

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONDENSED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2015
TOGETHER WITH REVIEW REPORT OF
INDEPENDENT AUDITORS**



**CONVENIENCE TRANSLATION INTO ENGLISH OF
THE INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED INTERIM
FINANCIAL INFORMATION
ORIGINALLY ISSUED IN TURKISH**

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

Introduction

1. We have reviewed the accompanying condensed statement of financial position of Emlak Gayrimenkul Yatırım Ortaklığı A.Ş. (the "Company") as at 30 June 2015 and the related condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Company is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

2. We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to conclude that the accompanying condensed interim financial information does not give a true and fair view of the financial position of Emlak Gayrimenkul Yatırım Ortaklığı A.Ş. at 30 June 2015 and of its financial performance and cash flows for the six-month period then ended in accordance with TAS 34.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Engin Çubukçu, SMMM
Partner

Istanbul, 7 August 2015

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2015

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EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONDENSED FINANCIAL POSITION STATEMENTS AT 30 JUNE 2015 AND 31 DECEMBER 2014

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

		<i>Reviewed</i> 30 June 2015	<i>Audited</i> 31 December 2014
	Notes		
ASSETS			
Current assets		5,614,359	5,450,071
Cash and cash equivalents	5	2,796,167	2,606,132
Financial instruments	6	151,550	236,798
Trade receivables	8	1,083,683	1,133,473
<i>Other trade receivables from third parties</i>	8	<i>1,083,683</i>	<i>1,133,473</i>
Other receivables	9	471,014	469,559
<i>Other receivables from related parties</i>	9, 21	<i>6,887</i>	<i>26,499</i>
<i>Other receivables from third parties</i>	9	<i>464,127</i>	<i>443,060</i>
Land and residential unit inventories	10	901,095	740,200
Prepaid expenses		10,507	11,544
Other current assets	13	200,343	252,365
Non-current assets		11,061,790	9,503,414
Trade receivables	8	1,262,482	1,220,622
<i>Trade receivables from third parties</i>	8	<i>1,262,482</i>	<i>1,220,622</i>
Other receivables	9	168	166
<i>Other receivables from third parties</i>	9	<i>168</i>	<i>166</i>
Land and residential unit inventories	10	9,660,417	8,243,895
Investment property		-	847
Property, plant and equipment	11	52,333	35,897
Intangible assets		1,894	1,987
Other non-current asset	13	84,496	-
Total assets		16,676,149	14,953,485

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONDENSED FINANCIAL POSITION STATEMENTS
AT 30 JUNE 2015 AND 31 DECEMBER 2014**

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

		<i>Reviewed</i> 30 June 2015	<i>Audited</i> 31 December 2014
	Notes		
LIABILITIES			
Current liabilities		7,619,693	5,711,879
Short-term borrowings		558	515
Short-term portion of			
long-term borrowings	7	201,521	171,757
Trade payables	8	2,844,191	1,376,240
<i>Trade payables to related parties</i>	8, 21	1,812,391	558,203
<i>Trade payables to third parties</i>	8	1,031,800	818,037
Other payables	9	515,245	515,425
<i>Other payables to related parties</i>	9, 21	17	-
<i>Other payables to third parties</i>	9	515,228	515,425
Deferred income	14	3,936,391	3,527,704
Short term provisions		121,787	120,238
<i>Short-term provision for</i>			
<i>employee benefits</i>		5,729	3,609
<i>Other short-term provisions</i>	12	116,058	116,629
Non-current liabilities		379,382	490,322
Long term borrowings	7	324,000	434,000
Trade payables	8	36,192	36,192
<i>Trade payables to third parties</i>	8	36,192	36,192
Other payables		13,580	15,130
<i>Other payables to third parties</i>		13,580	15,130
Deferred income	14	2,262	1,952
Long term provision for			
employee benefits		3,348	3,048
Shareholders' equity		8,677,074	8,751,284
Paid-in capital	15	3,800,000	3,800,000
Treasury shares (-)	15	(240,687)	(240,687)
Share premium		2,366,895	2,366,895
Other comprehensive income/expense not to be			
reclassified to profit or loss		(269)	(203)
- <i>Gain/loss on revaluation and remeasurement</i>		(269)	(203)
Restricted reserves		357,908	292,674
Retained earnings		2,111,335	1,578,208
Net profit for the period		281,892	954,397
Total liabilities and equity		16,676,149	14,953,485

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE INTERIM PERIODS ENDED 30 JUNE 2015 AND 2014

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

	Notes	Limited reviewed 1 January - 30 June 2015	Unaudited 1 April - 30 June 2015	Limited reviewed 1 January - 30 June 2014	Unaudited 1 April - 30 June 2014
Revenue	16	444,378	253,376	754,076	332,321
Cost of sales (-)	16	(191,159)	(112,881)	(382,218)	(228,489)
Gross profit		253,219	140,495	371,858	103,832
General administrative expenses (-)	17	(49,523)	(19,944)	(42,909)	(27,980)
Marketing expenses (-)		(17,276)	(9,069)	(11,023)	(6,480)
Other operating income	18	83,309	36,946	95,768	38,766
Other operating expenses (-)	18	(12,893)	(10,961)	(24,859)	(10,390)
Operating profit		256,836	137,467	388,835	97,748
Income from investing activities		8,969	4,139	9,274	2,620
Operating profit before financial income and expense		265,805	141,606	398,109	100,368
Financial income	19	40,822	15,207	195,304	89,391
Financial expenses (-)	20	(24,735)	(13,178)	(35,744)	(15,844)
Profit before tax from continued operations		281,892	143,635	557,669	173,915
Tax expense from continued operations		-	-	-	-
Profit for the period from continued operations		281,892	143,635	557,669	173,915
Other comprehensive income		(66)	59	257	(225)
Total comprehensive income for the period		281,826	143,694	557,926	173,690
Earnings per share (in full TL)		0.0007	0.0004	0.0015	0.0005

