Kentsel Dönüşüm Project	56,789	39,261
Semt Bahçekent 2. Etap Project	36,437	23,476
Tariş Kooperatifleri Project	7,142	7,142
Semt Bahçekent 1. Etap Project	-	473,777
Yeniköy Konakları	-	352,370
Hoşdere Hayat Parkı Project	-	2,396
	3,123,430	4,378,258

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NOTE 10 – INVESTMENT PROPERTIES

Lease income is generated from investment properties, and the expertise used in the calculation of impairment is made through market comparison and discounted cash flow. As of 30 June 2021, the Group assessed that there was no impairment in its investment properties within the scope of the COVID-19 pandemic. Although there has been a decrease in the rental income of the Group from investment properties due to the COVID-19, there has not been a significant change in the total rental income due to the new rental income increase arising from transfers to investment properties.

The movements of investment properties as of 30 June 2021 and 2020 are as follows:

	Lands, residential and commercial units	Atasehir general management building A block	Total
Cost Value			
Opening balance as of 1 January 2021	733,217	40,922	774,139
Purchases (*)	103,732	-	103,732
Transfers to commercial units and land inventories	(12,665)	-	(12,665)
Transfers from residential and commercial unit inventories	18,952	-	18,952
Closing balance as of 30 June 2021	843,236	40,922	884,158

Accumulated Depreciation

Opening balance as of 1 January 2021	35,493	3,356	38,849
Charge for the year	11,720	511	12,231
Closing balance as of 30 June 2021	47,213	3,867	51,080
Carrying value as of 30 June 2021	796,023	37,055	833,078

	Lands, residential and commercial units	Atasehir general management building A block	Total
Cost Value			
Opening balance as of 1 January 2020	461,551	40,922	502,473
Transfers to residential and commercial unit inventories	(35,192)	-	(35,192)
Closing balance as of 30 June 2020	426,359	40,922	467,281

Accumulated Depreciation

Opening balance as of 1 January 2020	19,289	3,039	22,328
Charge for the year	8,523	511	9,034
Closing balance as of 30 June 2020	27,812	3,550	31,362
Carrying value as of 30 June 2020	398,547	37,372	435,919

(*) The amount consists of independent units that has been received in return for the receivable for the sale of land by the Group in 2021 to generate rent income from Büyükyalı shopping mall completed under “Revenue Share from the Sale of Zeytinburnu Kazlıçeşme Land Sale. The related transaction is a sharing transaction from the relevant project and has had no impact in the Company’s consolidated statement of cash flows for the period 1 January 2021 – 30 June 2021 under TAS 7.

As of 30 June 2021, rental income from investment properties is TL 21,602 (1 January – 30 June 2020: TL 14,325) has no material impact on the consolidated financial statements.

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NOTE 10 – INVESTMENT PROPERTIES (Continued)

Reports prepared by Atak Gayrimenkul Değerleme A.Ş. ve Reel Gayrimenkul Değerleme A.Ş., appraisal firms authorized by CMB, have been taken into consideration when determining the fair values of investment properties as of 31 December 2020. The fair values of the investment property determined by independent appraisal experts are as follows:

	30 June 2021	31 December 2020
Lands and completed units	578,075	588,147
Atasehir General Management Office A Block	126,478	126,478
Independent commercial units of Istmarina AVM	286,143	286,143
Independent commercial units of Büyükyalı AVM	103,732	-
	1,094,428	1,000,768

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

30 June 2021	Buildings	Motor vehicles	Furniture, equipment and fixtures	Construction in progress	Total
Net carrying value as of 1 January 2021	105,111	815	9,654	97	115,677
Additions	2,149	432	10,203	-	12,784
Depreciation expense(-)	(1,470)	(788)	(1,268)	-	(3,526)
Net carrying value 30 June 2021	105,790	459	18,589	97	124,935
Cost	119,483	4,355	42,274	97	166,209
Accumulated depreciation (-)	(13,693)	(3,896)	(23,685)	-	(41,274)
Net carrying value 30 June 2021	105,790	459	18,589	97	124,935

30 June 2020	Buildings	Motor vehicles	Furniture, equipment and fixtures	Construction in progress	Total
Net carrying value as of 1 January 2020	100,597	192	5,027	97	105,913
Additions	-	-	2,557	-	2,557
Depreciation expense(-)	(1,317)	(154)	(1,709)	-	(3,180)
Net carrying value 30 June 2020	99,280	38	5,875	97	105,290
Cost	109,880	2,160	25,056	97	137,193
Accumulated depreciation (-)	(10,600)	(2,122)	(19,181)	-	(31,903)
Net carrying value 30 June 2020	99,280	38	5,875	97	105,290

Total depreciation expenses are presented in the general administrative expenses.

