

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF
THE STANDALONE CONDENSED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2019**

(ORIGINALLY ISSUED IN TURKISH)

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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CONDENSED STANDALONE STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019 AND 31 DECEMBER 2018

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

		<i>Not Revised</i> 31 March 2019	<i>Audited</i> 31 December 2018
	Notes		
ASSETS			
Current assets		20,154,537	19,810,629
Cash and cash equivalents	4	510,128	552,539
Financial investments	5	42,536	54,442
Trade receivables	7	2,258,744	1,573,649
<i>Trade receivables due from related parties</i>	20	10,557	10,711
<i>Trade receivables due from third parties</i>		2,248,187	1,562,938
Other receivables	8	1,288,549	1,157,651
<i>Other receivables due from third parties</i>		1,288,549	1,157,651
Inventories	9	14,375,684	14,749,905
Prepaid expenses	14	1,467,794	1,430,563
Other current assets	13	211,102	291,880
Non-current assets		2,797,266	2,848,765
Trade receivables	7	1,855,100	1,895,829
<i>Trade receivables due from third parties</i>		1,855,100	1,895,829
Other receivables	8	1,014	1,014
Financial investments	5	288,000	288,000
<i>Investments in subsidiaries, joint operations and associates</i>		288,000	288,000
Investment property	10	378,616	367,382
Property, plant and equipment	11	62,593	63,494
Intangible assets		3,783	1,824
Other non-current assets	13	208,160	231,222
Total assets		22,951,803	22,659,394

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

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CONDENSED STANDALONE STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019 AND 31 DECEMBER 2018

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

		<i>Not Revised</i>	<i>Audited</i>
	Notes	31 March 2019	31 December 2018
LIABILITIES AND EQUITY			
Current liabilities		8,025,138	7,737,738
Short term borrowings	6	967,470	800,504
Current portion of non-current borrowings	6	1,413,869	976,999
Trade payables	7	920,222	965,530
<i>Trade payables due to related parties</i>	20	12,015	69,985
<i>Trade payables due to third parties</i>		908,207	895,545
Other payables		521,718	631,778
<i>Other payables to third parties</i>	8	521,718	631,778
Deferred income	14	4,084,945	4,225,299
<i>Deferred income from related parties</i>	20	64,732	64,732
<i>Deferred income from third parties</i>		4,020,213	4,160,567
Current provisions		116,914	137,628
<i>Current provisions for employee benefits</i>		6,394	6,125
<i>Other current provisions</i>	12	110,520	131,503
Non-current liabilities		1,792,046	1,834,914
Long term borrowings	6	1,668,521	1,685,943
Trade payables		51,740	69,327
Other payables		59,508	68,792
Deferred income		4,446	3,175
Long term provisions		7,831	7,677
<i>Long term provisions for employee benefits</i>		7,831	7,677
Shareholders' equity		13,134,619	13,086,742
Paid-in capital	15	3,800,000	3,800,000
Treasury shares (-)		(284,480)	(284,480)
Share premium		2,366,895	2,366,895
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	662,853
Retained earnings		6,541,516	5,271,709
Net profit for the period		47,877	1,269,807
Total liabilities and equity		22,951,803	22,659,394

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONDENSED STANDALONE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2019 AND 2018

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

	Notes	<i>Not Reviewed</i> 1 January- 31 March 2019	<i>Not Reviewed</i> 1 January- 31 March 2018
Profit or loss			
Revenue	16	1,235,029	1,435,382
Cost of sales (-)	16	(1,175,903)	(537,046)
Gross profit		59,126	898,336
General administrative expenses (-)	17	(54,595)	(40,415)
Marketing expenses (-)	17	(14,943)	(13,716)
Other income from operating activities	18	180,918	161,965
Other expenses from operating activities (-)	18	(28,517)	(32,717)
Operating profit		141,989	973,453
Income from investing activities		165	82
Operating profit before financial income / (expense)		142,154	973,535
Financial income	19	51,713	20,646
Financial expenses (-)	19	(145,990)	(126,922)
Profit for the period		47,877	867,259
Other comprehensive income			
Items that will be reclassified to profit or loss			
Total comprehensive income for the period		47,877	867,259
Earnings per share (in full TL)		0,0001	0,0024

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONDENSED STANDALONE STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2019 AND 2018**

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

	Paid in 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 2018	3,800,000	(284,480)	2,378,513	511,347	(42)	4,304,087	1,756,094	12,465,519
Transfers	-	-	-	-	-	1,756,094	(1,756,094)	-
Total comprehensive income	-	-	-	-	-	-	867,259	867,259
31 March 2018	3,800,000	(284,480)	2,378,513	511,347	(42)	6,060,181	867,259	13,332,778
1 January 2019	3,800,000	(284,480)	2,366,895	662,853	(42)	5,271,709	1,269,807	13,086,742
Transfers	-	-	-	-	-	1,269,807	(1,269,807)	-
Total comprehensive income	-	-	-	-	-	-	47,877	47,877
31 March 2019	3,800,000	(284,480)	2,366,895	662,853	(42)	6,541,516	47,877	13,134,619