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2015 AND 2014

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

	Paid-in Capital	Adjustment to Share Capital	Share Premium	Restricted Reserves	Other Comprehensive Income and Expense not to be reclassified to	Retained Earnings		Total Equity
					Profit or Loss	Retained Earnings	Net income for the period	
1 January 2014	3,800,000	(139,307)	2,366,895	203,386	147	1,061,950	1,060,537	8,353,608
Transfers	-	-	-	89,288	-	971,249	(1,060,537)	-
Dividend payment	-	-	-	-	-	(454,991)	-	(454,991)
Acquisition of treasury shares	-	(84,370)	-	-	-	-	-	(84,370)
Total comprehensive income	-	-	-	-	257	-	557,669	557,926
30 June 2014	3,800,000	(223,677)	2,366,895	292,674	404	1,578,208	557,669	8,372,173
1 January 2015	3,800,000	(240,687)	2,366,895	292,674	(203)	1,578,208	954,397	8,751,284
Transfers	-	-	-	65,234	-	889,163	(954,397)	-
Dividend payment (*)	-	-	-	-	-	(356,036)	-	(356,036)
Total comprehensive income	-	-	-	-	(66)	-	281,892	281,826
30 June 2015	3,800,000	(240,687)	2,366,895	357,908	(269)	2,111,335	281,892	8,677,074

(*) Please refer to Note 15.

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONDENSED STATEMENTS OF CASH FLOWS AT 30 JUNE 2015 AND 2014

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

	Notes	1 January- 30 June 2015	1 January - 30 June 2014 (*)
Cash flows from operating activities			
Profit for the period		281,892	557,669
Adjustments to reconcile net profit/ (loss) to net cash provided by operating activities			
Depreciation and amortization		1,065	832
Adjustments related to impairments		5,266	8,580
Adjustments related to provisions		1,954	18,830
Adjustments for interest income and expenses		(97,669)	(249,142)
Unrealized exchange losses on cash and cash equivalents		9	(61)
Net cash before changes in assets and liabilities		192,517	336,708
Changes in net working capital			
Change in land and residential unit inventories		(1,581,416)	(3,676,954)
Change in trade receivables		15,347	6,487
Change in trade payables		1,467,951	1,064,001
Change in other receivables		20,268	(20,221)
Change in other payables		430,902	293,600
Change in project deposits		(972,003)	(126,691)
Net cash flow from operating activities		(438,653)	(2,125,719)
Interest received		10,552	5,014
Tax payments		(22,666)	(7,549)
Other cash outflow		(105)	(114)
Net cash flow from operating activities		(438,653)	(2,125,719)
Purchases of tangible and intangible assets		(17,828)	(15,262)
Interest received		9,689	24,293
Purchase of financial assets		(279,765)	(281,597)
Return of financial assets		365,012	807,660
Cash flow from investing activities		77,108	535,094
Payments for acquisition of treasury shares		-	(84,370)
Proceeds from financial liabilities		-	463
Repayments of financial liabilities		(79,957)	(80,000)
Interest received		42,781	200,819
Interest paid		(24,391)	(37,506)
Dividend payment		(356,036)	(454,991)
Decrease in payables to HAS beneficiaries		1,171	12,856
Increase in payables to HAS beneficiaries		(1,910)	(15,069)
Cash flow from financing activities		(418,342)	(457,798)
Net decrease in cash and cash equivalents before currency translation differences		(779,887)	(2,048,423)
Effects of unrealized gain/(loss) on cash and cash equivalents		(304)	4
Net decrease in cash and cash equivalents		(780,191)	(2,048,419)
Cash and cash equivalents at the beginning of the year	5	1,453,400	4,298,097
Cash and cash equivalents at the end of the year	5	673,209	2,249,678

(*) Please refer to Note 3.3

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 1 - GENERAL INFORMATION

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.

30 June 2015 31 December 2014

Employee numbers	281	264
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The registered address of the Company is as follows:

Atatürk Mahallesi Çitlenbik Caddesi No: 4 Kat: 1-8 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 can not be a part of construction business, but only can organize it by auctioning between the contractors.

The condensed financial statements at 30 June 2015 have been approved by the Board of Directors on 7 August 2015. The General Assembly of the Company has the power to amend these financial statements.

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

The main operations of the Company are not subject to any seasonality due to the nature of the industry. There have not been any significant events or transactions since 1 January 2015 that would have a material impact on the financial position and performance of the Company (Note 4).

Since the operations performed by The Company are centered only in a geographical region (Turkey) and only an industrial sector (housing development projects on the real estate), The Company does not report based on separate sections. Board of Directors is authorized to decide related to operations of The Company. In resolution process, decision maker evaluates quarterly prepared financial statements based on accounting policies accepted by "CMB".

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

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

The Company prepared its condensed interim financial statements for the period ended 30 June 2015 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 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.

Interim condensed financial statements of the Company do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Company’s annual financial statements as of 31 December 2014.

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 values. 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.

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”.

2.3 Going concern

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 3 - ACCOUNTING POLICIES

The accounting policies adopted as of 30 June 2015 are consistent with those prepared as of 31 December 2014. Therefore, condensed interim financial statements should be considered with year ended financial statements.

3.1 Comparative Figures and the Restatement to the Financial Statements of the Prior Period

The condensed financial statements of the Company include comparative financial information to enable the determination of the trends in financial position and performance. For the purposes of effective comparison, comparative financial statements can be reclassified when deemed necessary by the Company, where descriptions on significant differences are disclosed.