The expected useful lives for property, plant and equipment are as follows:

	Years
Buildings	50
Motor vehicles	5
Furniture, equipment and fixtures	4-5

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NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	30 June 2021	31 December 2020
Provisions		
Provision for lawsuits	131,154	127,157
	131,154	127,157

According to the opinions of the Group’s lawyers, provisions amounting to TL 131,154 have been made as of 30 June 2021 (31 December 2020: TL 127,157). As of 31 December 2020, there are 3 cases of defect, 11 cases of loss of rent, 13 cases of cancellation of title deeds and registration, 5 cases of business and 59 other cases. The amount of risk arising from the total possible cash outflow is TL 282,689 (31 December 2020: TL 266,590) and the lawsuits are still pending. The movements of provision for lawsuits as of 30 June 2021 and 2020 are as follows:

	2021	2020
Balance at 1 January	127,157	110,241
Provision added within the current period (Note 18)	3,997	5,223
Closing balance at 30 June	131,154	115,464

12.1 Continuing Lawsuits and Provisions

12.1.1 The LSRSA Project Agreement dated 21 December 2005 regarding 750 units in İzmir Mavisehir Upper North Area 2. Phase was 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 was transferred to the Group and the remaining part of the project was 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 Group as in Turnkey projects.

The contractor filed a lawsuit against the Group 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. İzmir Karsiyaka Commercial Court of First Instance issued an expert report and determine that the level of work was at around 83%, and that the legal relationship of the parties were not related to construction right in return of the 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. As a result of the examination of the additional report at the hearing on 11 June 2014, the second expert committee was examined however, since the expert report was not received, the date of the case was not finalized. In addition, the file was transferred to the delegation, as the Commercial Courts turned into Delegation Judges.

In the expert report dated 19 January 2016, it has been determined that the related cancellation is unfair, and 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 comitee. The Group filed an extra lawsuit of TL 34,100 on 7 July 2011, requesting the collection, without prejudice to surplus rights.

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

12.1 Continuing Lawsuits and Provisions (Continued)

- 12.1.1** According to the various expert reports submitted to the file, the complainant increased the lawsuit cost to TL 65,596 with the claim that the lawsuit was terminated unfairly by Emlak Konut during the prosecution process of the compensation lawsuit filed by the contractor for the detection of invalidity of termination on condition that the surplus rights are reserved. As of 30 June 2021, the Group made provision amounting to TL 95,204 including interest and lawsuit costs.
- 12.1.2** The lawsuit filed by the contractor firm is action of debt, deed cancellation and registration case. The decision of the contractor's contract was terminated unfairly, passing through degrees. Lawsuits filed by the company and amounting to TL 2,071 have been partially accepted and the decision was appealed by the parties, the trial is ongoing at the Istanbul 16th Commercial Court of First Instance. As of 30 June 2021 a provision amounting to TL 7,695 has been made including interest and lawsuit costs.
- 12.1.3** Within the scope of Revenue Sharing in Return for Riva Land Sale Tender for immovables parcel numbered 3201, 3202, 3203 located in Istanbul Province, Beykoz/Riva District as per the Article 14 of Bidding Specification of the aforementioned tender, bid bonds have been submitted to the client company by the Joint Venture, in the second session of the tender held on 15 June 2017, it was decided to leave the tender under the responsibility of the Joint Venture, which gave the most economically advantageous bid however, companies that have applied to the client company and invited for signature were requested to revise the terms and criteria of the tender, with the justification that the Planned Areas Type Zoning Regulation by the Ministry of Environment and Urbanization published on Official Gazette No. 30113 dated 3 July 2017 contains regulations that cause a significant reduction in the construction area subject to the tender, with the entry into force of the provisions of the said Regulation, the revision requests of the plaintiff companies were rejected on the grounds that there would be no change in the construction field based on the precedent and the Company gave a deadline until 15 August 2017 for the signing of the contract, as the client company did not come to sign the contract at the end of the period, the bid bonds submitted by the plaintiff companies within the scope of the Revenue Sharing in Return for Riva Land Sale Tender were registered as revenue and the tender was awarded to the non-litigated contractor who submitted the second most appropriate bid for the subject matter and there are pecuniary and non-pecuniary damages lawsuits filed on the grounds that the claimant's revision requests regarding the conditions and criteria of the aforementioned tender were rejected and that the recognition of the letters of guarantee as revenue was unfair. As of 30 June 2021, provision amounting to TL 10,668 has been made including interest and lawsuit costs.

