

**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

**CONVENIENCE TRANSLATION  
OF THE REVIEW REPORT AND CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2017**

**(ORIGINALLY ISSUED IN TURKISH)**

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

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

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

*Introduction*

We have reviewed the accompanying condensed statement of financial position of Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. (“the Company”) as of 30 June 2017 and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with Turkish Accounting Standards 34 “Interim Financial Reporting” (“TAS 34”). Our responsibility is to express a conclusion on this interim financial information based on our review.

*Scope of Review*

We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with TAS 34 “Interim Financial Reporting”.

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

Koray Öztürk, SMMM  
Partner

İstanbul, 9 August 2017

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2017 AND 31 DECEMBER 2016

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

	Notes	Reviewed 30 June 2017	Audited 31 December 2016
<b>ASSETS</b>			
<b>Current assets</b>		<b>18,898,960</b>	<b>17,076,882</b>
Cash and cash equivalents	4	1,709,958	2,420,030
Financial investments	5	243,159	221,998
Trade receivables	7	1,237,697	682,868
<i>Trade receivables due from related parties</i>	19	13,696	21,087
<i>Trade receivables due from third parties</i>		1,224,001	661,781
Other receivables	8	1,183,301	838,505
<i>Other receivables due from third parties</i>		1,183,301	838,505
Inventories	9	13,863,424	12,085,195
Prepaid expenses	13	475,531	543,811
Other current assets	12	185,890	284,475
<b>Non-current assets</b>		<b>1,557,902</b>	<b>1,625,485</b>
Trade receivables	7	1,424,528	1,466,854
<i>Trade receivables due from third parties</i>		1,424,528	1,466,854
Other receivables	8	1,168	1,053
Investment property		38,199	38,199
Property, plant and equipment	10	68,387	69,181
Intangible assets		3,394	2,605
Other non-current assets		22,226	47,593
<b>Total assets</b>		<b>20,456,862</b>	<b>18,702,367</b>

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

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2017 AND 31 DECEMBER 2016

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

	Notes	Reviewed 30 June 2017	Audited 31 December 2016
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>		<b>7,904,385</b>	<b>7,954,280</b>
Short term borrowings	6	952	-
Current portion of non-current borrowings	6	316,376	219,490
Trade payables	7	3,299,938	3,824,119
<i>Trade payables due to related parties</i>	19	2,609,829	3,510,865
<i>Trade payables due to third parties</i>		690,109	313,254
Other payables	8	548,169	560,576
Deferred income	13	3,703,268	3,215,821
<i>Deferred income from related parties</i>	19	64,732	64,732
<i>Deferred income from third parties</i>		3,638,536	3,151,089
Current provisions		35,682	134,274
<i>Current provisions for employee benefits</i>		3,667	6,190
<i>Other current provisions</i>	11	32,015	128,084
<b>Non-current liabilities</b>		<b>1,196,440</b>	<b>17,894</b>
Long term borrowings	6	1,169,231	-
Trade payables		-	71
Other payables		18,157	9,352
Deferred income	13	2,953	2,963
Long term provisions		6,099	5,508
<i>Long term provisions for employee benefits</i>		6,099	5,508
<b>Shareholders' equity</b>		<b>11,356,037</b>	<b>10,730,193</b>
Paid-in capital	14	3,800,000	3,800,000
Treasury shares (-)		(262,857)	(262,857)
Share premium		2,378,513	2,378,513
Other comprehensive income / expense not to be reclassified to profit or loss		(897)	(897)
- <i>Gain/(loss) on remeasurement of employee benefits</i>		(897)	(897)
Restricted reserves		423,295	423,295
Retained earnings		4,392,139	2,630,863
Net profit for the year		625,844	1,761,276
<b>Total liabilities and equity</b>		<b>20,456,862</b>	<b>18,702,367</b>

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

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## INTERIM CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 AND 2016

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

		<i>Reviewed</i>	<i>Not Reviewed</i>	<i>Reviewed</i>	<i>Not Reviewed</i>
	<i>Notes</i>	<i>1 January- 30 June 2017</i>	<i>1 April- 30 June 2017</i>	<i>1 January- 30 June 2016</i>	<i>1 April- 30 June 2016</i>
<b>Profit or loss</b>					
Revenue	15	1,367,485	533,393	1,268,382	1,139,816
Cost of sales (-)	15	(570,979)	(185,828)	(702,370)	(685,468)
<b>Gross profit</b>		<b>796,506</b>	<b>347,565</b>	<b>566,012</b>	<b>454,348</b>
General administrative expenses (-)	16	(71,228)	(39,773)	(59,222)	(33,261)
Marketing expenses (-)	16	(31,517)	(12,557)	(23,807)	(8,659)
Other income from operating activities	17	208,961	99,964	114,321	23,666
Other expenses from operating activities (-)	17	(87,225)	(20,431)	(4,868)	(2,317)
<b>Operating profit</b>		<b>815,497</b>	<b>374,768</b>	<b>592,436</b>	<b>433,777</b>
Income from investing activities		1,760	399	7,570	5,294
<b>Operating profit before financial income / (expense)</b>		<b>817,257</b>	<b>375,167</b>	<b>600,006</b>	<b>439,071</b>
Financial income	18	46,419	33,156	49,670	23,633
Financial expenses (-)	18	(237,832)	(102,175)	(18,907)	(8,717)
<b>Profit for the period from continued operations</b>		<b>625,844</b>	<b>306,148</b>	<b>630,769</b>	<b>453,987</b>
<b>Other comprehensive income / (loss)</b>					
Items that will be reclassified to profit or loss					
<i>Actuarial losses related to employee benefit liabilities</i>		-	-	(366)	-
<b>Total comprehensive income for the period</b>		<b>625,844</b>	<b>306,148</b>	<b>630,403</b>	<b>453,987</b>
<b>Earnings per share (in full TL)</b>		<b>0.0017</b>	<b>0.0008</b>	<b>0.0018</b>	<b>0.0013</b>

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

**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

**INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY  
FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2017 AND 2016**

