

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY – 30 SEPTEMBER 2016**

(ORIGINALLY ISSUED IN TURKISH)

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EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONDENSED STATEMENTS OF FINANCIAL POSITION
AT 30 SEPTEMBER 2016 AND 31 DECEMBER 2015**

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

		<i>Not Reviewed</i>	<i>Audited</i>
		30 September	31 December
	Notes	2016	2015
ASSETS			
Current assets		6,477,576	7,066,056
Cash and cash equivalents	5	3,061,741	3,005,003
Financial investments	6	152,052	143,819
Trade receivables	8	990,504	1,410,160
<i>Trade receivables due from related parties</i>	20	22,155	204,172
<i>Trade receivables due from unrelated parties</i>		968,349	1,205,988
Other receivables	9	645,466	499,781
Inventories	10	1,427,331	1,807,059
Prepaid expenses	14	4,125	33,962
Other current assets	13	196,357	166,272
Non-current assets		12,164,373	10,161,448
Trade receivables	8	1,545,640	1,483,100
Other receivables	9	990	168
Inventories	10	10,479,540	8,523,344
Investment property		16,000	16,000
Property, plant and equipment	11	89,300	78,721
Intangible assets		2,952	1,874
Other non-current assets		29,951	58,241
Total assets		18,641,949	17,227,504

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONDENSED STATEMENTS OF FINANCIAL POSITION
AT 30 SEPTEMBER 2016 AND 31 DECEMBER 2015**

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

		<i>Not Reviewed</i>	<i>Audited</i>
	Notes	30 September 2016	31 December 2015
LIABILITIES AND EQUITY			
Current liabilities		8,083,663	7,631,665
Short term borrowings	7	864	-
Current portion of non-current borrowings	7	225,215	230,657
Trade payables	8	4,068,351	2,553,198
<i>Trade payables due to related parties</i>	20	3,561,738	1,881,778
<i>Trade payables due to unrelated parties</i>		506,613	671,420
Other payables	9	553,237	517,994
Deferred income	14	3,096,068	4,159,158
<i>Deferred income from related parties</i>	20	64,733	64,732
<i>Deferred income from unrelated parties</i>		3,031,335	4,094,426
Current provisions		139,928	170,658
<i>Current provisions for employee benefits</i>		5,590	4,626
<i>Other current provisions</i>	12	134,338	166,032
Non-current liabilities		64,359	270,440
Long term borrowings	7	49,000	214,000
Trade payables	8	-	36,192
Other payables		8,171	13,814
Deferred income	14	2,522	2,448
Long term provisions		4,666	3,986
<i>Long term provisions for employee benefits</i>		4,666	3,986
Shareholders' equity		10,493,927	9,325,399
Paid-in capital	15	3,800,000	3,800,000
Treasury shares (-)		(262,857)	(262,857)
Share premium		2,378,513	2,366,895
Other comprehensive income / expense not to be reclassified to profit or loss		(853)	(487)
- <i>Gain/(loss) on remeasurement of employee benefits</i>		(853)	(487)
Restricted reserves		423,295	357,908
Retained earnings		2,630,864	2,111,335
Net profit for the period		1,524,965	952,605
Total liabilities and equity		18,641,949	17,227,504

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AT 30 SEPTEMBER 2016 AND 2015

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

		<i>Not Reviewed</i> 1 January- 30 September 2016	<i>Not Reviewed</i> 1 July- 30 September 2016	<i>Not Reviewed</i> 1 January- 30 September 2015	<i>Not Reviewed</i> 1 April- 30 September 2015
Profit or loss					
Revenue	16	3,061,999	1,793,617	669,120	224,742
Cost of sales (-)	16	(1,518,930)	(816,560)	(301,122)	(109,963)
Gross profit		1,543,069	977,057	367,998	114,779
General administrative expenses (-)	17	(97,065)	(37,843)	(54,188)	(4,665)
Marketing expenses (-)	17	(40,161)	(16,354)	(23,051)	(5,775)
Other income from operating activities	18	180,574	66,253	111,895	28,586
Other expenses from operating activities (-)	18	(25,382)	(20,514)	(18,008)	(5,115)
Operating profit		1,561,035	968,599	384,646	127,810
Income from investing activities		10,870	3,300	11,778	2,809
Operating profit before financial income / (expense)		1,571,905	971,899	396,424	130,619
Financial income	19	69,779	20,109	58,994	18,172
Financial expenses (-)	19	(116,719)	(97,812)	(38,615)	(13,880)
Profit for the period from continued operations		1,524,965	894,196	416,803	134,911
Other comprehensive income / (loss)					
Aggregated income of other comprehensive income that will be reclassified to profit or loss		(366)	-	(309)	(243)
<i>Actuarial computation related to employee benefit liabilities</i>		(366)	-	(309)	(243)
Total comprehensive income for the period		1,524,599	894,196	416,494	134,668
Earnings per share (in full TL)		0.0041	0.0024	0.0011	0.0003