12.2 Contingent Liabilities of the Group

In the financial statements prepared as of 30 June 2021, the ongoing litigation liabilities were evaluated in the following matters. According to the opinion of the Group Management and its lawyers, no provision has been made in the financial statements prepared as of 30 June 2021 on the grounds that it is not probable that the outflow of resources with economic benefits will be realized in cases filed against the Group in order to fulfill its obligation.

- 12.2.1** Concerning the İzmir Mavisehir Upper North Area Phase 2 LSRSA project, a lawsuit was filed based on the assignments given by the contractor in favor of the complainant. The case is proceeding. According to the opinion of the Group lawyer, no liability is expected to arise as a result of the related lawsuit.

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

12.3 Contingent Assets of the Group

12.3.1 As of 30 June 2021 and 31 December 2020, breakdown of nominal commercial receivables from residential and commercial unit sales by maturities and based on the residential and commercial units that are under construction or completed but not yet delivered within the scope of the sales promise contract that is not yet included in the balance sheet as it does not meet the TFRS 15 criteria, expected collection times of nominal installments that are not due or collected by maturities are as follows:

30 June 2021	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	1,759,464	1,930,864	3,690,328
2 year	948,627	1,702,646	2,651,273
3 year	730,593	1,090,033	1,820,626
4 year	583,258	485,709	1,068,967
5 year and above	2,104,061	941,223	3,045,284
	6,126,003	6,150,475	12,276,478

31 December 2020	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	1,016,653	1,539,172	2,555,825
2 year	845,871	1,395,083	2,240,954
3 year	629,810	722,777	1,352,587
4 year	445,942	362,763	808,705
5 year and above	2,363,227	979,553	3,342,780
	5,301,503	4,999,348	10,300,851

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NOTE 13 – OTHER ASSETS AND LIABILITIES

	30 June 2021	31 December 2020
Other current assets		
Progress payments to contractors	148,225	156,643
Deferred VAT	139,039	111,784
Income accruals	9,762	27,577
Receivables from tax office	5,481	19,576
Other	62	291
	302,569	315,871
Other non-current assets		
Deferred VAT	7,074	23,895
	7,074	23,895

NOTE 14 – DEFERRED INCOME AND PREPAID EXPENSES

	30 June 2021	31 December 2020
Short-term deferred income		
Deferred income from LSRSA projects (*)	2,610,549	2,485,417
Advances taken from turnkey project sales	1,763,856	2,117,317
Advances taken from LSRSA contractors (**)	1,183,485	600,182
Deferred income related to sales of independent units	462,942	401,189
Advances received from related parties (Note 21)	137,706	-
	6,158,538	5,604,105

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

(**) Before the contract is signed with the contractor companies in the ASKGP projects, the company collects the first payment of the total income corresponding to the share of the company from the total sales income in advance at the determined rates.

	30 June 2021	31 December 2020
Prepaid expenses		
Advances given for inventory (*)	1,751,245	1,619,676
Prepaid expenses	2,544	5,709
	1,753,789	1,625,385

(*) A protocol has been signed between the Group and the Tariş Cooperatives Union to develop revenue sharing project on a land, which belongs to the Tariş Cooperatives Union, located within the borders of Kuruçay/Umurbey, Konak district of İzmir and an inventory advance amounting to TL 414,602 has been made. The Group has also provided an inventory advance amounting to TL 1,289,457 to the contractors for the residential and commercial units which it will acquire based on preliminary sales contract from ongoing Ankara Yenimahalle Station, and Nidapark Küçükyalı, Nidapark İstinye and Nidapark Kayaşehir projects.