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

	Share capital	Treasury shares (-)	Share premium	Restricted reserves	Other Comprehensive Income and Expense not to be Reclassified to Profit or Loss	Retained Earnings		Total equity
					Loss on remeasurement of employee benefits	Retained earnings	Net income for the year	
<b>1 January 2016</b>	<b>3,800,000</b>	<b>(262,857)</b>	<b>2,366,895</b>	<b>357,908</b>	<b>(487)</b>	<b>2,111,335</b>	<b>952,605</b>	<b>9,325,399</b>
Transfers	-	-	-	65,387	-	887,218	(952,605)	-
Dividend payment	-	-	-	-	-	(367,688)	-	(367,688)
Increases / (decreases) related to the acquisition of treasury shares	-	-	11,618	-	-	-	-	11,618
Total comprehensive income	-	-	-	-	(366)	-	630,769	630,403
<b>30 June 2016</b>	<b>3,800,000</b>	<b>(262,857)</b>	<b>2,378,513</b>	<b>423,295</b>	<b>(853)</b>	<b>2,630,865</b>	<b>630,769</b>	<b>9,599,732</b>
<b>1 January 2017</b>	<b>3,800,000</b>	<b>(262,857)</b>	<b>2,378,513</b>	<b>423,295</b>	<b>(897)</b>	<b>2,630,863</b>	<b>1,761,276</b>	<b>10,730,193</b>
Transferler	-	-	-	-	-	1,761,276	(1,761,276)	-
Total comprehensive income	-	-	-	-	-	-	625,844	625,844
<b>30 June 2017</b>	<b>3,800,000</b>	<b>(262,857)</b>	<b>2,378,513</b>	<b>423,295</b>	<b>(897)</b>	<b>4,392,139</b>	<b>625,844</b>	<b>11,356,037</b>

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

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## INTERIM CONDENSED STATEMENTS OF CASH FLOWS AT 30 JUNE 2017 AND 2016

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

	Notes	1 January- 30 June 2017	1 January- 30 June 2016
<b>Cash flows from operating activities</b>			
Profit for the period		625,844	630,769
<b>Adjustments to reconcile net profit</b>			
Depreciation and amortization expenses	16	3,447	2,993
Adjustments for impairments		21,510	(1,013)
<i>Adjustments for impairment loss (reversal of impairment loss) of inventories</i>	9	21,510	(1,013)
Changes in provisions		(97,950)	(49,067)
<i>Adjustments for (reversal of) provisions related with employee benefits</i>		(1,923)	1,026
<i>Adjustments for (reversal of) lawsuit and/or penalty provisions</i>	11	(41,181)	(5,885)
<i>Adjustments for (reversal of) other provisions</i>	11	(54,846)	(44,208)
Adjustments for interest (income) expenses		50,397	(119,576)
<i>Adjustments for interest income</i>		(187,288)	(138,340)
<i>Adjustments for interest expense</i>	18	237,685	18,764
<b>Changes in net working capital</b>		<b>603,248</b>	<b>464,106</b>
Adjustments for decrease (increase) in trade accounts receivable		(512,503)	71,460
<i>Decrease (increase) in trade accounts receivables from related parties</i>	19	7,391	170,636
<i>Decrease (Increase) in trade accounts receivables from third parties</i>		(519,894)	(99,176)
Adjustments for decrease (increase) in inventories		(787,739)	86,545
Adjustments for increase (decrease) in trade accounts payable		(1,658,075)	(510,400)
<i>Increase (decrease) in trade accounts payables to related parties</i>		(2,034,859)	(268,694)
<i>Increase (decrease) in trade accounts payables to third parties</i>	7	376,784	(241,706)
Adjustments for increase (decrease) in other operating receivables		(143,112)	(24,715)
Adjustments for increase (decrease) in other operating payables		516,299	29,346
Other adjustments for other increase (decrease) in working capital		246,959	255,709
<b>Net cash flow from operating activities</b>			
Interest received		74,713	65,365
Payments related with provisions for employee benefits		(9)	(39)
Income taxes paid		(32,200)	(31,301)
<b>Cash flows from operating activities</b>		<b>(1,692,419)</b>	<b>406,076</b>
<b>Cash flows from investing activities</b>			
Purchases of tangible and intangible assets		(3,442)	(14,344)
Interest received		1,760	7,570
Purchases of financial assets		(4,831)	(211,926)
Returns of financial assets		128,374	207,746
Other inflows (outflows) of cash		(144,704)	-
<b>Cash flow from investing activities</b>		<b>(22,843)</b>	<b>(10,954)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,379,963	770
<i>Proceeds from loans</i>		1,379,963	770
Repayments of borrowings, classified as financing activities		(110,000)	(110,000)
<i>Loan repayments</i>		(110,000)	(110,000)
Interest paid		(59,422)	(22,720)
Dividends paid		-	(356,070)
Interest received		33,004	49,665
Other inflows (outflows) of cash		(305)	(318)
<b>Cash flow from financing activities</b>		<b>1,243,240</b>	<b>(438,673)</b>
<b>Increase (decrease) in cash and cash equivalents before effect of exchange rate changes</b>			
<b>before effect of exchange rate changes</b>		<b>(472,022)</b>	<b>(43,551)</b>
Effect of exchange rate changes on cash and cash equivalents		-	-
<b>Net Increase (decrease) in cash and cash equivalents</b>		<b>(472,022)</b>	<b>(43,551)</b>
Cash and cash equivalents at the beginning of the period	4	985,315	759,493
<b>Cash and cash equivalents at the end of the period</b>	<b>4</b>	<b>513,293</b>	<b>715,942</b>

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



# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

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### NOTE 1 – ORGANIZATION AND OPERATION OF THE COMPANY

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

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

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

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

The registered address of the Company is as follows:

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

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

The financial statements at 30 June 2017 have been approved by the Board of Directors on 09 August 2017. 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.

# **EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

## **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

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

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### **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 2017 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 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.