3.2 New or amended standards

The Company has applied revised standards and interpretations announced by TASC and TFRIC will be valid as of 1 January 2015.

a) The new standards, amendments and interpretations which are effective for the financial statements as of 30 June 2015:

- TAS 19, 'Employee benefits', effective annual periods on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- Annual improvements 2012, effective annual periods on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project that affect 7 standards:
 - TFRS 2, 'Share-based payment'
 - TFRS 3, 'Business Combinations'
 - TFRS 8, 'Operating segments'
 - TFRS 13, 'Fair value measurement'
 - TAS 16, 'Property, plant and equipment and TAS 38, 'Intangible assets'
 - Consequential amendments to TFRS 9, 'Financial instruments', TAS 37, 'Provisions, contingent liabilities and contingent assets', and
 - TAS 39, 'Financial instruments – Recognition and measurement'.
- Annual improvements 2013, effective annual periods on or after 1 July 2014. The amendments include changes from the 2011-2-13 cycle of the annual improvements project that affect 4 standards:
 - TFRS 1, 'First time adoption'
 - TFRS 3, 'Business combinations'
 - TFRS 13, 'Fair value measurement' and
 - TAS 40, 'Investment property'.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 3 - ACCOUNTING POLICIES (Continued)

b) The new standards, amendments and interpretations issued but not yet effective as of 30 June 2015:

- Amendment to TFRS 11, 'Joint arrangements', effective annual periods beginning on or after 1 January 2016. It is about acquisition of an interest in a joint operation. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendments to TAS 16, 'Property, plant and equipment', and TAS 41, 'Agriculture', effective annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, bearer plants should *be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing*. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41.
- Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets', effective annual periods beginning on or after 1 January 2016. In this amendment has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- TFRS 14 'Regulatory deferral accounts', effective annual periods beginning on or after 1 January 2016. This standard permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.
- Amendments to TAS 27, 'Separate financial statements', effective annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendments to TFRS 10, 'Consolidated financial statements' and TAS 28, 'Investments in associates and joint ventures', effective annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in TFRS 10 and those in TAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 3 - ACCOUNTING POLICIES (Continued)

b) The new standards, amendments and interpretations issued but not yet effective as of 30 June 2015 (Continued):

- Annual improvements 2014, effective annual periods beginning on or after 1 January 2016, These set of amendments impacts 4 standards:
 - TFRS 5, ‘Non-current assets held for sale and discontinued
 - TFRS 7, ‘Financial instruments: Disclosures’, (with consequential amendments to IFRS 1) regarding servicing contracts.
 - TAS 19, ‘Employee benefits’ regarding discount rates.
 - TAS 34, ‘Interim financial reporting’ regarding disclosure of information.
 - Amendment to TAS 1, ‘Presentation of financial statements’, effective annual periods beginning on or after 1 January 2016. These amendments are to improve presentation and disclosure in financial reports,
 - Amendment to TFRS 10 and TAS 28 on investment entities applying the consolidation exception, effective annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
 - TFRS 15 ‘Revenue from contracts with customers’, effective annual periods beginning on or after 1 January 2017. This standard is a converged standard from the IASB and FASB on revenue recognition which will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
 - TFRS 9 ‘Financial instruments’; effective annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
 - The standards, amendments and interpretations listed below has not been published by Public Oversight Authority as the publication date of this bulletin:
 - TFRS 9 “Financial Instruments”
 - TFRS 14 “Regulatory Deferral Accounts”(*)
 - TFRS 15 “Revenue from Contracts with Customers”
- (*) “Regulatory Deferral Accounts” was sent to the Prime Ministry to be published in the Official Gazette, (June 17, 2015).

No material impact of above amendments the Company’s financial statements.

3.3 Comparative Figures and the Restatement to the Financial Statements of the Prior Period

The Company's financial statements are prepared comparatively to enable identifying the financial position and performance trends. In the financial statements of the company published on 7 August 2014, the Company reclassified its construction in progress amounting of TL14,250 to tangible assets from long term inventories since the regarding costs are attributable to the head office building which has been constructing for the own use of the Company. With regards to this reclassification, the Company also made necessary reclassifications in cash flows statement between the cash out flows due to the purchases of tangible and intangible assets and change in land and residential unit inventories.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 3 - ACCOUNTING POLICIES (Continued)

3.4 Critical accounting estimates, assumptions and judgments

The preparation of financial statements requires the use of assumptions and estimates that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues expenses which are reported throughout the period. Even though these assumptions and estimates rely on the best estimates of the Company management both the actual results may differ and not material for these financial statements.

NOTE 4- SIGNIFICANT EVENTS AND TRANSACTIONS RELATED WITH THE PERIOD

The events and transactions which have significant impacts on the financial statements at the period ended at 30 June 2015 are as follows:

The Company has purchased 110 properties covering a total of 2,020,479 m² which are located in Istanbul, Yalova, Niğde, Nevşehir, Denizli and Konya provinces for a consideration of TL1,292,655 from Housing Development Administration of Turkey (T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı).

The Company issued land invoices amounting to TL395,770 in the six months period ended 30 June 2015 regarding temporary admissions made on the parts of ongoing constructions of Land Subject to Revenue Sharing Agreements ("LSRSA") projects (Note 16).

The Company made collections amounting to TL2,353,817 based on the sales agreements signed with the resident buyers of the ongoing LSRSA projects. TL792,524 portion of the total amount belongs to the Company and is accounted for at Other Current Liabilities - Deferred Revenue from LSRSA Projects. The remaining portion amounting to TL1,561,293 was collected to be paid to the subcontractors in accordance with the percentage of completion levels of the projects. The unpaid portion of this balance is accounted for at Short-term Trade Payables - Payables to Contractors According to LSRSA.