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2016 AND 2015**

(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	for the period	
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 (Note:15)	-	-	-	-	-	(356,036)	-	(356,036)
Increases / (decreases) related to the acquisition of treasury shares	-	(22,170)	-	-	-	-	-	(22,170)
Total comprehensive income	-	-	-	-	(309)	-	416,803	416,494
30 September 2015	3,800,000	(262,857)	2,366,895	357,908	(512)	2,111,335	416,803	8,789,572
1 January 2016	3,800,000	(262,857)	2,366,895	357,908	(487)	2,111,335	952,605	9,325,399
Transferler	-	-	-	65,387	-	887,218	(952,605)	-
Dividend payment (Note: 15)	-	-	-	-	-	(367,689)	-	(367,689)
Increases / (decreases) related to the acquisition of treasury shares	-	-	11,618	-	-	-	-	11,618
Total comprehensive income	-	-	-	-	(366)	-	1,524,965	1,524,599
30 September 2016	3,800,000	(262,857)	2,378,513	423,295	(853)	2,630,864	1,524,965	10,493,927

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONDENSED STATEMENTS OF CASH FLOWS AT 30 SEPTEMBER 2016 AND 2015

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

	Notes	1 January- 30 September 2016	1 January- 30 September 2015
Cash flows from operating activities			
Profit for the period		1,524,965	416,803
Adjustments to reconcile net profit			
Depreciation and amortization expenses	17	4,589	1,686
Adjustments for impairments	18	16,429	6,726
<i>Adjustments for impairment loss (reversal of impairment loss) of inventories</i>		16,429	6,726
Changes in provisions		(28,691)	(8,475)
<i>Adjustments for (reversal of) provisions related with employee benefits</i>		1,756	1,313
<i>Adjustments for (reversal of) lawsuit and/or penalty provisions</i>		(3,109)	2,246
<i>Adjustments for (reversal of) other provisions</i>		(27,338)	(12,034)
Adjustments for interest (income) expenses		(99,580)	(128,559)
<i>Adjustments for interest income</i>		(216,151)	(166,202)
<i>Adjustments for interest expense</i>		116,571	37,643
Adjustments for unrealised foreign exchange losses (gains)		-	292
Changes in net working capital		1,417,712	288,473
Adjustments for decrease (increase) in trade accounts receivable		271,298	(139,957)
<i>Decrease (increase) in trade accounts receivables from related parties</i>		182,017	-
<i>Decrease (Increase) in trade accounts receivables from unrelated parties</i>		89,281	(139,957)
Adjustments for decrease (increase) in inventories		685,064	(1,672,951)
Adjustments for increase (decrease) in trade accounts payable		(798,999)	1,407,728
<i>Increase (decrease) in trade accounts payables to related parties</i>		(598,000)	1,284,455
<i>Increase (decrease) in trade accounts payables to unrelated parties</i>		(200,999)	123,273
Adjustments for increase (decrease) in other operating receivables		(3,781)	7,781
Adjustments for increase (decrease) in other operating payables		(1,017,372)	887,932
Other adjustments for other increase (decrease) in working capital		189,602	(1,235,948)
Net cash flow from operating activities			
Interest received		87,767	13,431
Payments related with provisions for employee benefits		(111)	(170)
Income taxes paid		(17,215)	(22,666)
Cash flows from operating activities		813,965	(466,347)
Purchases of tangible and intangible assets		(16,246)	(24,496)
Interest received		11,009	13,964
Purchases of financial assets		(108,114)	(521,054)
Returns of financial assets		99,884	615,441
Cash flow from investing activities		(13,467)	83,855
Payments to acquire entity's shares or other equity instruments		-	(22,170)
<i>Payments to acquire entity's shares</i>		-	(22,170)
Proceeds from borrowings, classified as financing activities		864	670
<i>Proceeds from loans</i>		864	670
Repayments of borrowings, classified as financing activities		(165,000)	(120,515)
<i>Loan repayments</i>		(165,000)	(120,515)
Dividends Paid		(356,071)	(356,036)
Interest paid		(30,375)	(37,335)
Interest received		-	59,291
Other inflows (outflows) of cash		(444)	(983)
Cash flow from financing activities		(551,026)	(477,078)
Increase (decrease) in cash and cash equivalents before effect of exchange rate before effect of exchange rate changes		249,472	(859,570)
Effect of exchange rate changes on cash and cash equivalents		-	(10)
Net Increase (decrease) in cash and cash equivalents		249,472	(859,580)
Cash and cash equivalents at the beginning of the period	5	759,493	1,453,400
Cash and cash equivalents at the end of the period	5	1,008,965	593,820