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONDENSED STANDALONE STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2019 AND 2018

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

	Notes	1 January- 31 March 2019	1 January- 31 March 2018
Cash flows from operating activities			
Profit for the period		47,877	867,259
Adjustments to reconcile net profit			
Depreciation and amortization expenses	17	1,889	1,790
Adjustments for impairments		19,120	30,963
<i>Adjustments for impairment loss (reversal of impairment loss) of inventories</i>	9	19,120	7,690
<i>Adjustments for impairment loss (reversal of impairment loss) of investment properties</i>	18	-	23,333
Changes in provisions		(18,004)	(531)
<i>Adjustments for (reversal of) provisions related with employee benefits</i>		423	(607)
<i>Adjustments for (reversal of) lawsuit and/or penalty provisions</i>	12	(20,983)	76
<i>Adjustments for (reversal of) possible risks of cash and cash equivalents</i>		2,556	-
Adjustments for interest (income) expenses		(37,278)	(43,503)
<i>Adjustments for interest income</i>	18,19	(183,267)	(170,211)
<i>Adjustments for interest expense</i>	19	145,989	126,708
Changes in net working capital		13,604	855,978
Adjustments for decrease (increase) in trade accounts receivable		(534,783)	(137,115)
<i>Decrease (increase) in trade accounts receivables from related parties</i>		154	1,254
<i>Decrease (Increase) in trade accounts receivables from third parties</i>		(534,937)	(138,369)
Adjustments for decrease (increase) in inventories		343,550	(457,367)
Adjustments for increase (decrease) in trade accounts payable		(21,397)	586,462
<i>Increase (decrease) in trade payables to related parties</i>		(16,472)	3,297
<i>Increase (decrease) in trade payables to third parties</i>		(4,925)	583,165
Adjustments for (decrease) in other operating receivables		(109,045)	(5,653)
Adjustments for increase (decrease) in other operating payables		(158,819)	(364,945)
Other adjustments for other increase (decrease) in working capital		66,510	(89,776)
Net cash flow from operating activities			
Interest received		29,576	31,734
Income taxes paid		(52,093)	(44,475)
Cash flows from operating activities		(422,897)	374,843
Cash flows from investing activities			
Cash flows used in obtaining control of subsidiaries or other businesses		(47,477)	-
Purchases of investment properties, tangible and intangible assets		(1,977)	(734)
Interest received		165	82
Purchases of financial assets		-	(7,000)
Returns of financial assets		50	7,410
Other inflows (outflows) of cash		11,033	16,986
Cash flow from investing activities		(38,206)	16,744
Cash flow from financing activities			
Proceeds from borrowings		1,420,000	200,000
<i>Proceeds from loans</i>		880,000	200,000
<i>Proceeds From Issue of Debt Instruments</i>		540,000	-
Repayments of borrowings, classified as financing activities		(847,716)	-
<i>Loan repayments</i>		(352,716)	-
<i>Payments of Issued Debt Instruments</i>		(495,000)	-
Interest paid		(93,492)	(47,183)
Interest received		10,203	20,639
Other inflows (outflows) of cash		(35)	(56)
Cash flow from financing activities		488,960	173,400
Net Increase (decrease) in cash and cash equivalents		27,857	564,987
Cash and cash equivalents at the beginning of the year	4	371,894	385,081
Cash and cash equivalents at the end of the year	4	399,751	950,068

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE CONDENSED FINANCIAL STATEMENTS AT 31 MARCH 2019

(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 standalone financial statements at 31 March 2019 have been approved by the Board of Directors on 10 May 2019.

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.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019

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

NOTE 2 - BASIS OF PRESENTATION OF STANDALONE FINANCIAL STATEMENTS

The principal accounting policies applied in the preparation of these standalone financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 Financial Reporting Standards (“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 31 March 2019 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 standalone financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The standalone 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 CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

NOTE 2 - BASIS OF PRESENTATION OF STANDALONE FINANCIAL STATEMENTS (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 standalone 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

The accounting policies adopted as of 31 March 2019 are consistent with those prepared as of 31 December 2018. Therefore, condensed interim financial statements have to be considered with year end financial statements.

3.1 New and amended IFRS Standards that are effective for the current year

New and amended IFRS Standards that are effective after 2019

IFRS 16	Leases
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 19 Employee Standards 2015–2017 Cycle	Plan Amendment, Curtailment or Settlement
	IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

IFRS 16 Leases

General impact of application of IFRS 16 Leases

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

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

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

NOTE 3 – ACCOUNTING POLICIES (Continued)

IFRS 16 (Continued)

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17.

The amendments to IFRS 16 do not have a material impact on the financial statements of the Company.