The Company received advances amounting to TL229,602 regarding to the LSRSA projects with terms of the rates defined in the construction agreements.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	30 June 2015	31 December 2014
Cash on hand	43	3
Banks		
- Demand deposit	79,519	97,277
- Time deposit	2,708,019	2,496,079
Other	8,586	12,773
	2,796,167	2,606,132

Maturities of cash and cash equivalents are as follows:

Demand	79,562	97,280
Up to 1 month	2,708,019	2,496,079
Less: Blocked deposits	(8,586)	(12,773)
	2,778,995	2,580,586

Average effective interest rates of time deposits are as follows:

	30 June 2015 (%)	31 December 2014 (%)
TL	8.46	8.14

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

	30 June 2015	31 December 2014
Cash and cash equivalents	2,796,167	2,606,132
Less: Interest accruals	(6,804)	(8,771)
Less: LSRSA project deposits (*)	(590,215)	(444,282)
Less: TOKI deposits (**)	(1,520,352)	(694,282)
Less: Blocked deposits	(5,587)	(5,397)
	673,209	1,453,400

(*) 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. TL2,998 part of the total project amount deposits TL590,215 consists of blocked deposits.

(**) Within the scope of protocols signed with TOKI for land purchases, the cost of lands purchased from TOKI is kept under the time deposit accounts of Emlak Konut on behalf of TOKI until the payment date determined by TOKI. All interest income accumulated in the bank deposits will be paid to TOKI at maturity date.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 6 - FINANCIAL ASSETS

	30 June 2015	31 December 2014
Financial Assets		
Treasury bills	138,283	223,031
Special issue government bonds (*)	13,267	13,767
	151,550	236,798

(*) The Republic of Turkey, Undersecretariat 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 TL429,617 has been issued to the Company. The Bonds are redeemed partially and early redeemed and the amount is transferred to the Company’s accounts when the HAS lists are specified (Note 9). The government bonds’ amounts are TL13,267 and TL13,767 at 30 June 2015 and 31 December 2014, respectively. 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.

The Company issues treasury bills amounting to TL138,283 as of 30 June 2015 (31 December 2014: TL 223,031) from Turkish Treasury. These treasury bills are measured at fair value. The fair value of these treasury bills are calculated by using the effective interest rates as quarterly which are announced by Turkish Treasury. Average effective interest rate of financial assets at 30 June 2015 is 9.49% (31 December 2014: 8.96%). As of 30 June 2015 average term of the treasure bills is 5 months (31 December 2014: 5 months).

NOTE 7 - FINANCIAL LIABILITIES

	30 June 2015	31 December 2014
Short-term financial liabilities		
Short term borrowings	558	515
Short-term portion of long-term borrowings	201,521	171,757
	202,079	172,272
Long-term bank borrowings		
Long-term borrowings	324,000	434,000
	324,000	434,000

The Company has borrowed TL1,314,000 from the Turkish Treasury for financing its HAS payment liability. With respect to the agreement signed with the Turkish Treasury, the related borrowing has a floating interest rate and has a maturity of 10 October 2017. The interest rate is defined as the weighted average of the compound rate of discounted Government bonds issued by Turkish Treasury before each payment period.

The interest rate of the borrowing at 30 June 2015 is 10.10% (31 December 2014: 9.44%).

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 7 FINANCIAL LIABILITIES (Continued)

The redemption schedules of the borrowings at 30 June 2015 and 31 December 2014 are as follows:

	30 June 2015	31 December 2014
2016	110,000	220,000
2017	214,000	214,000
	324,000	434,000

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

	30 June 2015	31 December 2014
Less than 3 months	52,079	52,272
Between 3 - 12 months	150,000	120,000
Between 1 - 5 years	324,000	434,000
	526,079	606,272

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	30 June 2015	31 December 2014
Short-term trade receivables		
Notes receivables	610,071	468,476
Receivables from sale of residential units and commercial units	271,139	424,283
Receivables from LSRSA contractors invoiced	163,755	224,029
Receivables from land sales	37,930	18,988
Rent receivables	1,458	1,657
Other	587	587
Unearned finance income	(1,257)	(4,547)
	1,083,683	1,133,473
Doubtful receivables	1,722	1,732
Less: Provision for doubtful receivables (-)	(1,722)	(1,732)
	1,083,683	1,133,473

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

Long-term trade receivables

	30 June 2015	31 December 2014
Receivables from sale of residential units and commercial units	1,342,189	1,268,305
Receivables from land sales	6,848	42,999
Unearned finance income	(86,555)	(90,682)
	1,262,482	1,220,622

Short-term trade payables

	30 June 2015	31 December 2014
Payables to related parties (Note 21)	1,812,391	558,203
Payables to contractors according to LSRSA	975,462	758,916
Interest payables of contractors' time deposit (*)	48,790	45,161
Trade payables	7,548	13,960
	2,844,191	1,376,240

Long-term trade payables

	30 June 2015	31 December 2014
Payables to landowners (**)	36,192	36,192
	36,192	36,192

(*) The contractors' portion of the residential unit sales as defined in the agreement which gained from ongoing LSRSA projects is deposited in the time deposit bank accounts under control of the Company within the related LSRSA projects (Note 5).

(**) In the context of collaboration protocol dated 28 February 2014 for urban transformation project, the control of the land amounting to TL36,192 has been transferred to the Company and since the payment will be in done with the delivery of the residential and commercial units, the payable to landowner has been classified in long term trade payable.

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

	30 June 2015	31 December 2014
Short-term other receivables		
Housing Acquisition Support (“HAS”) related		
receivables from Turkish Treasury	390,776	391,001
Receivables from contractors	66,120	48,838
VAT receivables from the tax authority	6,089	3,058
Due from related parties (Note 21)	6,887	26,499
Other	1,142	163
	471,014	469,559

	30 June 2015	31 December 2014
Long-term other receivables		
Deposits and guarantees given	168	166
	168	166

	30 June 2015	31 December 2014
Short term other payables		
Payable to HAS beneficiaries	404,491	405,230
Payable to contractors (*)	88,752	88,752
Taxes and funds payable	11,475	12,222
Payables to related parties (Note 21)	17	-
Other	10,510	9,221
	515,245	515,425

(*) The balance includes unissued invoice amount of TL88,752 regarding units received as a result of revenue allocation at İzmir Mavişehir Phase 3 project (Note 22), where the contractor filed a lawsuit regarding the revenue sharing percentages (31 December 2014: TL88,752).