#### **Functional and presentation currency**

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

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

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

#### 2.1 Basis of Preparation (Continued)

##### Offsetting

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

##### Going concern

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

##### Statement of Compliance with TAS

The condensed interim financial statements of the Company have been prepared in accordance with the TAS taxonomy issued by POA.

#### 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 condensed interim 30 June 2017 are consistent with those prepared as of 31 December 2016. Therefore, condensed interim financial statements have to be considered with year end financial statements.

#### 3.1 New and Revised Turkish Accounting Standards

a) Amendments to TAS affecting amounts reported and/or disclosures in the financial statements

None.

b) New and revised TAS applied with no material effect on the financial statements

None.

c) New and revised TAS in issue but not yet effective

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

TFRS 9  
TFRS 15

*Financial Instruments*<sup>1</sup>  
*Revenue from Contracts with Customers*<sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

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

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**NOTE 3 – ACCOUNTING POLICIES (Continued)**

**3.1 New and Revised Turkish Accounting Standards (Continued)**

***TFRS 9 Financial Instruments***

TFRS 9, issued by Public Oversight Authority ("POA") in 2010, introduces new requirements for the classification and measurement of financial assets. TFRS 9 is amended in 2011 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Revised version of IFRS 9 is issued by POA in January 2017 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

TFRS 9 is effective for the annual periods beginning on or after 1 January 2018. Early adoption is permitted.

***TFRS 15 Revenue from Contracts with Customers***

TFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

TFRS 15 also clarifies three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and provides some transition relief for modified contracts and completed contracts.

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

**3.2 Comparative information and revision of prior period financial statements**

The financial statements of the Company have been prepared with the prior periods on a comparable basis in order to give consistent information about the financial position and performance. If the presentation or classification of the financial statements is changed in order to maintain consistency, the financial statements of the prior periods are also reclassified in line with the related changes and the significant changes are explained.

The Company has classified blocked deposits more than 3 months maturity, which amounted to TRY 81.203 and which were shown under "cash and cash equivalents" for 2016, under "financial investments". These classifications have no effect on net profit and equity.

The Company has classified, the cash flows under "investment activities" and "cash flows from financing activities" amounting to TL 53,547 from "cash flows from operating activities" in the cash flow statement for the year 2016.

**3.3 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.

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

### NOTE 4 – CASH AND CASH EQUIVALENTS

	30 June 2017	31 December 2016
Cash on hand	18	2
Banks	1,709,940	2,420,028
- Demand deposit	154,888	52,545
- Time deposits up to 3 months maturity	1,555,052	2,367,483
	<b>1,709,958</b>	<b>2,420,030</b>

Maturities of cash and cash equivalents are as follows:

	30 June 2017	31 December 2016
Demand	154,906	52,547
Up to 3 month	1,555,052	2,367,483
Less: Blocked deposits with maturities less than 3 months	(28,492)	(6,991)
	<b>1,681,466</b>	<b>2,413,039</b>

Average effective interest rates of time deposits are as follows:

	30 June 2017	31 December 2016
	(%)	(%)
	6.73%	7.94%

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

	30 June 2017	31 December 2016
Cash and cash equivalents	1,709,958	2,420,030
Less: Interest accruals	(6,218)	(8,074)
Less: LSRSA project deposits (*)	(351,080)	(313,266)
Less: TOKI deposits (**)	(826,365)	(1,111,138)
Less: Blocked deposits	(13,002)	(2,237)
	<b>513,293</b>	<b>985,315</b>

(\*) 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 351,080 (31 December 2016: TL 313,266) part of the total project amount deposits TL 15,490 (31 December 2016: TL 4,754) consists of blocked deposits.

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

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

### NOTE 5 - FINANCIAL INVESTMENTS

Financial investments	30 June 2017	31 December 2016
Blocked deposits more than 3 months maturity (**)	225,907	81,203
Bond	4,985	128,278
Special issue government bonds (*)	12,267	12,517
	<b>243,159</b>	<b>221,998</b>

(\*) 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 126,132 (31 December 2016: TL 55,015) while the company portion of the blocked shares is TL 99,775 (December 31, 2016: TL 26,188).

The Company acquired bonds amounting to 4,985 TL as of 30 June 2017 (31 December 2016: 128,278 TL) from free market. These bonds are measured at fair value. The fair value of these bonds are calculated by using the effective interest rates quarterly. Average effective interest rate of financial assets at 30 June 2017 is 12.00 % (31 December 2016: 8.95%). As of 30 June 2016, average term of the treasure bills changes between three and six months (31 December 2016: changes between three and six months).

### NOTE 6 - FINANCIAL LIABILITIES

	30 June 2017	31 December 2016
<b>Short-term financial liabilities</b>		
Short-term bank borrowings	952	-
Short-term portion of long-term borrowings	316,376	219,490
	<b>317,328</b>	<b>219,490</b>
<b>Long-term financial liabilities</b>		
Long-term borrowings	1,169,231	-
	<b>1,169,231</b>	<b>-</b>

According to the agreement signed with the Turkish Treasury in 25 July 2008, the Company has TL 104,000 remaining borrowing from the Turkish Treasury for financing it’s 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 2017 is 13.42% (31 December 2016: 9.32%).