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL

STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 1 – ORGANIZATION AND OPERATION OF THE COMPANY

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

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

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

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

The registered address of the Company is as follows:

Barbaros Mah. Mor Sümül 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 condensed financial statements at 30 September 2016 have been approved by the Board of Directors on 31 October 2016. 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 CONDENSED FINANCIAL

STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Preparation

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

The Company prepared its condensed interim financial statements for the period ended 30 September 2016 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.

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 2015.

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.

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.

Accounting for the effects of hyperinflation

With the decision dated on 17 March 2005 and numbered 11/367 by the CMB which is effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with Turkish Accounting Standards the application of inflation accounting is no longer required. Accordingly, TAS 29 “Financial Reporting in Hyperinflationary Economies” did not be applied for the accounting periods starting 1 January 2005.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

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

2.1 Basis of Preparation (Continued)

Functional and Presentation Currency

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (“functional currency”). The functional currency of the Company is expressed in Turkish Lira (“TL”), the presentation currency amounts are expressed in thousands of Turkish Lira (“TL”).

Offsetting

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

Going concern

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

2.2 Conformity with the Portfolio Limitations

The information presented in Additional Note of this report, regarding control of conformity with the portfolio limitations, is a summary information extracted from financial statements in accordance with Article 16 of Communiqué No: II-14,1, “Principles of Financial Reporting in Capital Markets” and is prepared in accordance with the provisions of the control of portfolio limitations of Communiqué No: III-48,1, “Principles Regarding Real Estate Investment Companies”.

NOTE 3 - ACCOUNTING POLICIES

The accounting policies adopted as of 30 September 2016 are consistent with those prepared as of 31 December 2015. 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.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 3 - ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Accounting Standards (Continued)

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

Amendments to TAS 16 and TAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	<i>Agriculture: Bearer Plants</i> ¹
Amendments to TFRS 11 and TFRS 1 Annual Improvements to 2011-2013 Cycle	<i>Accounting for Acquisition of Interests in Joint operations</i> ¹ <i>TFRS 1</i> ²
Amendments to TAS 1 Annual Improvements to 2012-2014 Cycle	<i>Disclosure Initiative</i> ² <i>TFRS 5, TFRS 7, TAS 34, TAS 19</i> ²
Amendments to TAS 27	<i>Equity Method in Separate Financial Statements</i> ²
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to TFRS 10, TFRS 12 and TAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> ²
TFRS 14	<i>Regulatory Deferral Accounts</i> ²

¹ Effective for annual periods beginning on or after 31 December 2015.

² Effective for annual periods beginning on or after 1 January 2016.

Amendments to TAS 16 and TAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization*

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Amendments to TAS 16 and TAS 41 and Amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 *Agriculture: Bearer Plants*

This amendment include ‘bearer plants’ within the scope of TAS 16 rather than TAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with TAS 16. The amendment also introduces a definition of ‘bearer plants’ as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of TAS 41.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 3 - ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Accounting Standards (Continued)

b) New and revised TAS applied with no material effect on the financial statements (cont'd)

Amendments to TFRS 11 and TFRS 1 *Accounting for Acquisition of Interests in Joint operations*

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in TFRS 3 and other TAS, except for those principles that conflict with the guidance in TFRS 11,
- disclose the information required by TFRS 3 and other TAS for business combinations.