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 9 - 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 30 June 2015 and 2014 are shown below:

	1 January 2015	Additions within the period	Disposals	30 June 2015
Treasury support share				
Receivable from Treasury	391,001	114	(369)	390,776
Special purpose				
government Bond (Note 6)	13,767	-	(500)	13,267
Cash generated from				
government bond redemption	462	1,027	(1,041)	448
Total consideration received or receivable from Treasury	405,230			404,491
Payable to HAS beneficiaries	(405,230)			(404,491)
	1 January 2014	Additions within the period	Disposals	30 June 2014
Treasury support share				
Receivable from Treasury	388,170	2,860	(904)	390,126
Special purpose				
government Bond (Note 6)	18,267	-	(2,000)	16,267
Cash generated from				
government bond redemption	2,559	9,996	(12,165)	390
Total consideration received or receivable from Treasury	408,996			406,783
Payable to HAS beneficiaries	(408,996)			(406,783)

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 10 - LAND AND RESIDENTIAL UNIT INVENTORIES

	30 June 2015	31 December 2014
Short-term inventories		
Planned land by LSRSA	437,923	577,498
Residential and commercial units ready for sale	62,300	73,361
<i>Cost</i>	63,156	74,276
<i>Impairment</i>	(856)	(915)
Planned land by Residential Projects Subject to Public Tender Law (“RPSPTL”)	400,872	89,341
	901,095	740,200
Long-term inventories		
Land	4,696,724	4,752,386
<i>Cost</i>	4,713,081	4,763,764
<i>Impairment</i>	(16,357)	(11,378)
Planned land by LSRSA	3,984,465	2,643,700
Planned land by RPSPTL	979,228	847,809
Semi-finished construction projects	-	-
	9,660,417	8,243,895

As of 31 December 2014, independent valuation reports prepared by Nova Taşınmaz Değerleme ve Danışmanlık A.Ş. and Reel Gayrimenkul Değerleme 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 valuation methods that the independent valuation companies took into consideration included sales comparison and discounted cash flow methods, where the major assumptions were comprised of total cash flows expected from the projects, discount rates to calculate the present value of the related projects and comparable m² sales amounts.

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

	2015	2014
Balance at 1 January	12,293	37,180
Impairment charge for the period	4,912	9,132
Reversal of impairment due to sales	(66)	-
Reversal of impairment	-	(552)
Impairment for transfers from investment properties to inventory	74	-
Balance at 30 June	17,213	45,760

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 10 - LAND AND RESIDENTIAL UNIT INVENTORIES (Continued)

The details of companys' lands and residential unit inventories are as follow as of 30 June 2015 and 31 December 2014:

Long – Term Lands	30 June 2015	31 December 2014
Ankara Yeni Mahalle Land	894,705	894,705
İstanbul Maltepe Land	665,557	688,674
İstanbul Başakşehir Land	564,628	703,069
Ankara Çankaya Land	422,228	420,476
İstanbul Zeytinburnu Land	400,006	-
İstanbul Arnavutköy Land	333,308	333,308
İstanbul Tuzla Land	221,896	-
Yalova Land	178,340	-
İstanbul Kağıthane Land	145,881	-
İstanbul Kartal Land	132,283	132,283
İstanbul Esenyurt Land	119,905	119,879
İstanbul Avcılar Land	106,085	276,301
İstanbul Üsküdar Land	85,004	-
Denizli Land	74,738	-
Nevşehir Land	69,939	-
İstanbul Ataşehir Land	49,131	8,995
Kocaeli Gebze Land	44,376	44,376
İstanbul İstinye Land	-	1,005,627
Other	188,714	124,693
	4,696,724	4,752,386
Planned land by LSRSA	30 June 2015	31 December 2014
Sarıyer İstinye Project	1,006,171	-
Kazlıçeşme Project	640,004	640,004
Maslak 1453 Project	549,415	549,415
Metropol İstanbul Project	246,166	246,166
Kuasar İstanbul Project	230,118	230,118
Köy Project	224,272	224,209
İstanbul Kartal Project	186,841	186,694
Park Maveria Project	115,703	115,513
Kayabaşı 6.Phase Project	115,227	-
Bulvar İstanbul Project	107,553	107,553
Batışehir Project	103,473	144,871
Kartal Yakacık Project	89,937	86,919
Kayabaşı 3.Phase Project	88,865	88,794
Hoşdere 4. PhaseProject	88,227	-
Konya Meram Yenice Project	85,001	-
Avcılar Kapadık Project	79,326	79,299
Kocaeli Derince Project	70,001	70,001
Yenibosna Project	68,334	-
Fatih Yedikule Project	65,646	65,646
Hoşdere 3. Phase Project	60,372	60,372
Hoşdere 2.Phase Project	47,068	47,064
Ankara Etimesgut Project	37,288	37,288
Bahçetepe Project	6,077	28,986
Other	111,303	212,286
	4,422,388	3,221,198

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

NOTE 10 - LAND AND RESIDENTIAL UNIT INVENTORIES (Continued)

Planned land by RPSPTL	30 June 2015	31 December 2014
İstanbul Esenler Urban Transformation Project	212,404	114,163
Ispartakule Project	177,691	-
Kayabaşı 1. Phase 1. Part Project	175,615	138,580
Hoşdere 1. Part 2. Phase Project	125,376	106,261
Kayabaşı 1. Phase 4. Part Project	112,399	92,361
Körfezkent 3 Phase Project	103,617	89,341
Hoşdere 1. Part 1. Phase Project	100,521	86,730
Kayabaşı 1. Phase 3. Part Project	99,742	80,624
Ayazma Emlak Konutları Project	97,965	96,674
Kayabaşı 1. Phase 2. Part Project	81,912	62,740
Hoşdere 1. Part 3. Phase Project	71,358	54,167
Körfezkent 4. Phase Project	17,628	14,423
Hoşdere Hayat Park Project	2,786	-
Kocaeli Gebze Kirazpınar Urban Transformation Project	662	662
Bursa Urban Transformation Project	424	424
	1,380,100	937,150