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NOTE 15 – SHAREHOLDERS' EQUITY

The Group's authorized capital amount is TL 3,800,000 (31 December 2020: TL 3,800,000) and consists of 380,000,000,000 (31 December 2020: 380,000,000,000) authorized number of shares with a nominal value of TL 0.01 each.

The Group's shareholders and their shareholding percentages as of 30 June 2021 and 31 December 2020 is as follows:

Shareholders	30 June 2021		31 December 2020	
	Share (%)	TL	Share (%)	TL
Public offering portion	50.66	1,925,119	50.66	1,925,119
T.C. Toplu Konut İdaresi Başkanlığı "TOKİ"	49.34	1,874,831	49.34	1,874,831
HAS beneficiaries	0.00	48	0.00	48
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 Group'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 Appropriated 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 Appropriated from Profit" 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 items 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 25 March 2021, the General Assembly decided to distribute dividends amounting to TL 82,460. This dividend amounting to TL 3,016 is related to repurchased shares and net off under equity.

On 20 March 2020, The Company repurchased 10,500,000 numbers of shares with nominal value between full TL 1.11 and full TL 1.12 (full TL) and with the transaction cost amounting to thousand TL 11,751. The ratio of total shares acquired as a result of the purchase transactions to total number was 3.65%.

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NOTE 16 – REVENUE AND COST OF SALES

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Sales income				
Land sales	1,217,178	711,460	768,618	430,260
<i>Sales of planned lands by way of LSRSA</i>	<i>1,158,480</i>	<i>711,460</i>	<i>415,388</i>	<i>307,599</i>
<i>Land sales income</i>	<i>58,698</i>	-	<i>353,230</i>	<i>122,661</i>
Residential and commercial units sales	2,209,220	1,461,990	565,060	224,742
Rent income	88,142	48,147	38,743	20,269
	3,514,540	2,221,597	1,372,421	675,271
Sales returns	(6,609)	(6,609)	(2,779)	(2,316)
Sales discounts	(675)	2,011	(122)	(24)
Net sales income	3,507,256	2,214,988	1,369,642	672,931
Cost of sales				
Cost of lands	(418,154)	(235,642)	(310,052)	(206,365)
<i>Cost of lands planned by way of LSRSA</i>	<i>(384,823)</i>	<i>(235,642)</i>	<i>(157,423)</i>	<i>(108,212)</i>
<i>Cost of lands sold</i>	<i>(33,331)</i>	-	<i>(152,629)</i>	<i>(98,153)</i>
Cost of residential and commercial units sold	(2,202,527)	(1,392,505)	(558,072)	(249,982)
	(2,620,681)	(1,628,147)	(868,124)	(456,347)
Gross Profit	886,575	586,841	501,518	216,584

NOTE 17 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
General administrative expenses				
Personnel expenses	(80,284)	(43,393)	(61,672)	(33,112)
Consultancy expenses	(34,471)	(25,098)	(7,619)	(4,315)
Taxes, duties and fees	(32,635)	(26,360)	(23,918)	(18,416)
Donations	(30,000)	(30,000)	0	0
Due and contribution expenses	(9,126)	(3,237)	(6,320)	(3,511)
Depreciation and amortisation	(6,500)	(2,518)	(7,096)	(394)
Travel expenses	(4,916)	(2,645)	(3,643)	(1,732)
Information technologies expenses	(3,061)	(1,381)	(2,544)	(976)
Maintenance and repair expenses	(2,412)	(1,448)	(1,557)	(883)
Lawsuit and notary expenses	(1,233)	(431)	(2,438)	(684)
Insurance expenses	(1,112)	(476)	(1,158)	(649)
Communication expenses	(730)	(335)	(942)	(292)
Other	(24,104)	(11,616)	(12,512)	(8,526)
	(230,584)	(148,938)	(131,419)	(73,490)

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NOTE 17 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES (Cont’d)

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Marketing and sales expenses				
Advertising expenses	(22,704)	(14,796)	(17,071)	(6,889)
Consultancy expenses	(3,800)	(1,223)	-	
Personnel expenses	(6,707)	(4,259)	(4,015)	(3,435)
Office expenses	(5)	(2)	(23)	(13)
Lawsuit and notary expenses	(2)	-	(7)	(1)
Other	(1,263)	(130)	(2,307)	(1,066)
	(34,481)	(20,410)	(23,423)	(11,404)