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

This amendment clarifies that an entity applies IFRS 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.

IFRS 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 IAS 12.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

Annual Improvements to IFRS Standards 2015–2017 Cycle

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

Other than IFRS 16, these standards, amendments and improvements have no impact on the consolidated financial position and performance of the Group.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

NOTE 4 – CASH AND CASH EQUIVALENTS

	31 March 2019	31 December 2018
Cash on hand	86	8
Banks	483,330	552,531
- Demand deposit	134,072	131,740
- Time deposits up to 3 months maturity	349,258	420,791
Other cash and cash equivalents	26,712	-
	510,128	552,539

Maturities of cash and cash equivalents are as follows:

	31 March 2019	31 December 2018
Demand	134,072	131,740
Up to 3 month	349,258	420,791
Less: Blocked deposits with maturities less than 3 months	(24,400)	(29,990)
	458,930	522,541

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

	31 March 2019	31 December 2018
	(%)	(%)
	18,31%	18,47%

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

	31 March 2019	31 December 2018
Cash and cash equivalents	510,128	552,539
Less: Interest accruals	(1,732)	(1,132)
Less: LSRSA project deposits (*)	(103,099)	(169,609)
Less: Blocked deposits	(9,908)	(11,710)
Add: TFRS 9 impact	4,362	1,806
	399,751	371,894

(*) 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 103,099 (31 December 2018: TL 169,609) part of the total project amount deposits TL 14,492 (31 December 2018: TL 18,280) comprises of blocked deposits.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

NOTE 5 - FINANCIAL INVESTMENTS

Financial investments	31 March 2019	31 December 2018
Blocked deposits more than 3 months maturity (**)	30,519	42,375
Special issue government bonds (*)	12,017	12,067
	42,536	54,442

(*) 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 17,339 (31 December 2018: TL 17,591 TL) while the company portion of the blocked shares is TL 13,180 (31 December 2018: TL 24,784).

Subsidiary

As of 31 March 2019 and 31 December 2018, the carrying values of the subsidiaries of the Company on the balance sheet are as follows:

	31 March 2019		31 December 2018	
	Share (%)	TL	Share (%)	TL
Emlak Planlama İnşaat Proje Yönetimi ve Ticaret A.Ş.	100	288,000	100	288,000
Total	100	288,000	100	288,000

Interests in joint operations

As of 31 March 2019 and 31 December 2018, the carrying value of the Company's interest in joint operations in the balance sheet is as follows:

	31 March 2019		31 December 2018	
	Share (%)	TL	Share (%)	TL
İstmarina AVM Adi Ortaklığı	40	-	40	-
Total	40	-	40	-

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

NOTE 6 - FINANCIAL LIABILITIES

	31 March 2019	31 December 2018
Short-term financial liabilities		
Short-term commercial bill (*)	737,705	689,367
Short-term bank borrowings	229,765	111,137
Short-term portion of long-term borrowings	1,413,869	976,999
	2,381,339	1,777,503

(*) On 11 December 2018, the Company had issued rent certificates amounting TL 172.000 that have maturity date of date of 9 April 2019 with an interest rate of 23.90%, amounting TL 140.000 that have maturity date of date of 7 May 2019 with an interest rate of 22.90% on 8 January 2019 , amounting TL 250.000 that have maturity date of date of 25 June 2019 with an interest rate of 19,00% on 26 February 2019 and amounting TL 150.000 that have maturity date of date of 03 July 2019 with an interest rate of 19,50% on 19 March 2019

	31 March 2019	31 December 2018
Long-term financial liabilities		
Long-term borrowings	1,668,521	1,685,943
	1,668,521	1,685,943

The all borrowings are received as TL currency and the interest rate of the borrowing as of 31 March 2019 is 17.09% (31 December 2018: 17.62 %).

The redemption schedules of the borrowings at 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019	31 December 2018
2020	924,085	999,507
2021	696,745	638,745
2022	47,691	47,691
	1,668,521	1,685,943

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

	31 March 2019	31 December 2018
Less than 3 months	264,229	202,373
Between 3 - 12 months	1,379,405	885,763
Between 1 - 5 years	1,668,521	1,685,943
	3,312,155	2,774,079

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NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 March 2019	31 December 2018
Short-term trade receivables		
Receivables from LSRSA contractors invoiced	964,687	851,820
Receivables from sale of residential and commercial units	1,217,253	649,874
Assigned receivables from sale of residential and commercial units (*)	44,958	44,958
Receivables from land sales	24,754	24,754
Receivables from related parties (Note 20)	10,557	10,711
Rent receivables	7,634	6,734
Other	2,518	2,369
Unearned finance income	(13,617)	(17,571)
	2,258,744	1,573,649
Doubtful receivables	1,837	1,837
Less: Provision for doubtful receivables	(1,837)	(1,837)
	2,258,744	1,573,649

(*)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.