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

### NOTE 6 - FINANCIAL LIABILITIES (Continued)

The redemption schedules of the borrowings at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
2018	210,769	-
2019	421,538	-
2020	421,538	-
2021	115,386	-
	<b>1,169,231</b>	<b>-</b>

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

	30 June 2017	31 December 2016
Less than 3 months	55,952	115,490
Between 3 - 12 months	261,376	104,000
Between 1 - 5 years	1,169,231	-
	<b>1,486,559</b>	<b>219,490</b>

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

### NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	30 June 2017	31 December 2016
<b>Short-term trade receivables</b>		
Receivables from LS RSA contractors invoiced	692,894	237,016
Receivables from sale of residential and commercial units	522,706	418,768
Receivables from related parties (Note 19)	13,696	21,087
Receivables from land sales	6,582	6,514
Rent receivables	1,568	1,449
Other	1,664	978
Unearned finance income	(1,413)	(2,944)
	<b>1,237,697</b>	<b>682,868</b>
Doubtful receivables	1,847	1,866
Less: Provision for doubtful receivables	(1,847)	(1,866)
	<b>1,237,697</b>	<b>682,868</b>

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

### NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

	30 June 2017	31 December 2016
<b>Long-term trade receivables</b>		
Receivables from sale of residential and commercial units	1,550,985	1,539,837
Unearned finance income	(126,457)	(72,983)
	<b>1,424,528</b>	<b>1,466,854</b>
	30 June 2017	31 December 2016
<b>Short-term trade payables</b>		
Payables to related parties (Note 19)	2,609,829	3,510,865
Payables to LSRSA contractors invoiced	377,776	279,154
Trade payables	298,727	16,931
Time deposit interest accruals from LSRSA contractors invoiced (*)	13,606	17,169
	<b>3,299,938</b>	<b>3,824,119</b>

(\*) 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 4).

### NOTE 8 - OTHER RECEIVABLES AND PAYABLES

	30 June 2017	31 December 2016
<b>Short-term other receivables</b>		
Receivables from contractors	786,409	441,771
Housing Acquisition Support (“HAS”) related receivables from Turkish Treasury	390,768	390,780
Receivables from the authorities	5,995	5,826
Other	129	128
	<b>1,183,301</b>	<b>838,505</b>
	30 June 2017	31 December 2016
<b>Long-term other receivables</b>		
Deposits and guarantees given	1,168	1,053
	<b>1,168</b>	<b>1,053</b>



# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

### NOTE 8 - OTHER RECEIVABLES AND PAYABLES (Continued)

	30 June 2017	31 December 2016
<b>Short term other payables</b>		
Payable to HAS beneficiaries	403,142	403,447
Payable to contractors (*)	88,752	88,752
Taxes and funds payable	11,868	14,447
Other	44,407	53,930
	<b>548,169</b>	<b>560,576</b>

(\*) 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 2016: TL 88,752).

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 2017 and 2016 are shown below:

	1 January 2017	Additions within the period	Disposals	30 June 2017
<b>Treasury support share</b>				
Receivable from Treasury (Note 8)	390,780	4	(16)	390,768
Special purpose government Bond (Note 5)	12,517	-	(250)	12,267
Cash generated from government bond redemption	150	266	(309)	107
<b>Total consideration received or receivable from Treasury</b>	<b>403,447</b>			<b>403,142</b>
<b>Payable to HAS beneficiaries</b>	<b>(403,447)</b>			<b>(403,142)</b>

	1 January 2016	Additions within the period	Disposals	30 June 2016
<b>Treasury support share</b>				
Receivable from Treasury	390,750	53	(10)	390,793
Special purpose government Bond	13,267	-	(500)	12,767
Cash generated from government bond redemption	62	612	(473)	201
<b>Total consideration received or receivable from Treasury</b>	<b>404,079</b>			<b>403,761</b>
<b>Payable to HAS beneficiaries</b>	<b>(404,079)</b>			<b>(403,761)</b>

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

### NOTE 9 -INVENTORIES

	30 June 2017	31 December 2016
Land	5,318,397	4,293,728
<i>Cost</i>	5,326,129	4,305,099
<i>Impairment</i>	(7,732)	(11,370)
Planned land by LSRSA	5,773,982	5,664,474
Planned land by turnkey project	1,744,123	1,841,251
Residential and commercial units ready for sale	1,026,922	285,741
<i>Cost</i>	1,059,508	293,179
<i>Impairment</i>	(32,586)	(7,438)
	<b>13,863,424</b>	<b>12,085,195</b>

As of 30 June 2017, independent valuation reports prepared by Atak Gayrimenkul Değerleme A.Ş. ve Nova Taşınmaz 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:

	2017	2016
<b>Balance at 1 January</b>	<b>18,808</b>	<b>11,374</b>
Impairment charge for the period	30,990	1,718
Reversal of impairment	(9,480)	(575)
<b>Balance at 30 June</b>	<b>40,318</b>	<b>12,517</b>

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

(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 30 June 2017 and 31 December 2016:

<b>Lands</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
İstanbul Küçükçekmece Lands	1,822,839	1,822,839
İstanbul Bakırköy Lands	479,906	-
İstanbul Şişli Lands	455,122	455,122
İstanbul Zeytinburnu Lands	400,045	400,045
İstanbul Arnavutköy Lands	317,309	317,309
İstanbul Başakşehir Lands	301,785	299,141
Ankara Yeni Mahalle Lands	272,783	272,783
İstanbul Çekmeköy Lands	247,830	-
İstanbul Tuzla Lands	225,933	225,933
Antalya Muratpaşa Lands	190,000	-
Yalova Lands	178,340	178,340
İstanbul Kartal Lands	132,283	132,283
Samsun Canik Lands	93,456	-
İstanbul Ataşehir Lands	41,979	41,979
İstanbul Esenyurt Lands	36,654	36,181
İstanbul İstinye Lands	28,829	-
İzmir Urla Lands	19,647	10,166
Ankara Çankaya Lands	15,358	15,358
İstanbul Şile Lands	12,254	10,213
Tekirdağ Kapaklı Lands	8,248	8,248
Tekirdağ Çorlu Lands	6,153	6,153
Kocaeli Tütüncüflüğü Lands	4,164	3,417
Maltepe Kucukyali Lands	2,753	2,753
Kocaeli Gebze Lands	1,308	2,999
İstanbul Zekeriyaköy Lands	677	677
Bursa Osmangazi Lands	-	27,336
Other	22,742	24,453
	<b>5,318,397</b>	<b>4,293,728</b>