NOTE 18 – OTHER INCOME / EXPENSES FROM OPERATING ACTIVITIES

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Other income from operating activities				
Default interest income from projects	170,191	103,582	31,869	12,220
Impairment provisions released (Note 9)	136,348	106,523	10,686	(6,881)
Financial income from forward sales	2,115	-	143,111	67,523
Income from transfer commissions	5,028	3,945	5,808	1,373
Income from tender contract sales	371	34	-	-
Provisions for possible risks	1,369	1,211	989	989
Other	24,174	16,188	42,474	10,211
	339,596	231,483	234,937	85,435

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Other expenses from operating activities				
Reversal of unaccrued financial expense, net	(67,497)	(67,497)	-	-
Provision for impairment of land and residential inventories (Note 9)	(12,974)	-	(158,508)	(49,837)
Investment properties amortisation expenses (Note 10)	(12,231)	(6,085)	(8,840)	(4,420)
Provision for lawsuits (Note 12)	(3,997)	(1,363)	(5,223)	(1,099)
Provisions for possible risks	(2,973)	(2,777)	-	2,412
Other	(13,148)	(9,818)	(15,850)	(4,642)
	(112,820)	(87,540)	(188,421)	(57,586)

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NOTE 19 – FINANCIAL INCOME / EXPENSES

Financial expenses	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Borrowings interest and sukuk expenses	(245,164)	(116,488)	(211,969)	(80,951)
Interest expense on lease liabilities	(1,878)	(939)	(1,900)	-
Interest discount on pay off debt	(714)	(129)	(9,753)	(5,083)
Assigned receivables and commission expense	(99)	-	(3,452)	(1,768)
Foreign exchange losses	(195)	(23)	(143)	(64)
	(248,050)	(117,579)	(227,217)	(87,866)

Financial income	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Interest income from time deposits	69,602	21,694	52,760	23,266
Interest income from land acquisition	1,080	(2,671)	19,009	19,009
Foreign exchange gains	586	552	4,273	4,258
Interest income related to leases	2,301	1,285	2,032	1,016
	73,569	20,860	78,074	47,549

NOTE 20 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	30 June 2021	31 December 2020
<i>Current tax liability</i>		
Current corporate tax provision	9,093	-
Less: prepaid taxes and funds	(6,466)	-
	2,627	-
	1 January- 30 June 2021	1 January- 30 June 2020
<u>Tax (expense) / income comprises:</u>		
Current tax (expense)	(9,093)	-
Deferred tax income / (expense)	17,040	(5,596)
	7,947	(5,596)

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**NOTE 20 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)
(Continued)**

Corporate Tax

The Emlak Konut GYO is exempt from Corporate Tax in accordance with the paragraph 4-d of Article 8 of the Corporate Tax Law. According to the paragraph 6-a of Article 94 of the Income Tax Law the earnings of real estate investment companies are subject to withholding and withholding tax rate is determined as "0" according to the Council of Ministers Decision, No: 93/5148. The Group’s subsidiaries, associates and joint operations are is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group’s results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and other incentives (prior year’s losses if any and investment incentives used if preferred) utilized.

In accordance with the article 11 of Law No. 7316 published in the Official Gazette dated 22 April 2021 and numbered 31462 and the provisional article added to the Corporate Tax Law, the corporate tax rate has been increased to a rate of 25% for 2021 corporate earnings and 23% for 2022 corporate income.

The Law numbered 7061 on “Amendment of Certain Taxes and Laws and Other Acts” was published on the Official Gazette dated 5 December 2017 and numbered 30261. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50%. This regulation has been effective from 5 December 2017.

Deferred Tax:

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

Deferred tax assets and liabilities (excluding land) tax rate used for calculating corporate tax for the subsidiaries in Turkey in accordance with the additional provisional article of Corporate Tax Law; corporate tax rate will be 25% for the corporate earnings to be obtained in the taxation periods of 2021, 23% for 2022 corporate earnings and 20% for 2023 and following years.