	31 March 2019	31 December 2018
Long-term trade receivables		
Receivables from sale of residential and commercial units	2,121,017	2,178,500
Unearned finance income	(265,917)	(282,671)
	1,855,100	1,895,829

	31 March 2019	31 December 2018
Short-term trade payables		
Payables to related parties (Note 20)	12,015	69,985
Payables to LSRSA contractors invoiced	346,419	361,559
Trade payables	541,287	514,244
Time deposit interest accruals from LSRSA contractors invoiced (*)	20,501	19,742
	920,222	965,530

(*) 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. The Company tracks the contractor's share of the interest earned from the advances accumulated in these short term debts accounts.

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NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

	31 March 2019	31 December 2018
Short-term other receivables		
Advances to contractors	833,669	759,276
Housing Acquisition Support (“HAS”) related receivables from Turkish Treasury	390,768	390,768
Receivables from the authorities	63,413	6,909
Other	699	698
	1,288,549	1,157,651

	31 March 2019	31 December 2018
Long-term other receivables		
Deposits and guarantees given	1,014	1,014
	1,014	1,014

	31 March 2019	31 December 2018
Short term other payables		
Payable to HAS beneficiaries	402,772	402,810
Payable to contractors (*)	88,752	88,752
Taxes and funds payable	16,320	22,801
Notes payable	-	47,477
Other	13,874	69,938
	521,718	631,778

(*) 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 2018: TL 88,752).

As of 31 March 2019, other long-term payables comprises of deposits and guarantees received.

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NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES (Continued)

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 31 March 2019 and 2018 are shown below:

	1 January 2019	Additions within the period	Disposals	31 March 2019
Treasury support share				
Receivable from Treasury	390,768	-	-	390,768
Special purpose government bond	12,067	-	(50)	12,017
Cash generated from government bond redemption	(25)	12	-	(13)
Total consideration received or receivable from Treasury	402,810			402,772
Payable to HAS beneficiaries	(402,810)			(402,772)

	1 January 2018	Additions within the period	Disposals	31 March 2018
Treasury support share				
Receivable from Treasury	390,771	-	-	390,771
Special purpose government bond	12,267	-	(250)	12,017
Cash generated from government bond redemption	(25)	250	(53)	172
Total consideration received or receivable from Treasury	403,013			402,960
Payable to HAS beneficiaries	(403,013)			(402,960)

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

NOTE 9 -INVENTORIES

	31 March 2019	31 December 2018
Lands	3,525,687	3,278,940
<i>Cost</i>	3,661,669	3,427,421
<i>Impairment</i>	(135,982)	(148,481)
Planned land by LSRSA	6,993,605	7,100,097
Planned land by turnkey project	2,445,492	3,118,629
Residential and commercial units ready for sale	1,410,900	1,252,239
<i>Cost</i>	1,476,392	1,286,112
<i>Impairment</i>	(65,492)	(33,873)
	14,375,684	14,749,905

As of 31 December 2018, independent valuation reports prepared by Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. and 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:

	2019	2018
Balance at 1 January	182,354	18,808
Impairment charge for the period	20,915	8,810
Reversal of impairment	(1,795)	(1,180)
Balance at 31 March	201,474	26,438

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NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

NOTE 9 - INVENTORIES (Continued)

The details of land and residential stocks of the company are shown below as of 31 March 2019 and 31 December 2018:

Lands	31 March 2019	31 December 2018
İstanbul Küçükçekmece Lands	1,420,469	1,420,469
İstanbul Başakşehir Lands	661,684	438,912
İstanbul Beşiktaş Lands	360,002	360,002
İstanbul Bakırköy Lands	350,673	350,673
İstanbul Tuzla Lands	205,917	205,917
İstanbul Arnavutköy Lands	170,189	166,655
İstanbul Kartal Lands	109,183	109,183
Samsun Canik Lands	94,265	94,265
İstanbul Ataşehir Lands	40,132	40,132
İstanbul Esenyurt Lands	59,618	39,178
Ankara Çankaya Lands	17,695	17,695
İzmir Konak Umurbey Lands	12,258	12,258
İstanbul İstinye Lands	7,734	7,734
Tekirdağ Çorlu Lands	6,153	6,153
Maltepe Küçükyalı Lands	3,010	3,010
Tekirdağ Kapaklı Lands	1,862	1,862
İstanbul Umraniye Lands	1,844	1,844
Kocaeli Gebze Lands	729	729
İstanbul Zekeriyaköy Lands	677	677
Kocaeli Tütünciftliği Lands	618	618
Other	975	974
	3,525,687	3,278,940

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

NOTE 9 - INVENTORIES (Continued)