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

### NOTE 9 - INVENTORIES (Continued)

<b>Planned lands by LSRSA</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
Sarıyer İstinye Project	993,433	1,006,171
Nidapark Kucukyali Project	678,812	677,675
Büyükyalı Project	656,813	656,808
Ankara Yenimahalle İstasyon Project	637,329	634,574
Köy Project	225,505	225,241
Park Maveria Project	205,906	116,866
İstmarina Project	182,094	186,635
Metropol İstanbul Project	182,046	182,046
Kayabaşı 5. Etap Project	173,509	117,552
Hoşdere 3. Etap Projesi	168,517	159,150
Kayabaşı 6. Etap Project	166,582	113,982
Validebağ Konakları Project	153,775	108,107
Fatih Yedikule Projesi	120,110	121,491
Avangart İstanbul Project	115,150	118,273
Hoşdere 4. Etap Project	108,536	104,977
Tual Adalar Project	107,886	106,405
Teşahir Konya Project	90,121	86,704
Maslak 1453 Project	82,609	230,386
Göl Panorama Project	79,937	79,722
Evora Denizli Project	76,851	76,268
Kocaeli Derince Project	70,360	70,001
Karat 34 Project	68,836	68,063
Isparta Kule 5.Etap Project	57,817	58,105
Hoşdere 2. Etap Project	48,253	47,628
Yenikoy Konakları İstanbul Project	45,358	30,130
Koordinat Çayyolu Project	35,628	37,299
Ataşehir Finans Merkezi Project	18,849	17,587
Other	223,360	226,628
	<b>5,773,982</b>	<b>5,664,474</b>

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

### NOTE 9 - INVENTORIES (Continued)

<b>Planned lands by turnkey project</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
Başkent Emlak Konutları	386,157	336,250
Ayazma Emlak Konutları Project	323,514	224,918
Ispartakule 1. Etap 1. Kısım Project	203,005	156,515
Ispartakule 1. Etap 2. Kısım Project	167,340	130,396
Nevşehir Emlak Konutları Project	124,335	97,816
Kayabaşı Recreation Project	120,123	143,298
Gebze Project	111,671	68,682
Emlak Konut Başakşehir Evleri 2. Kısım Project	94,914	66,922
Körfezkent 4. Etap Project	94,354	73,926
Başakşehir Ayazma 2. Etap Project	78,795	44,112
Niğde Project	39,293	24,419
Bursa Kentsel Dönüşüm Project	425	424
İstanbul Esenler Kentsel Dönüşüm Project	197	472,911
Kocaeli Gebze Kirazpınar Kentsel Dönüşüm Project	-	662
	<b>1,744,123</b>	<b>1,841,251</b>

<b>Completed units</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
Esenler Emlak Konutları	309,475	-
Sarphan Finanspark Project	228,238	28,440
Merkez Ankara Project	197,782	-
Metropol İstanbul Project	148,705	-
Batışehir Project	44,237	136,932
Unikonut Project	26,512	31,572
Nidakule Ataşehir Project	25,028	26,210
Hoşdere Emlak Konutları	12,251	28,330
Dumankaya Miks Project	18,843	16,911
Başakşehir Emlak Konutları	4,345	5,287
Bulvar İstanbul Evleri	2,856	3,138
Kayabaşı Emlak Konutları	2,350	1,654
Spradon Vadi Evleri	1,292	2,195
Park Yaşam Mavişehir Evleri	1,486	1,486
Kocaeli Körfez Kent Emlak Konutları	1,089	1,238
Evora 2. Etap Project	303	303
Other	2,130	2,045
	<b>1,026,922</b>	<b>285,741</b>

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

### NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

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

<b>30 June 2016</b>	<b>Buildings</b>	<b>Motor vehicles</b>	<b>Furniture, equipment and fix assets</b>	<b>Construction in progress</b>	<b>Total</b>
Net book value as of 1 January 2016	9,584	737	4,650	63,750	78,721
Additions	8,582	888	4,524	-	13,994
Transfers from constructions in progress, (net)	63,750	-	-	(63,750)	-
Transfers from stock, (net)	(2,340)	-	-	-	(2,340)
Depreciation expense(-)	(804)	(187)	(1,149)	-	(2,140)
Impairment (-)	575	-	-	-	575
<b>Net book value 30 June 2016</b>	<b>79,347</b>	<b>1,438</b>	<b>8,025</b>	<b>-</b>	<b>88,810</b>
Cost	80,415	2,438	13,879	-	96,732
Accumulated depreciation (-)	(1,068)	(1,000)	(5,854)	-	(7,922)
<b>Net book value 30 June 2016</b>	<b>79,347</b>	<b>1,438</b>	<b>8,025</b>	<b>-</b>	<b>88,810</b>

## EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

#### NOTE 11 – OTHER SHORT TERM PROVISIONS

	30 June 2017	31 December 2016
<b>Provisions</b>		
Provision for lawsuits	32,015	73,238
Provision for cost accruals	-	54,846
	<b>32,015</b>	<b>128,084</b>

The movements of provision for lawsuits as of 30 June 2017 and 2016 are as follows:

	2017	2016
<b>Balance at 1 January</b>	<b>73,238</b>	<b>78,088</b>
Provision released within the current period	(31,602)	(5,719)
Provision paid in the period	(9,579)	-
Provision used in the period	(42)	-
<b>Balance at 30 June</b>	<b>32,015</b>	<b>72,369</b>

#### NOTE 12 - OTHER ASSETS AND LIABILITIES

	30 June 2017	31 December 2016
<b>Other current assets</b>		
Accrued income	91,448	122,946
Progress payments given to contractors	79,585	118,700
Receivables from tax office	10,747	34,066
Deferred VAT	4,000	8,500
Other	110	263
	<b>185,890</b>	<b>284,475</b>

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

### NOTE 13 - DEFERRED INCOME AND PREPAID EXPENSES

	30 June 2017	31 December 2016
<b>Short-term deferred income</b>		
Deferred income from LSRSA projects (*)	2,413,611	1,727,759
Advances taken from LSRSA contractors (**)	725,984	976,954
Advances taken from turnkey project sales	430,903	371,128
Deferred income from sales of completed units	68,038	75,248
Advances taken from related parties (Note 19)	64,732	64,732
	<b>3,703,268</b>	<b>3,215,821</b>

(\*) 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

	30 June 2017	31 December 2016
<b>Long-term deferred income</b>		
Other advances taken	2,953	2,963
	<b>2,953</b>	<b>2,963</b>

	30 June 2017	31 December 2016
<b>Prepaid expenses</b>		
Advances given for inventory (*)	474,273	542,674
Prepaid expenses	1,258	1,137
	<b>475,531</b>	<b>543,811</b>

(\*) 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 362,898.



# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

### NOTE 14 - SHAREHOLDERS' EQUITY

The Company's authorized capital amount is TL 3,800,000 (31 December 2016: TL 3,800,000) and consists of 380,000,000,000 (31 December 2016: 380,000,000,000) authorized number of shares with a nominal value of TL 0,01 each.

The Company's shareholders and their shareholding percentages as of 30 June 2017 and 31 December 2016 is as follows:

Shareholders	30 June 2017		31 December 2016	
	Share (%)	TL	Share (%)	TL
Public offering portion	50.66	1,925,111	50.66	1,925,111
T.C. Başbakanlık 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
<b>Total paid in capital</b>	<b>100</b>	<b>3,800,000</b>	<b>100</b>	<b>3,800,000</b>

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 January 2015 and 24 August 2015, The Company has repurchased 9,183,544 numbers of shares with nominal value between TL 2.39 and TL 2.46 and total amounting to TL 22,169,753.53 full TL). Shares average purchase price is TL 2.42 and as a result of the purchases, the share of the total shares to the total share lot is 3.16%

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

### NOTE 15 - REVENUE AND COST OF SALES

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
<b>Sales income</b>				
Land sales	949,260	536,755	458,285	345,402
<i>Income from sale of land and plots by way of LSRSA</i>	<i>949,260</i>	<i>536,755</i>	<i>413,578</i>	<i>344,932</i>
<i>Land sales income</i>	-	-	44,707	470
Residential and commercial units sales	500,111	79,051	810,357	794,366
Rent Income	1,701	1,163	278	137
	<b>1,451,072</b>	<b>616,969</b>	<b>1,268,920</b>	<b>1,139,905</b>
Sales returns	(83,291)	(83,280)	(36)	(22)
Sales discounts	(296)	(296)	(502)	(67)
<b>Net sales income</b>	<b>1,367,485</b>	<b>533,393</b>	<b>1,268,382</b>	<b>1,139,816</b>
<b>Cost of sales</b>				
Cost of land sales	(209,421)	(144,654)	(80,422)	(70,531)
<i>Cost of land and plots sold by way of LSRSA</i>	<i>(209,421)</i>	<i>(144,654)</i>	<i>(72,845)</i>	<i>(70,531)</i>
<i>Cost of land sales</i>	-	-	(7,577)	-
Cost of residential and commercial units sales	(361,558)	(41,174)	(621,948)	(614,937)
	<b>(570,979)</b>	<b>(185,828)</b>	<b>(702,370)</b>	<b>(685,468)</b>
<b>Gross profit</b>	<b>796,506</b>	<b>347,565</b>	<b>566,012</b>	<b>454,348</b>

### NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
<b>General administrative expenses</b>				
Personnel expenses	(25,977)	(14,318)	(23,651)	(11,940)
Taxes, duties and fees	(16,174)	(9,288)	(16,236)	(13,129)
Consultancy expenses	(7,287)	(4,175)	(3,250)	(383)
Subcontracting service expenses	(5,472)	(2,648)	(3,810)	(2,411)
Depreciation and amortisation	(3,447)	(1,814)	(2,993)	(1,430)
Due and contribution expenses	(2,596)	(1,779)	(1,014)	(407)
Travel expenses	(2,208)	(724)	(1,449)	(669)
Maintenance	(978)	(162)	(688)	(610)
Lawsuit and notary expenses	(928)	(600)	(2,380)	(950)
Donations	(806)	(776)	(1,241)	(1,082)
Communication	(272)	(147)	(359)	(205)
Insurance expenses	(215)	(184)	(86)	(45)
Other	(4,868)	(3,158)	(2,065)	-
	<b>(71,228)</b>	<b>(39,773)</b>	<b>(59,222)</b>	<b>(33,261)</b>

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

### NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES (Continued)

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
<b>Marketing, sales and distribution expenses</b>				
Advertising expenses	(28,410)	(10,969)	(20,794)	(7,104)
Personnel expenses	(2,576)	(1,371)	(1,950)	(1,078)
Other	(531)	(217)	(1,063)	(477)
	<b>(31,517)</b>	<b>(12,557)</b>	<b>(23,807)</b>	<b>(8,659)</b>

### NOTE 17 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
<b>Other income from operating activities</b>				
Finance income from credit sales	107,156	43,248	60,284	6,389
Delay penalty interest from project contractors	32,073	12,776	17,778	4,892
Released lawsuit provisions (Note 11)	31,602	26,380	5,719	-
Impairment provision reversals (Note 9)	9,480	-	1,150	-
Not realized finance income	-	-	3,043	1,522
Recirculate commission income	7,961	3,887	5,510	2,804
Other	20,689	13,673	20,837	8,060
	<b>208,961</b>	<b>99,964</b>	<b>114,321</b>	<b>23,666</b>

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
<b>Other expenses from operating activities</b>				
Reversal of due date differences	(51,944)	(12,853)	(1,570)	(1,448)
Impairment provision expenses (Note 9)	(30,990)	(4,272)	(1,718)	-
Other	(4,291)	(3,306)	(1,580)	(869)
	<b>(87,225)</b>	<b>(20,431)</b>	<b>(4,868)</b>	<b>(2,317)</b>

### NOTE 18 - FINANCIAL INCOME / EXPENSES

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 January- 30 June 2016
<b>Financial income</b>				
Interest income from time deposits	33,004	19,743	49,665	23,631
Interest income from TOKI	13,295	13,295	-	-
Foreign exchange income	120	118	5	2
	<b>46,419</b>	<b>33,156</b>	<b>49,670</b>	<b>23,633</b>

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

### NOTE 18 - FINANCIAL INCOME / EXPENSES (Continued)

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 January- 30 June 2016
<b>Financial expenses</b>				
Interest expense on payable to TOKİ (**)	(135,118)	(24,490)	-	-
Loan interest expense	(47,765)	(29,514)	-	-
Interest discount on pay off debt	(46,039)	(44,966)	-	-
Interest expense on Turkish Treasury borrowings (*)	(8,763)	(3,205)	(18,764)	(8,641)
Foreign exchange loss	(147)	-	(143)	(76)
	<b>(237,832)</b>	<b>(102,175)</b>	<b>(18,907)</b>	<b>(8,717)</b>

(\*) Interest expense of borrowing for HAS beneficiaries payments from Turkish Treasury amounting to TL 104,000 calculated in accordance with Domestic Government Debt Securities issuance compound interest rate announced at the time of payment periods.