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

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**NOTE 20 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)
(Continued)**

Deferred Tax (Continued):

<u>Deferred tax (assets)/liabilities:</u>	30 June 2021	31 December 2020
Fair value adjustment to inventories due to purchase accounting	37,345	54,092
Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets	(469)	(401)
Provision for employment termination benefits	(1,637)	(1,412)
	<u>35,239</u>	<u>52,279</u>

The movements of deferred tax (asses)/ liabilities for the periods ended 30 June 2021 and 2020 are as follows:

<u>Movement of deferred tax (assets)/liabilities:</u>	1 January- 30 June 2021	1 January- 30 June 2020
Opening balance as of 1 January	(52,279)	(54,703)
Charged to profit or loss	17,040	(5,596)
Closing balance at 30 June	<u>(35,239)</u>	<u>(60,299)</u>

Total charge for the period can be reconciled to the accounting profit as follows:

<u>Reconciliation of tax provision:</u>	1 January- 30 June 2021	1 January- 30 June 2020
Profit from continuing operations	677,784	243,577
Profit from operations before tax	<u>677,784</u>	<u>243,577</u>
Tax at the domestic income tax rate 2021: 25% (2020: 20%)	(169,446)	(53,587)
Tax effects of:		
- revenue that is exempt from taxation	190,056	56,591
- the effect of tax rate change from 20% to 25%	(9,891)	-
- other	(2,772)	2,592
Income tax expense recognised in profit	<u>7,947</u>	<u>5,596</u>

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NOTE 21 – RELATED PARTY DISCLOSURES (Continued)

	30 June 2021	31 December 2020
Short-term other receivables from related parties		
Emlak Pazarlama Fideltus Öztaş Adi Ortaklığı	144	119
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay O.G.	115	95
Gedaş Gayrimenkul Değerleme A.Ş.	286	251
	545	465
	30 June 2021	31 December 2020
Long-term other receivables from related parties		
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	-	32,774
	-	32,774
	30 June 2021	31 December 2020
Trade payables to related parties		
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”) (*)	481,917	207,085
İller Bankası A.Ş. (**)	465,100	465,100
T.C. Çevre ve Şehircilik Bakanlığı (***)	377,794	607,204
Fideltus İnşaat Taahhüt San. ve Tic. A.Ş.	1,993	5,617
Emlak Planl. İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	1,324	1,324
Emlak Basın Yayın A.Ş.	137	106
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	45	45
	1,328,310	214,177
<p>(*) It is the amount of the Company's debt resulting from the settlements detailed in the protocols dated 20 November 2020 and 22 March 2021 signed with the TR Ministry of Environment and Urbanization General Directorate of Urban Transformation Services and T.C. Toplu Konut İdaresi Başkanlığı.</p> <p>(**) According to the protocol signed with İller Bankası A.Ş. on 14 December 2020, the Company's debt and deferred income balance arising from the transfer of the lands owned by İlbank and the real estate owned by Emlak Konut. According to the relevant protocol, the lands under the ownership of İlbank have passed into the ownership of Emlak Konut, and the immovables under the ownership of Emlak Konut will be transferred to İlbank ownership after the deficiencies are completed.</p> <p>(***) Represents the amount of payable arising from the transfer of 2 partial parcels and 1 parcel in accordance with the protocol signed with Republic of Turkey Ministry of Environment and Urbanization General Directorate of Urban Transformation Services on 22 March 2021.</p>		
Deferred income from related parties	30 June 2021	31 December 2020
İller Bankası A.Ş. (*)	137,706	-
	137,706	-
	30 June 2021	31 December 2020
Financial investments from related parties		
Türkiye Emlak Katılım Bankası A.Ş.	-	305,732
	-	305,732

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NOTE 21 – RELATED PARTY DISCLOSURES (Continued)

Finance expense from related parties	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	221	171	898	250
	221	171	898	250

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 amounts on time deposits of TOKİ arising from these transactions are netted off from time deposit interest income in the financial statements. All of this accumulated interest income on time deposits will be paid to TOKİ.