Planned lands by LSRSA	31 March 2019	31 December 2018
Nidapark İstinye Project	992,898	993,433
Nidapark Kucukyali Project	677,810	677,715
Büyükyali Project	656,963	656,805
Merkez Ankara Project	637,619	630,115
Nişantaşı Project	519,267	498,095
Bizim Mahalle 2. Etap Project	490,877	476,638
Zeytinburnu Beştelsiz Project	408,076	408,029
Florya Şenlik Mahallesi Project	373,591	370,512
Beykoz Riva Project	372,447	366,646
İstanbul Çekmeköy Taşdelen Project	279,694	271,109
Nidapark Kayasehir Project	180,297	199,373
Validebağ Konakları Project	153,910	153,764
Köy Project	152,921	153,352
Tual Bahçekent Project	120,075	118,929
Avangart İstanbul Project	120,077	120,077
Koordinat Çayyolu Project	97,164	97,164
Temaşehir Konya Project	97,735	96,074
Tual Adalar Project	90,607	90,842
Evora Denizli Project	77,179	76,256
Karat 34 Project	68,389	67,480
Cer İstanbul Project	67,520	67,520
Ebruli Ispartakule Project	58,145	58,105
Avrupark Hayat Project	54,470	54,289
Semt Bahçekent Project	34,240	50,154
Ispartakule 6. Etap Project	48,682	48,682
Yeniköy Konakları İstanbul Project	45,485	45,368
Ofis Karat Bakırköy Project	30,955	30,605
İstanbul Finans Merkezi Project	23,383	22,444
İstmarina Project	29,262	29,170
Tuzla İçmeler Project	20,016	20,016
Şile Çavuş Project	9,813	9,813
Ankara Saraçoğlu Project	2,703	2,442
Evvel İstanbul Project	623	128
Çankaya Oran Project	-	33,079
Kocaeli Derince Project	-	70,360
Maslak 1453 Project	-	35,422
Other	712	92
	6,993,605	7,100,097

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NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

NOTE 9 - INVENTORIES (Continued)

Planned lands by turnkey project	31 March 2019	31 December 2018
Gebze Emlak Konutları	792,193	618,036
Başkent Emlak Konutları Project	619,264	557,844
Kuzey Yakası Project	467,091	349,753
Ankara Başkent Project	295,517	255,532
Niğde Emlak Konutları	173,182	162,387
Kocaeli Körfezkent Commercial Units	50,171	40,918
Ankara Mühye Emlak Konutları Project	33,079	-
Halkalı Emlak Konutları Project	9,412	-
Hoşdere Hayat Parkı Project	3,350	-
Ayazma Emlak Konutları Project	2,233	1,916
Başakşehir Ayazma 2. Etap Project	-	39,623
Nevşehir Emlak Konutları Project	-	225,771
Ispartakule 1. Etap 1. Kısım Project	-	458,732
Ispartakule 1. Etap 2. Kısım Project	-	408,117
	2,445,492	3,118,629

Completed units	31 March 2019	31 December 2018
Maslak 1453 Project	644,875	654,276
Sarphan Finanspark Project	225,534	225,534
Ispartakule Emlak Konutları	145,202	-
Başakşehir Ayazma Emlak Konutları	88,956	115,630
İstmarina Project	64,847	51,728
Kocaeli Körfezkent Emlak Konutları	56,496	57,058
Nevşehir Emlak Konutları	31,506	-
Başakşehir Emlak Konutları	28,316	29,228
Nidakule Ataşehir Project	24,052	24,052
Esenler Emlak Konutları	19,606	6,895
Dumankaya Miks Project	19,330	19,330
Batışehir Project	11,730	11,730
Unikonut Project	9,842	9,411
Avrupa Konutları Başakşehir Project	8,553	8,553
Bahçekent Emlak Konutları 1. Etap 3. Kısım	8,445	8,445
Metropol İstanbul Project	7,889	7,889
Bulvar İstanbul Project	3,208	3,208
Park Yaşam Mavişehir Evleri	1,739	1,739
Bahçekent Flora Evleri	1,082	1,082
Other	9,692	16,451
	1,410,900	1,252,239

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NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

NOTE 10 – 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.

The movement of investment property at 31 March 2019 and 2018 are as follows:

	Lands and completed units	Atasehir General Management Office A Block	Total
Cost Value			
Opening balance as of 1 January 2019	329,182	40,922	370,104
Transfers from completed units	11,551	-	11,551
Ending balance as of 31 March 2019	340,733	40,922	381,655
Accumulated Depreciation			
Opening balance as of 1 January 2019	-	2,722	2,722
Charge for the year	-	317	317
Ending balance as of 31 March 2019	-	3,039	3,039
Carrying value as of 31 March 2019	340,733	37,883	378,616
Cost Value			
Opening balance as of 1 January 2018	17,608	40,922	58,530
Purchases (*)	273,532	-	273,532
Ending balance as of 31 March 2018	291,140	40,922	332,062
Accumulated Depreciation			
Opening balance as of 1 January 2018	-	1,247	1,247
Charge for the year	-	491	491
Ending balance as of 31 March 2018	-	1,738	1,738
Carrying value as of 31 March 2018	291,140	39,184	330,324

(*)The Company is made up of commercial units purchased in 2018 to earn rental income from the Istmarina shopping center, which was completed within the scope of in “Istanbul Kartal Revenue Sharing Business for Land Sale”.