(\*\*) This amount consists of the interest expense accrued as of 30 June 2017 for the debts arising from payments of land received from the Toplu Konut İdaresi

### NOTE 19 - RELATED PARTY DISCLOSURES

The main shareholder of the Company is T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (“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 Planlama, İnşaat, Proje Yönetimi ve Ticaret A.Ş. (an affiliate of TOKİ)
3. GEDAŞ (Gayrimenkul Değerleme A.Ş.) (an affiliate of TOKİ)
4. TOBAŞ (Toplu Konut - Büyükşehir Bel. İnş. Emlak ve Proje A.Ş.) (an affiliate of TOKİ)
5. Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (an affiliate of TOKİ)
6. Vakıf İnşaat Restorasyon ve Ticaret A.Ş. (an affiliate of TOKİ)
7. Emlak-Toplu Konut İdaresi Spor Kulübü
8. Emlak Planlama İnş. Prj. Yön. A.Ş. – Fideltus İnş. – Öztaş İnş. Ortak Girişimi
9. Ege Yapı - Emlak Planlama, İnşaat, Proje Yönetimi ve Ticaret A.Ş.
10. Emlak Planlama İnşaat. Proje. Yönetimi ve Ticaret. A.Ş. – Cathay Ortak Girişimi

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.

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

### NOTE 19 - RELATED PARTY DISCLOSURES (Continued)

- 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 1,558,590 as of 30 June 2017 (31 December 2016: TL 2,178,178 ) Regarding these bank balances, the Company also generated interest income from the related State banks amounted to TL 69,754 in as of 30 June 2017 (30 June 2016: TL 49,411). Average effective interest rates of time deposits of the Company as of 30 June 2017 are explained in Note 4.

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

	30 June 2017	31 December 2016
<b>Trade receivables from related parties</b>		
Emlak Planl. İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd. Şti.	6,779	14,178
Emlak Planl. İnş. Prj. Yön. A.Ş. - Fidelus İnş-Öztaş İnş O.G.	5,574	5,567
Emlak Planl. İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	1,343	1,342
	<b>13,696</b>	<b>21,087</b>

	30 June 2017	31 December 2016
<b>Trade payables to related parties</b>		
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı ("TOKİ") (*)	2,608,505	3,509,541
Ege Yapı Ltd. Şti.-Emlak Pazarlama O.G.	1,324	1,324
	<b>2,609,829</b>	<b>3,510,865</b>

(\*) The Company has purchased various lands from its ultimate parent company (TOKİ). The remaining payable from this purchases to TOKİ is amounting to TL 2,150,696 (31 December 2016: TL3,080,088) and accrued interest is TL 457,809 (31 December 2016: TL 429,453)

	30 June 2017	31 December 2016
<b>Advances received from related parties</b>		
Emlak Planl. İnş. Prj. Yön. A.Ş. - Fidelus İnş.- Öztaş İnş. O.G. (*)	64,732	64,732
	<b>64,732</b>	<b>64,732</b>

(\*) 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.

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 January- 30 June 2016
<b>Purchases from related parties</b>				
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı ("TOKİ")	1,012,000	1,012,000	2,278,361	2,278,361
Emlak Planlama İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd Şti.	1,791	1,791	152,191	-
Emlak Planlama İnş. Prj. Yön. A.Ş. - Emlak Basın Yayın A.Ş.	505	281	469	264
	<b>1,014,296</b>	<b>1,014,072</b>	<b>2,431,021</b>	<b>2,278,625</b>

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

### NOTE 19 - RELATED PARTY DISCLOSURES (Continued)

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 January- 30 June 2016
<b>Finance expense from related parties</b>				
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (“TOKİ”)	135,118	24,490	-	-
	<b>135,118</b>	<b>24,490</b>	-	-

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.

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 January- 30 June 2016
<b>Finance income from related parties</b>				
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (“TOKİ”)	13,295	13,295	-	-
	<b>13,295</b>	<b>13,295</b>	-	-

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 January- 30 June 2016
<b>Sales to related parties</b>				
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (“TOKİ”)	27,309	27,309	50,102	-
Emlak Planlama İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd. Şti.	86	84	-	-
Emlak Planlama İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	-	-	49	-
	<b>27,395</b>	<b>27,393</b>	<b>50,151</b>	-

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 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 January- 30 June 2016
<b>Remuneration of key management</b>				
Salaries and other short-term employee benefits	2,922	1,389	1,577	1,008
	<b>2,922</b>	<b>1,389</b>	<b>1,577</b>	<b>1,008</b>

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

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### NOTE 20 - CONTINGENT ASSETS AND LIABILITIES

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

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

In the expert report dated 19 January 2016, it has been made a decision of whether related cancellation is unfair, and there alternative calculations has been realized over the possibility of whether the cancellation is right and over the effects on forward and backward. The expert report has been contested and it has been requested from the court that the expert report is declared “null and void” and that to receive a report that contains the objections of parties by creating a new committee. The court has given trial day on 20 September 2017.

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.