Residential and commercial units ready for sale	30 June 2015	31 December 2014
Şehrizar Konakları	42,944	51,335
Evora 2. Phase Project	9,184	-
My Towerland	3,752	3,752
Birİstanbul Project	-	10,504
Other	6,420	7,770
	62,300	73,361

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

30 June 2015	Buildings	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Net book value, 1 January 2015	9,302	545	2,152	23,898	35,897
Additions	419	462	1,170	15,458	17,509
Depreciation expense (-)	(112)	(117)	(424)	-	(653)
Impairment (-)	(420)	-	-	-	(420)
Net book value	9,189	890	2,898	39,356	52,333
Cost	10,675	1,551	6,546	39,356	58,128
Accumulated Depreciation (-)	(1,066)	(661)	(3,648)	-	(5,375)
Impairment (-)	(420)	-	-	-	(420)
Net book value	9,189	890	2,898	39,356	52,333

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2014 (*)	Buildings	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Net book value, 1 January 2014	2,469	763	2,253	5,783	11,268
Additions	6,534	-	306	8,467	15,307
Disposals, (net) (-)	-	-	(147)	-	(147)
Depreciation expense (-)	(98)	(109)	(272)	-	(479)
Net book value	8,905	654	2,140	14,250	25,949
Cost	9,790	1,090	5,065	14,250	30,195
Accumulated Depreciation (-)	(885)	(436)	(2,925)	-	(4,246)
Net book value	8,905	654	2,140	14,250	25,949

(*) Please refer to Note 3.3.

NOTE 12 - PROVISIONS

	30 June 2015	31 December 2014
Provisions		
Provision for lawsuits	58,498	69,699
Provision for cost accruals	57,560	46,930
	116,058	116,629

The movements of provision for lawsuits as of 30 June 2015 and 2014 are as follows:

	2015	2014
Balance at 1 January	69,699	59,996
Provision charge for the period	1,294	14,564
Provision released	(3,278)	(5,870)
Provision used in the period	(9,217)	-
Balance at 30 June	58,498	68,690

NOTE 13 - OTHER ASSETS AND LIABILITIES

	30 June 2015	31 December 2014
Other current assets		
Progress payments given to contractors	76,874	142,778
Accrued Income	55,747	27,034
Receivables from tax office (*)	42,647	44,247
Deferred VAT	25,000	38,306
Other	75	-
	200,343	252,365

(*) Receivables from tax office consist of withholding taxes paid on interest income.

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 13 - OTHER ASSETS AND LIABILITIES (Continued)

	30 June 2015	31 December 2014
Other non-current assets		
Deferred VAT	84,496	-
	84,496	-

NOTE 14 - DEFERRED REVENUE

	30 June 2015	31 December 2014
Short term deferred revenue		
Deferred revenue from LSRSA projects (*)	2,699,326	2,406,969
Advances taken from LSRSA contractors (**)	634,100	630,273
Advances taken from RPSPTL projects sale	538,233	425,730
Due to related parties (Note 21)	64,732	64,732
	3,936,391	3,527,704

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

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

	30 June 2015	31 December 2014
Long term deferred revenue		
Other advances taken	2,262	1,952
	2,262	1,952

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NOTE 15 - SHAREHOLDER S' EQUITY

The Company's authorized capital amount is TL 3,800,000 (31 December 2014: TL 3,800,000) and consists of 380,000,000 authorized number of shares with a nominal value of TL 0.01 each.

The Company's shareholders and their shareholding percentages as of 30 June 2015 and 31 December 2014 is as follows:

Shareholders	30 June 2015		31 December 2014	
	Share (%)	TL	Share (%)	TL
Public offering portion	50.66	1,925,000	50.66	1,925,000
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı	49.34	1,874,831	49.34	1,874,831
HAS beneficiaries	0.00	167	0.00	167
Other	0.00	2	0.00	2
Total paid-in capital	100.00	3,800,000	100.00	3,800,000

The Company paid dividend to its shareholders amounting to TL356,036 from net distributable profit amounting to TL366,738 after deduct its treasury shares amounting to TL10,702 on 26 May 2015. The dividend amounting to TL10,702 which correspond to its treasury shares which were repurchased after the secondary public offering has been accounted in “Retained Earnings”.

NOTE 16 - SALES AND COST OF SALES

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Revenue				
Land sales	395,770	218,272	606,201	201,981
- Income from sale of land and plot by way of LSRSA	395,770	218,272	606,201	201,981
Residential and commercial units sales	49,249	35,176	147,686	130,797
Other income	187	87	1,316	655
	445,206	253,535	755,203	333,433
Sales returns (-)	(537)	-	(1,112)	(1,097)
Sales discounts (-)	(291)	(159)	(15)	(15)
Net sales income	444,378	253,376	754,076	332,321
Cost of sales				
Cost of land sales	(152,504)	(84,040)	(284,088)	(141,630)
-Cost of land and plots sold by way of LSRSA	(152,504)	(84,040)	(284,088)	(141,630)
Cost of residential and commercial units sales	(38,655)	(28,841)	(98,130)	(86,859)
	(191,159)	(112,881)	(382,218)	(228,489)
Gross Profit	253,219	140,495	371,858	103,832