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

NOTE 10 - INVESTMENT PROPERTIES (Continued)

Regarding the measurement of fair values of investment properties at 31 March 2019, the valuation reports are taken from independent valuation CMB authorised firms Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. (31 December 2018: Terra Gayrimenkul Değerleme A.Ş.). The fair values of the investment property determined by independent valuation experts are as follows:

	31 March 2019	31 December 2017
Lands, residential and commercial units	81,351	69,800
Atasehir General Management Office A Block	83,524	83,524
Commercial units of Istmarina AVM	272,179	272,179
	437,054	425,503

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

31 March 2019	Buildings	Motor vehicles	Furniture, equipment and fix assets	Construction in progress	Total
Net book value as of 1 January 2018	56,884	550	5,963	97	63,494
Additions	-	-	18	-	18
Depreciation expense(-)	(508)	(76)	(335)	-	(919)
Net book value 31 March 2019	56,376	474	5,646	97	62,593
Cost	61,751	2,160	19,261	97	83,269
Accumulated depreciation (-)	(5,375)	(1,686)	(13,615)	-	(20,676)
Net book value 31 March 2019	56,376	474	5,646	97	62,593

31 March 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	-	-	210	3	213
Depreciation expense(-)	(165)	(99)	(721)	-	(985)
Net book value 31 March 2018	58,339	734	6,916	97	66,086
Cost	62,129	2,160	18,071	97	82,457
Accumulated depreciation (-)	(3,790)	(1,426)	(11,155)	-	(16,371)
Net book value 31 March 2018	58,339	734	6,916	97	66,086

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

NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 March 2019	31 December 2018
Provisions		
Provision for lawsuits	110,520	131,503
	110,520	131,503

The movements of provision for lawsuits as of 31 March 2019 and 2018 are as follows:

	2019	2018
Balance at 1 January	131,503	46,916
Provision released within the current period (Note 20)	(20,983)	-
Provision charged for the period (Note 20)	-	76
Balance at 31 March	110,520	46,992

12.1 Continuing Cases and Provisions

12.1.1 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. Izmir Karsiyaka Commercial Court of First Instance issued an expert report to determine the level of work was at around 83%, and 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. 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 date 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 comitee. 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 the plaintiff's assertion, the contract of the related project has been terminated unjustly by the Emlak Konut. The contractor firm is subject to compensation case. The claimant increased the value of the case according to the various expert reports and the related case amount increased to TL 65,596. The Company made provision amounting to TL 75,840 from the related case as of 31 March 2019.

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

12.1 Continuing Cases and Provisions (Continued)

12.1.2 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 20,521 from the related case as of 31 March 2019.

12.1.3 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 6,860 from the related case as of 31 March 2019.

12.2 Contingent Liabilities of Emlak Konut GYO

In the financial statements prepared as of 31 March 2019, 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 31 March 2019 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 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. In the expert opinion, the expert graded the view that the existence of the mortgage crisis necessitated the adaptation to the changing conditions.

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. According to the opinion of the company lawyer, no liability is expected to born as a result of the related lawsuit.

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NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

(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)

12.2.2 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.

12.2.3 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.

12.2.4 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. According to the opinion of the company lawyer, no liability is expected to born as a result of the related lawsuit.

12.3 Contingent Assets of Emlak Konut GYO

12.3.1 As of 31 March 2019 and 31 December 2018, 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 TFRS 15 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:

31 March 2019	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	1,217,253	676,544	1,893,797
2 year	406,549	362,174	768,723
3 year	370,077	257,921	627,998
4 year	328,992	163,150	492,142
5 year and above	1,015,399	1,337,772	2,353,171
	3,338,270	2,797,561	6,135,831

31 December 2018	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	649,874	1,078,613	1,728,487
2 year	397,839	873,235	1,271,074
3 year	354,604	494,918	849,522
4 year	318,761	381,373	700,134
5 year and above	1,107,296	1,576,903	2,684,199
	2,828,374	4,405,042	7,233,416

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

NOTE 13 - OTHER ASSETS AND LIABILITIES

	31 March 2019	31 December 2018
Other current assets		
Progress payments given to contractors	183,650	160,128
Accrued income	8,261	114,049
Receivables from tax office	19,191	17,703
	211,102	291,880

	31 March 2019	31 December 2018
Other non-current assets		
Deferred VAT	208,160	231,222
	208,160	231,222

NOTE 14 - DEFERRED INCOME AND PREPAID EXPENSES

	31 March 2019	31 December 2018
Short-term deferred income		
Deferred income from LSRSA projects (*)	1,979,559	2,134,978
Advances taken from LSRSA contractors (**)	621,568	688,925
Advances taken from turnkey project sales	113,746	403,299
Alienable deferred incomes (***)	280,143	336,000
Deferred income from sales of completed units	1,025,197	597,365
Advances taken from related parties (Note 20)	64,732	64,732
	4,084,945	4,225,299

(*) 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".