Purchases from related parties	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
T.C. Çevre ve Şehircilik Bakanlığı	937,289	-	316,745	316,745
Emlak Basın Yayın A.Ş.	612	367	634	317
Emlak Planl. İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	-	-	-	-
	937,901	367	317,379	317,062

Sales to related parties	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
T.C. Çevre ve Şehircilik Bakanlığı	152,385	1,180	143,967	143,967
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	8,365	4,668	1,027	-
Gedaş Gayrimenkul Değerleme A.Ş.	48	21	-	-
	160,798	5,848	144,994	143,967

Key management personnel are those who have the authority and responsibility to plan, manage and control the activities (administrative or other) directly or indirectly of the Group including any manager. Salaries and other short-term benefits provided to the key management personnel, General Manager of the Board of Directors, Assistant General Managers and General Manager Consultant, are as follows:

Compensation to key management	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Salaries and other short-term benefits	6,931	3,455	5,310	2,836
	6,931	3,455	5,310	2,836

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NOTE 22 – COMMITMENTS

The Group’s mortgage and guarantees received as of 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021	31 December 2020
Guarantees received (*)	3,286,154	3,106,877
Mortgages received (**)	277,527	230,760
	3,563,681	3,337,637

(*) Guarantees received consist of letters of guarantee given by contractors for construction projects and temporary guarantee letters received during the tender process.

(**) Mortgages received consist of mortgaged independent sections and lands sold but not yet collected.

The collaterals, pledges and mortgages (“CPM”) of the Group as of 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021	31 December 2020
A. CPM given on behalf of the Company's legal personality	54,563	37,087
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	-	-
	54,563	37,087

NOTE 23 - EVENTS AFTER THE REPORTING PERIOD

The 2nd Session of the Istanbul Kartal Esentepe 1st Stage Revenue Sharing Business Against Land Sale tender was held on 09 July 2021. Yıldızlar İnşaat ve Tic. A.Ş. firm gave the highest bid in the tender with TL 1,150,000 Project Total Income and TL 403,650 Project Company Income. Company Share Revenue Ratio for Land Sales of the Offer is 35.10%.

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**ADDITIONAL NOTE – CONTROL OF COMPLIANCE WITH THE PORTFOLIO
LIMITATIONS**

	Non-Consolidated (Standalone) Financial Statements Main Account Items	Related Regulation	Current Period 30 June 2021 (TL)	Prior Period 31 December 2020 (TL)
A	Money and Capital Market Instruments	Series:III-No:48, Art,24/(b)	1,032,764	1,515,824
B	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)	16,794,126	16,258,736
C	Affiliates	Series:III-No:48, Art,24/(b)	423,037	373,037
	Due from related parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
	Other Assets		9,602,477	9,530,996
D	Total Assets	Series:III-No:48, Art,3/(k)	27,852,404	27,678,593
E	Financial Liabilities	Series:III-No:48, Art,31	3,957,684	5,009,313
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	15,203,275	14,522,496
	Other Resources		8,691,445	8,146,784
D	Total Resources	Series:III-No:48, Art,3/(k)	27,852,404	27,678,593
	Non-Consolidated (Standalone) Financial Statements Other Account Items	Related Regulation	Current Period 30 June 2021 (TL)	Prior Period 31 December 2020 (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)	1,032,764	1,392,027
A2	Term/ Demand/ Currency	Series:III-No:48, Art,24/(b)	1,411,560	1,899,755
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)	2,135,376	732,991
C1	Foreign Affiliates	Series:III-No:48, Art,24/(d)	-	-
C2	Affiliates for Operating Company	Series:III-No:48, Art,28	423,000	373,000
J	Non-cash Loans	Series:III-No:48, Art,31	44,770	7,161
K	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-

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

	Portfolio restrictions	Related regulation	30 June 2021 (%)	31 December 2020 (%)	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)	64	64	>50%
3	Money and Capital Market Instruments and Affiliates	Series:III-No:48, Art,24/(b)	1.52	1.80	<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)	8	3	<20%
6	Affiliates to the Operating Company	Series:III-No:48, Art,28	0.02	0.01	<10%
7	Borrowing Limit	Series:III-No:48, Art,31	26	35	<500%
8	TL and Foreign Currency Time and Demand Deposits	Series:III-No:48, Art,22/(e)	0.01	0.02	<10%

The information in the table of Control of Compliance with the Portfolio Limitations is condensed information derived from financial statements as per Article 16 of Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets” and is prepared within the frame of provisions related to compliance to portfolio limitations stated in the Communiqué Serial III No 48.1 “Principles Regarding Real Estate Investment Trusts” published in the Official Gazette No. 28660 on 28 May 2013.

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