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 17 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
General Administrative Expenses				
Personnel expenses	19,303	9,984	13,290	7,279
Duties, taxes and levies	16,861	3,954	20,185	15,344
Consultancy expenses	2,972	638	1,473	1,197
Subcontracting service expenses	1,418	520	1,575	970
Amortisation and depletion expenses	1,065	518	832	448
Insurance expenses	961	522	779	474
Litigation expenses	771	498	1,182	618
Membership fee expenses	503	8	1,198	392
Other	5,669	3,302	2,395	1,258
	49,523	19,944	42,909	27,980

NOTE 18 - OTHER OPERATING INCOME / EXPENSES

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Other operating income				
Finance income from credit sales	51,398	17,190	53,149	12,264
Delay penalty interest				
from project contractors	10,552	6,831	20,394	18,324
Unearned finance income, net	7,417	5,546	5,413	1,920
Commission incomes	3,477	1,879	2,896	1,638
Released lawsuit provision (Note 12)	3,278	425	5,870	89
Delay penalty income				
from project contractors	792	456	1,404	981
Impairment provision reversals (Note 10)	66	-	552	519
Other	6,329	4,619	6,090	3,031
	83,309	36,946	95,768	38,766
Other operating expenses				
Litigation expenses	(5,623)	(5,623)	-	-
Impairment provision expenses (Note 10)	(4,912)	(4,404)	(9,132)	(9,112)
Lawsuit provision charge for the period (Note 12)	(1,294)	(118)	(14,564)	(954)
Other	(1,064)	(816)	(1,163)	(324)
	(12,893)	(10,961)	(24,859)	(10,390)

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 19 - FINANCIAL INCOME

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Finance Income				
Interest income from time deposits	40,814	15,203	195,241	89,328
Foreign exchange income	8	4	63	63
	40,822	15,207	195,304	89,391

NOTE 20 - FINANCIAL EXPENSE

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Financial expenses				
Interest expense on Turkish Treasury borrowings (*)	(24,155)	(12,764)	(34,391)	(14,738)
Foreign exchange loss	(405)	(320)	(87)	(4)
Commission expenses	(175)	(94)	(1,266)	(1,102)
	(24,735)	(13,178)	(35,744)	(15,844)

(*) Interest expense of borrowing for HAS beneficiaries payments from Turkish Treasury amounting to TL1,314,000 calculated in accordance with Domestic Government Debt Securities issuance compound interest rate announced at the time of payment periods

NOTE 21 - RELATED PARTY TRANSACTIONS

The main shareholder of the Company is TOKİ. TOKİ is a State institution under control of Republic of Turkey Prime Ministry. Related parties of the Company are as listed below:

1. T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (“TOKİ”)
2. Emlak Pazarlama. İnşaat. Proje Yönetimi ve Ticaret A.Ş. (the subsidiary of TOKİ)
3. GEDAŞ Gayrimenkul Değerleme A.Ş. (the subsidiary of TOKİ)
4. TOBAŞ (Toplu Konut - Büyükşehir Bel. İnş. Emlak ve Proje A.Ş.) (the subsidiary of TOKİ)
5. Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (the subsidiary of TOKİ)
6. Vakıf İnşaat Restorasyon ve Ticaret A.Ş. (the subsidiary of TOKİ)
7. Emlak-Toplu Konut İdaresi Spor Kulübü
8. Emlak Paz.- Fideltus İnş. - Öztaş İnş. Ortak Girişimi

According to the revised TAS 24 - Related Parties standard, exemptions have been brought to the disclosure requirements of balances. The Company has transactions with State banks that are T.C. Ziraat Bankası A.Ş. Türkiye Vakıflar Bankası T.A.O., Türkiye Halk Bankası A.Ş. and Turkish Treasury in relation to the HAS payments.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 21 - RELATED PARTY TRANSACTIONS (Continued)

- Balances and transactions with respect to Turkish Treasury are detailed in Note 7 and 9.
- The Company mostly deposits its cash in State Banks in compliance with its related statute. The bank balances with state banks amounted to TL2,317,689 as of 30 June 2015 (31 December 2014: TL2,269,959). Regarding these bank balances, the Company also generated interest income from the related State banks amounted to TL40,814 in as of 30 June 2015 (2014: TL104,928), Average effective interest rates of time deposits of the Company as of 30 June 2015 is explained in Note 5.

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

	30 June 2015	31 December 2014
Other receivables from related parties		
Emlak Paz.-Fideltus İnş-Öztaş İnş. O.G.	5,563	5,559
Emlak Paz.-Cathay Ortak Girişimi	1,324	-
Emlak Paz. İnş. A.Ş.-Yeni Sarp İnş. Ltd. Şti.	-	20,940
	6,887	26,499

	30 June 2015	31 December 2014
Advances received from related parties		
Emlak Paz.- Fideltus İnş. - Öztaş İnş. O.G.	64,732	64,732
	64,732	64,732

Represents the initial collections made from LS RSA projects, where the Company collects in advance a predetermined portion of the total sales amount in line with the agreements.

	30 June 2015	31 December 2014
Due to Related Parties		
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı	1,812,391	558,203
	1,812,391	558,203

	30 June 2015	31 December 2014
Other Due to Related Parties		
Ege Yapı Ltd. Şti.- Emlak Pazarlama O. G.	17	-
	17	-

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 21 - RELATED PARTY TRANSACTIONS (Continued)

	1 January - 30 June 2015	1 April - 30 June 2015	1 January- 30 June 2014	1 April - 30 June 2014
Purchases from related parties				
TOKI	1,292,655	-	2,578,467	2,578,467
	1,292,655	-	2,578,467	2,578,467
Sales to related parties				
Emlak Pazarlama-Yeni Sarp Ortak Girişimi	30	30	30	13
Emlak Paz. - Cathay Ortak Girişimi	-	-	1,459	795
	30	30	1,489	808

Remuneration of key management

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

	1 January - 30 June 2015	1 April - 30 June 2015	1 January- 30 June 2014	1 April - 30 June 2014
Salaries and short-term employee benefits	880	284	596	309
	880	284	596	309

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 22 - CONTINGENT ASSETS AND LIABILITIES

1. The LSRSA project agreement regarding 750 units in İzmir Mavişehir 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 RPSPTL.