	31 March 2019	31 December 2018
Prepaid expenses		
Advances given for inventory (*)	1,467,741	1,430,510
Prepaid expenses	53	53
	1,467,794	1,430,563

(*) 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 453,023. The Company has also provided a stock advance of 612,711 TL to the contractors for the houses and commercial units they have received from Ankara Yeninahalle Station and Büyükyalı projects.

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NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

(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 2018: TL 3,800,000) and consists of 380,000,000,000 (31 December 2018: 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 31 March 2019 and 31 December 2018 is as follows:

Shareholders	31 March 2019		31 December 2018	
	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.

Between 1 November 2017 and 17 November 2017, The Group 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. Shares average purchase price is TL 2.60 and as a result of the purchases, between 23 December 2013 and 17 November 2017 the ratio of the shares that have been bought back to the total shares lot is 3.38%.

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NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

NOTE 16 - REVENUE AND COST OF SALES

	1 January- 31 March 2019	1 January- 31 March 2018
Sales income		
Land sales	207,086	1,277,923
<i>Income from sale of land and plots by way of LSRSA</i>	64,713	1,277,923
<i>Land sales income</i>	142,373	-
Residential and commercial units sales	1,026,445	158,034
Other Income	1,870	1,084
	1,235,401	1,437,041
Sales returns	(372)	(926)
Sales discounts	-	(733)
Net sales income	1,235,029	1,435,382
Cost of sales		
Cost of land sales	(195,427)	(415,411)
<i>Cost of land and plots sold by way of LSRSA</i>	(54,439)	(415,411)
<i>Cost of land sales</i>	(140,988)	-
Cost of residential and commercial units sales	(980,476)	(121,635)
	(1,175,903)	(537,046)
Gross profit	59,126	898,336

NOTE 17 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January- 31 March 2019	1 January- 31 March 2018
General administrative expenses		
Personnel expenses	(20,497)	(15,251)
Taxes, duties and fees	(11,032)	(9,091)
Consultancy expenses	(4,373)	(3,100)
Due and contribution expenses	(3,731)	(547)
Information technology expenses	(3,064)	(3,375)
Travel expenses	(1,851)	(1,739)
Depreciation and amortisation	(1,889)	(1,790)
Maintenance	(508)	(702)
Lawsuit and notary expenses	(228)	(117)
Insurance expenses	(204)	(117)
Communication	(170)	(91)
Donations	-	(155)
Other	(7,048)	(4,340)
	(54,595)	(40,415)

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NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

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

	1 January- 31 March 2019	1 January- 31 March 2018
Marketing, sales and distribution expenses		
Advertising expenses	(11,037)	(11,444)
Personnel expenses	(2,011)	(947)
Notary expenses	(26)	(17)
Office expenses	(1)	(120)
Other	(1,868)	(1,188)
	(14,943)	(13,716)

NOTE 18- OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January- 31 March 2019	1 January- 31 March 2018
Other income from operating activities		
Finance income from credit sales	91,815	110,309
Released lawsuit provisions (Note 12)	20,983	-
Not realized finance income	20,709	-
Delay penalty interest from project contractors	19,042	39,180
Recirculate commission income	8,983	6,628
Income from gas and due	3,548	514
Impairment provision reversals (Note 9)	1,795	1,180
Income from tender contract sales	-	125
Other	14,043	4,029
	180,918	161,965

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NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

NOTE 18- OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES (Continued)

	1 January- 31 March 2019	1 January- 31 March 2018
Other expenses from operating activities		
Home and land inventories impairment provision expenses (Note 9)	(20,915)	(8,810)
Cash and cash equivalents impairment provision expenses	(2,556)	-
Lawsuit provision charge for the period (Note 12)	-	(76)
Investment properties impairment provision expenses	-	(23,333)
Other	(5,046)	(498)
	(28,517)	(32,717)

NOTE 19 - INCOME FROM INVESTING ACTIVITIES

	1 January- 31 March 2019	1 January- 31 March 2018
Financial income		
Interest income from time deposits	10,203	20,639
Interest income from TOKI	41,498	-
Foreign exchange income	12	7
	51,713	20,646

	1 January- 31 March 2019	1 January- 31 March 2018
Financial expenses		
Loan interest expense	(107,622)	(58,460)
Interest discount on pay off debt	(35,426)	(745)
Assigned receivables and commission expense	(2,941)	(44,438)
Interest expense on payable to TOKI	-	(23,065)
Foreign exchange loss	(1)	(214)
	(145,990)	(126,922)

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

(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. (“EPP”)
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. Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. Ortak Girişimi
9. Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay Ortak Girişimi
10. Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş Ortak Girişimi
11. Emlak Planlama İnşaat Proje Yönetimi ve Tic. A.Ş. - Emlak Basın Yayın A.Ş. Ortak Girişimi
12. Emlak Konut Spor Kulübü Derneği
13. 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 358,405 as of 31 March 2019 (31 December 2018: TL 219,689) Average effective interest rates of time deposits of the Company as of 31 March 2019 are explained in Note 4.