2. The LSRSA project agreement regarding İzmir Mavisehir Upper North Area 3. Phase has been signed on 19 December 2005 and following almost all the contractual obligations have been performed by the parties, the Contractor filed a lawsuit against the Company claiming that the agreement conditions should be revised considering the changing conditions. The Contractor wants all the agreement provisions to be cancelled except for the provisions where the Company’s revenue portion is TL 67,515 plus VAT calculated as TL 175,000 plus VAT total project revenue times 38.58% Company’s revenue portion. The Contractor wants all the properties and related land portion to be valued by an independent valuation company as of the date of the lawsuit and that 38.58% of the total value to be appropriated to the Company and the remaining 61.42% of the total value to be appropriated to the Contractor.

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 has been decided to examine the file for the evaluation of the request that receiving report from the new expert committee and to adjournment of hearing on 5 March 2015.

The court rejected the case on 5 March 2015. The claimant has filed an appeal. The result of appeal is being waited.

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.

## EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

#### NOTE 20 - CONTINGENT ASSETS AND LIABILITIES (Continued)

- 3- Albayrak Turizm Sey. İnş. Tic. A.Ş. filed a lawsuit against the Company claiming that the agreement of The LSRSA project regarding İzmir Mavişehir Upper North Area 3. Phase should be revised considering the changing conditions. The court rejected the case. The result of appeal is being waited. 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.
- 4- Contractor of İzmir Mavişehir Upper North Area 2. Phase LSRSA Project, Bozoğlu İnş. San. Tic. Ltd. Şti, 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.
- 5- Contractor of İzmir Mavişehir Upper North Area 2. Phase LSRSA Project filed a lawsuit against the Company regarding term inaction of the contract. The Company filed a lawsuit as well for collecting amount of TL 100,000 without prejudice to further claims. 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.
6. In terms of the assignment given by the Istanbul Ümraniye Phase 1 LSRSA contractor, YeniSarp-Özakar, 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.
7. Taş Yapı İnşaat Sanayi ve Ticaret. A.Ş. 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, Kartaltepe St. 51/4 section 257 zone 33 & 38 parcels. The case was amended and it was decided to accept the case in court. As a result of the appeal examination, the court ruling was corrupted by the Court of Cassation. 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.
8. Mortgage and guarantees received are;

	<b>30 June 2017</b>	<b>31 December 2016</b>
Guarantees received (*)	3,243,394	3,027,085
Mortgages received (**)	45,878	45,878
	<b>3,289,272</b>	<b>3,072,964</b>

(\*) 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.



## EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

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#### NOTE 20 - CONTINGENT ASSETS AND LIABILITIES (Continued)

9. Collaterals, pledges, mortgages (“CPM”):

	<b>30 June 2017</b>	<b>31 December 2016</b>
A. CPM given on behalf of the Company's legal personality	56,136	65,511
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	-	-
	<hr/> <b>56,136</b>	<hr/> <b>65,511</b>

#### NOTE 21 - EVENTS AFTER THE REPORTING PERIOD

None.

**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017**

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

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

	<b>Non-Consolidated (Individual) Financial Statements</b>		<b>Current Period</b>	<b>Prior Period</b>
	<b>Main Account Items</b>	<b>Related Regulation</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
			<b>(TL)</b>	<b>(TL)</b>
<b>A</b>	Money and Capital Market Instruments	Series:III-No:48, Art,24/(b)	775,672	2,405,012
<b>B</b>	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)	13,982,895	12,204,919
<b>C</b>	Affiliates	Series:III-No:48, Art,24/(b)	-	-
	Due from related parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
	Other Assets		5,698,295	4,092,436
<b>D</b>	<b>Total Assets</b>	<b>Series:III-No:48, Art,3/(k)</b>	<b>20,456,862</b>	<b>18,702,367</b>
<b>E</b>	Financial Liabilities	Series:III-No:48, Art,31	1,486,559	219,561
<b>F</b>	Other Financial Liabilities	Series:III-No:48, Art,31	-	-
<b>G</b>	Due from Financial Leases	Series:III-No:48, Art,31	-	-
<b>H</b>	Due to Related Parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
<b>I</b>	Shareholders' equity	Series:III-No:48, Art,31	11,356,037	10,730,193
	Other Resources		7,614,266	7,752,613
<b>D</b>	<b>Total Resources</b>	<b>Series:III-No:48, Art,3/(k)</b>	<b>20,456,862</b>	<b>18,702,367</b>
	<b>Non-Consolidated (Individual) Financial Statements</b>		<b>Current Period</b>	<b>Prior Period</b>
	<b>Other Account Items</b>	<b>Related Regulation</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
			<b>(TL)</b>	<b>(TL)</b>
<b>A1</b>	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)	775,672	956,203
<b>A2</b>	Term/ Demand/ Currency	Series:III-No:48, Art,24/(b)	513,293	956,203
<b>A3</b>	Foreign Capital Market Instruments	Series:III-No:48, Art,24/(d)	-	-
<b>B1</b>	Foreign Properties, Projects based on properties and Rights based on Properties	Series:III-No:48, Art,24/(d)	-	-
<b>B2</b>	Idle Lands	Series:III-No:48, Art,24/(c)	463,845	425,220
<b>C1</b>	Foreign Affiliates	Series:III-No:48, Art,24/(d)	-	-
<b>C2</b>	Affiliates for Operating Company	Series:III-No:48, Art,28	-	-
<b>J</b>	Non-cash Loans	Series:III-No:48, Art,31	56,136	65,511
<b>K</b>	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-

# EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

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

	Portfolio restrictions	Related regulation	30 June 2017 (%)	31 December 2016 (%)	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)	72	70	>50%
3	Money and Capital Market Instruments and Affiliates	Series:III-No:48, Art,24/(b)	-	8	<50%
4	Foreign Properties, Projects based on Properties, Rights based on Properties, Affiliates, Capital Market Instruments	Series:III-No:48, Art,24/(d)	-	-	<49%
5	Idle Lands	Series:III-No:48, Art,24/(c)	2	2	<20%
6	Affiliates to the Operating Company	Series:III-No:48, Art,28	-	-	<10%
7	Borrowing Limit	Series:III-No:48, Art,31	14	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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