The prior contractor filed a lawsuit against the Company claiming that the completion percentage of the project was significantly high and that the agreement between the parties was based on construction right in return for flat. The expert report on the project stated that the completion percentage was 83% but that the agreement between the parties was not based on construction right in return for flat. The Company and the contractor filed counter lawsuits in the following period and an additional report was decided to be issued. The additional report is about the final receivables and payables of the parties considering all the claims. The additional report is completed. Court decided to apply secondary expert report as a result of additional report examination on 11 June 2014. Nevertheless next trial date has not been appointed yet.

The Company does not expect any obligation or liability to be incurred as a result of the lawsuit.

2. The LSRSA project agreement regarding İzmir Mavişehir 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 TL67,515 plus VAT calculated as TL175,000 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.

An expert report has been issued on the subject, which stated that the relation between the parties was in the form of ordinary partnership. The Company objected the expert report putting forward the existence of counter opinions in the doctrine and submitted the sources of such opinions. The expert report also opined that the mortgage crisis in the global markets required the revision of the agreement in accordance with 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.

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

NOTE 22 - CONTINGENT ASSETS AND LIABILITIES (Continued)

3. Mortgage and guarantees received are;

	30 June 2015	31 December 2014
Guarantees received	2.975,968	2,493,538
Mortgages received	46,078	44,595
	3,022,046	2,538,133

Guarantees received consist of the performance guarantees given by contractors for construction projects and tender guarantees received in process of tender.

Mortgages received consist of the mortgages on single space and land that are sold but their payments have not been collected yet.

4. Collaterals, Pledges, Mortgages (“CPM”):

	30 June 2015	31 December 2014
A, CPM given on behalf of the Company’s legal personality	11,252	22,906
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 the majority shareholder	-	-
ii) Total amount of CPM given on behalf of other group 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,	-	-
	11,252	22,906

NOTE 23 - EVENTS AFTER THE REPORTING PERIOD

None.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

ADDITIONAL NOTE - CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS

	The main accounts of unconsolidated (separate) financial statement	Related Regulation	Current Period 30 June 2015 (TL)	Prior Period 31 December 2014 (TL)
A	Capital and money market instruments	Series: III, No:48.1 , Art.24/ (b)	837,150	1,704,366
B	Properties, Projects based on Properties and Rights based on Properties	Series: III, No:48.1, Art.24/(a)	10,571,764	8,994,886
C	Affiliates	Series: III, No:48.1, Art.24/(b)	-	-
	Due from related parties (Other Receivables)	Series: III, No:48.1, Art.23/(f)	6,887	-
	Other Assets		5,260,348	4,254,233
D	Total Assets	Series: III, No:48.1, Art.3/(k)	16,676,149	14,953,485
E	Financial borrowings	Series: III, No:48.1, Art.31	526,079	606,272
F	Other financial liabilities	Series: III, No:48.1, Art.31	-	-
G	Financial lease liabilities	Series: III, No:48.1, Art.31	-	-
H	Due to related parties (Other Payables)	Series: III, No:48.1, Art.23/(f)	17	-
I	Shareholders’ equity	Series: III, No:48.1, Art.31	8,677,074	8,751,284
	Other Liabilities		7,472,979	5,595,929
D	Total liabilities and equity	Series: III, No:48.1, Art.3/(k)	16,676,149	14,953,485
	Other unconsolidated (separate) financial information	Related Regulation	Current Period 30 June 2015 (TL)	Prior Period 31 December 2014 (TL)
A1	Capital and money market instruments held for 3-year real estate payments	Series: III, No:48.1, Art.24/(b)	673,166	755,956
A2	Time/ demand deposits/ foreign currency	Series: III, No:48.1, Art.24/(b)	673,166	1,453,397
A3	Foreign capital market instruments	Series: III, No:48.1, Art.24/(d)	-	-
B1	Foreign real estates, rights supported by real estates and real estate projects	Series: III, No:48.1, Art.24/(d)	-	-
B2	Inactive land	Series: III, No:48.1, Art.24/(c)	454,615	624,867
C1	Foreign affiliates	Series: III, No:48.1, Art.24/(d)	-	-
C2	Participation to operating company	Series: III, No:48.1, Art.28	-	-
J	Non-cash loans	Series: III, No:48.1, Art.31	11,252	22,906
K	Mortgage amounts of the mortgaged lands on which the project will be developed without ownership	Series: III, No:48.1, Art.22/(e)	-	-

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

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

	The main accounts of unconsolidated (separate) financial statement	Related Regulation	30 June 2015 (%)	31 December 2014 (%)	Minimum/ Maximum Rate
1	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48.1, Art.22/(e)	0%	0%	<10%
2	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48.1, Art.24/(a)(b)	67%	65%	>50%
3	Money and Capital Market Instruments and Affiliates	Series:III-No:48.1, Art.24/(b)	1%	6%	<50%
4	Foreign Properties, Projects based on Properties, Rights based on Properties, Affiliates, Capital Market Instruments	Series:III-No:48.1, Art.24/(d)	0%	0%	<49%
5	Idle Lands	Series:III-No:48.1, Art.24/(c)	3%	4%	<20%
6	Affiliates to the Operating Company	Series:III-No:48.1, Art.28	0%	0%	<10%
7	Borrowing Limit	Series:III-No:48.1, Art.31	6%	7%	<500%
8	TL and Foreign Currency Time and Demand Deposits	Series:III-No:48.1, Art.22/(e)	0%	5%	<10%
9	Total money and capital market investments in separate company.	Series:III-No:48, Art.22/(1)	0%	0%	<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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