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

	31 March 2019	31 December 2018
Trade receivables from related parties		
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	3,644	3,797
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş O.G.	5,577	5,577
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay Ortak Girişimi	1,336	1,337
	10,557	10,711

	31 March 2019	31 December 2018
Trade payables to related parties		
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”) (*)	10,692	68,661
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	1,323	1,324
	12,015	69,985

(*) The Company has purchased various lands from its ultimate parent company (TOKİ). The remaining payable from this purchases to TOKİ is amounting to TL 10,692 (31 December 2018: TL 68,661).

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

NOTE 20 - RELATED PARTY DISCLOSURES (Continued)

Advances received from related parties	31 March 2019	31 December 2018
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş 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- 31 March 2019	1 January- 31 March 2018
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	280,902	12,058
Emlak Planlama İnş. Prj. Yön. A.Ş. - Emlak Basın Yayın A.Ş. O.G.	-	286
	280,902	1,278,582

EPP had rent certificate amounting to TL 100,000 which were issued by the Company as of 31 December 2018 and the Company repaid TL 100,000 to EPP on 18 March 2019

Finance expense from related parties	1 January- 31 March 2019	1 January- 31 March 2018
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	-	23,065
Emlak Planlama, İnşaat, Proje Yönetimi ve Ticaret A.Ş.	5,063	-
	5,063	23,065

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- 31 March 2019	1 January- 31 March 2018
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	70,360	-
	70,360	-

Persons who are the top management of the entity are persons who have direct or indirect authority and responsibility for planning and managing their activities, including any executive (administrative or other).

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NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

NOTE 20 - RELATED PARTY DISCLOSURES (Continued)

In the Company, the chair 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- 31 March 2019	1 January- 31 March 2018
Salaries and other short-term employee benefits	1,436	1,296
	1,436	1,296

NOTE 21 - COMMITMENTS

The mortgage and guarantees received of the Company as of 31 March 2019 and 31 December 2018 are explained below;

	31 March 2019	31 December 2018
Guarantees received (*)	2,378,236	3,008,731
Mortgages received (**)	78,342	78,342
	2,456,578	3,087,073

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

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

The collaterals, pledges and mortgages (“CPM”) of the Company as of 31 March 2019 and 31 December 2018 are explained below;

	31 March 2019	31 December 2018
A. CPM given on behalf of the Company's legal personality	53,011	53,468
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	-	-
	53,011	53,468

NOTE 22 - EVENTS AFTER THE REPORTING PERIOD

On 9 April 2019, the Company issued lease certificates TL 150,000 worth and maturity date of 6 August 2019 TL 150,000 worth maturity date of 30 July 2019 on 30 April 2019 and maturity dated 03 September 2019 on 7 May 2019.

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NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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ADDITIONAL NOTE - CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS

	Non-Consolidated (Individual) Financial Statements		Current Period 31 March 2019	Prior Period 31 December 2018
	Main Account Items	Related Regulation	(TL)	(TL)
A	Money and Capital Market Instruments	Series:III-No:48, Art,24/(b)	448,965	591,401
B	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)	14,803,634	13,802,092
C	Affiliates	Series:III-No:48, Art,24/(b)	288,000,00	-
	Due from related parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
	Other Assets		7,411,204	5,835,971
D	Total Assets	Series:III-No:48, Art,3/(k)	22,951,803	20,229,464
E	Financial Liabilities	Series:III-No:48, Art,31	4,049,860	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	13,134,619	12,465,519
	Other Resources		5,767,324	5,743,469
D	Total Resources	Series:III-No:48, Art,3/(k)	22,951,803	20,623,660
	Non-Consolidated (Individual) Financial Statements	Related Regulation	Current Period 31 March 2019	Prior Period 31 December 2018
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)	448,965	0
A2	Term/ Demand/ Currency	Series:III-No:48, Art,24/(b)	403,485	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)	654,626	330,670
C1	Foreign Affiliates	Series:III-No:48, Art,24/(d)	-	-
C2	Affiliates for Operating Company	Series:III-No:48, Art,28	288,000	-
J	Non-cash Loans	Series:III-No:48, Art,31	53,011	56,397
K	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-

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NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

(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	31 March 2019 (%)	31 December 2018 (%)	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)	66	70	>50%
3	Money and Capital Market Instruments and Affiliates	Series:III-No:48, Art.24/(b)	1,25	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	0,01	-	<10%
7	Borrowing Limit	Series:III-No:48, Art.31	31	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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