Amendments to TFRS 11 also led to amendments in related provisions of TFRS 1.

Annual Improvements 2011-2013 Cycle

TFRS 1: Clarify which versions of TAS can be used on initial adoption (amends basis for conclusions only).

Amendments to TAS 1 *Disclosure Initiative*

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

Annual Improvements 2012-2014 Cycle

TFRS 5: Adds specific guidance in TFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

TFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

TAS 34: Clarify the meaning of ‘elsewhere in the interim report’ and require a cross-reference.

Annual Improvements to 2012-2014 Cycle also led to amendments in related provisions of TAS 19.

Amendments to TAS 27 *Equity Method in Separate Financial Statements*

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

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

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 3 - ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Accounting Standards (Continued)

b) New and revised TAS applied with no material effect on the financial statements (cont’d)

Amendments to TFRS 10, TFRS 12 and TAS 28 Investment Entities: Applying the Consolidation Exception

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent’s investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by TFRS 12.

TFRS 14 Regulatory Deferral Accounts

TFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of Turkish Financial Reporting Standards to continue to account, with some limited changes, for ‘regulatory deferral account balances’ in accordance with its previous GAAP, both on initial adoption of TFRS and in subsequent financial statements.

TFRS 14 also led to amendments in related provisions of TFRS 1.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 3 - ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Accounting Standards (Continued)

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	<i>Financial Instruments</i>
Amendments to TFRS 9 and TFRS 7	<i>Mandatory Effective Date of TFRS 9 and Transition Disclosures</i>
TFRS 15	<i>Revenue from Contracts with Customers</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2018.

TFRS 9 *Financial Instruments*

TFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. TFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Amendments to TFRS 9 and TFRS 7 *Mandatory Effective Date of TFRS 9 and Transition Disclosures*

The mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2018.

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.

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

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 3 - ACCOUNTING POLICIES (Continued)

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 restated the earnings per share by considering the number of treasury shares in determining the weighted average number of the shares outstanding. The effect of the change on the earnings per share amounts for the prior periods are disclosed below. The changes do not have any effect on the statements of financial positions, profit or loss and other comprehensive income and changes in equity.

	Earnings Per Share	
	Previously Reported	Restated
1 January – 30 September 2015	0.0011	0.0011
1 July – 30 September 2015	0.0004	0.0003

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.

NOTE 4- SIGNIFICANT EVENTS AND TRANSACTIONS RELATED WITH THE PERIOD

The Company issued land invoices amounting to TL 1,415,990 in the nine months period ended 30 September 2016 regarding temporary admissions made on the parts of ongoing constructions of LSRSA (Land Subject to Revenue Sharing Agreements) (Note 16).

On 28 July 2016, the Company decided to apply 20% discount to its receivables from buyers in LSRSA projects in which the sales were made directly by the Company after sharing the completed units and the turnkey projects (Validity period: 1 August 2016 - 30 September 2016) if the buyers chose to pay their debt amount immediately. In addition to this campaign, the Company decided to perform sales (Validity period: 1 August 2016 - 31 December 2016) with 20% down payment and 120 months maturity subject to CPI changes (capped by 5% semi-annually) or monthly 0.7% interest.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	30 September 2016	31 December 2015
Cash on hand	36	4
Banks	3,061,705	3,004,999
- Demand deposit	146,489	65,500
- Time deposit	2,915,216	2,939,499
	3,061,741	3,005,003

Maturities of cash and cash equivalents are as follows:

	30 September 2016	31 December 2015
Demand	146,525	65,504
Up to 3 month	2,915,216	2,939,499
Less: Blocked deposits with maturities less than 3 months	(73,867)	(41,432)
	2,987,874	2,963,571

Average effective interest rates of time deposits are as follows:

	30 September 2016	31 December 2015
	(%)	(%)
	8.23%	8.90%

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

	30 September 2016	31 December 2015
Cash and cash equivalents	3,061,741	3,005,003
Less: Interest accruals	(7,655)	(8,525)
Less: LSRSA project deposits (*)	(381,241)	(301,997)
Less: TOKI deposits (**)	(1,639,202)	(1,908,051)
Less: Blocked deposits	(24,678)	(26,937)
	1,008,965	759,493

(*) 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 381,241 (31 December 2015: TL 301,997) part of the total project amount deposits TL 49,189 (31 December 2015: TL 14,495) 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 CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 6 - FINANCIAL INVESTMENTS

	30 September 2016	31 December 2015
Financial investments		
Treasury bills	139,285	130,552
Special issue government bonds (*)	12,767	13,267
	152,052	143,819

(*) 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 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 9). 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 acquired treasury bills amounting to TL 139,285 as of 30 September 2016 (31 December 2015: TL 130,552) 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 quarterly which are announced by Turkish Treasury. Average effective interest rate of financial assets at 30 September 2016 is 8.99 % (31 December 2015: 10.84%). As of 30 September 2016, average term of the treasure bills changes between three and six months (31 December 2015: changes between four and six months).

NOTE 7 - FINANCIAL LIABILITIES

	30 September 2016	31 December 2015
Short-term financial liabilities		
Short-term bank borrowings	864	-
Short-term portion of long-term borrowings	225,215	230,657
	226,079	230,657
Long-term financial liabilities	30 September 2016	31 December 2015
Long-term borrowings	49,000	214,000
	49,000	214,000

According to the agreement signed with the Turkish Treasury in 25 July 2008, the Company has TL 269,000 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 September 2016 is 9.32% (31 December 2015: 10.14%).

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

The redemption schedules of the borrowings at 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
2017	49,000	214,000
	49,000	214,000

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

	30 September 2016	31 December 2015
Less than 3 months	61,079	65,657
Between 3 - 12 months	165,000	165,000
Between 1 - 5 years	49,000	214,000
	275,079	444,657

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 September 2016	31 December 2015
Short-term trade receivables		
Notes receivables	370,059	500,348
Receivables from sale of residential and commercial units	387,485	445,708
Receivables from LSRSA contractors invoiced	177,339	233,822
Receivables from related parties (Note 20)	22,155	204,172
Receivables from land sales	31,311	28,083
Rent receivables	1,468	1,385
Other	888	693
Unearned finance income	(201)	(4,051)
	990,504	1,410,160
Doubtful receivables	1,926	1,965
Less: Provision for doubtful receivables	(1,926)	(1,965)
	990,504	1,410,160

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

	30 September 2016	31 December 2015
Long-term trade receivables		
Receivables from sale of residential and commercial units	1,626,461	1,565,891
Unearned finance income	(80,821)	(82,791)
	1,545,640	1,483,100

	30 September 2016	31 December 2015
Short-term trade payables		
Payables to related parties (Note 20)	3,561,738	1,881,778
Payables to LSRSA contractors invoiced	473,485	629,146
Time deposit interest accruals from LSRSA contractors invoiced (*)	19,918	31,457
Trade payables	13,210	10,817
	4,068,351	2,553,198

(*) 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).

	30 September 2016	31 December 2015
Long-term trade payables		
Payables to land owners	-	36,192
	-	36,192

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

	30 September 2016	31 December 2015
Short-term other receivables		
Housing Acquisition Support ("HAS") related		
receivables from Turkish Treasury	390,790	390,750
Receivables from contractors	248,873	103,726
Receivables from the authorities	5,674	5,279
Other	129	26
	645,466	499,781
	30 September 2016	31 December 2015
Long-term other receivables		
Deposits and guarantees given	990	168
	990	168
	30 September 2016	31 December 2015
Short term other payables		
Payable to HAS beneficiaries	403,635	404,079
Payable to contractors (*)	88,752	88,752
Taxes and funds payable	7,479	8,470
Deferred income	38,249	4,704
Other	15,122	11,989
	553,237	517,994

(*) The amount includes the unissued invoice amount of TL 88,752 regarding to the units received as a result of revenue allocation at İzmir Mavişehir Phase 3 project, where the contractor filed a lawsuit regarding the revenue sharing percentages (31 December 2015: 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 September 2016 and 2015 are shown below:

	1 January 2016	Additions within the period	Disposals	30 September 2016
Treasury support share				
Receivable from Treasury	390,750	54	(14)	390,790
Special purpose government Bond (Note 6)	13,267	-	(500)	12,767
Cash generated from government bond redemption	62	615	(599)	78
Total consideration received or receivable from Treasury	404,079			403,635
Payable to HAS beneficiaries	(404,079)			(403,635)

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

NOTE 9 - OTHER RECEIVABLES AND PAYABLES (Continued)

	1 January 2015	Additions within the period	Disposals	30 September 2015
Treasury support share				
Receivable from Treasury	391,001	145	(382)	390,764
Special purpose government Bond (Note 6)	13,767	-	(500)	13,267
Cash generated from government bond redemption	462	1,240	(1,486)	216
Total consideration received or receivable from Treasury	405,230			404,247
Payable to HAS beneficiaries	(405,230)			(404,247)

NOTE 10 -INVENTORIES

Short-term inventories	30 September 2016	31 December 2015
Planned land by LSRSA	728,040	884,599
Planned land by turnkey project	444,706	910,539
Residential and commercial units ready for sale	254,585	11,921
<i>Cost</i>	256,228	12,179
<i>Impairment</i>	(1,643)	(258)
	1,427,331	1,807,059
Long-term inventories	30 September 2016	31 December 2015
Planned land by LSRSA	4,995,619	4,524,500
Planned land by turnkey project	678,343	736,768
Land	4,805,578	3,262,076
<i>Cost</i>	4,831,738	3,273,192
<i>Impairment</i>	(26,160)	(11,116)
	10,479,540	8,523,344

As of 31 December 2015, independent valuation reports prepared by Atak Gayrimenkul Değerleme A.Ş. ve Peritus 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. All of the final values used in the valuation reports has been determined over the fair comparison.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 10 - INVENTORIES (Continued)

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

	2016	2015
Balance at 1 January	11,374	12,293
Impairment charge for the period	18,868	6,385
Reversal of impairment	(2,439)	(79)
The impairment of stocks that transferred from investment property	-	74
Balance at 30 September	27,803	18,673

The details of land and residential stocks of the company are shown below as of 30 September 2016 and 31 December 2015:

Lands (Long term)	30 September 2016	31 December 2015
İstanbul Küçükçekmece Lands	1,822,839	-
İstanbul Şişli Lands	455,122	-
İstanbul Başakşehir Lands	425,175	433,905
İstanbul Zeytinburnu Lands	400,045	400,006
Ankara Çankaya Lands	330,498	11,849
İstanbul Arnavutköy Lands	317,309	317,309
Ankara Yeni Mahalle Lands	273,036	273,036
İstanbul Tuzla Lands	225,933	225,933
Yalova Lands	178,340	178,340
İstanbul Kartal Lands	132,283	132,283
İstanbul Esenyurt Lands	49,002	141,282
Kocaeli Gebze Lands	47,550	45,174
İstanbul Ataşehir Lands	41,979	41,979
Bursa Osmangazi Lands	27,336	27,336
Niğde Lands	21,874	20,304
İzmir Urla Lands	19,614	19,537
İstanbul Şile Lands	10,210	10,210
Tekirdağ Kapaklı Lands	8,248	8,248
Tekirdağ Çorlu Lands	6,032	16,578
Kocaeli Tütünçiftliği Lands	3,357	3,267
İstanbul Zekeriya Köy Lands	677	677
İstanbul Maltepe Lands	-	665,557
İstanbul Avcılar Lands	-	106,085
İstanbul Bakırköy Lands	-	30,005
Balıkesir Merkez Lands	-	44,000
İstanbul Eyüp Lands	-	30,091
Nevşehir Lands	-	70,042
Other	9,116	9,043
	4,805,578	3,262,076

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

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

NOTE 10 - INVENTORIES (Continued)

Planned lands by LSRSA	30 September 2016	31 December 2015
Sarıyer İstinye Project	1,006,171	1,006,171
Maltepe-Küçükyalı Project	667,387	-
Kazlıçeşme Project	656,808	656,408
Ankara Yenimahalle İstasyon Project	634,550	634,550
Maslak 1453 Project	295,961	549,415
Köy Project	225,245	224,276
İstanbul Kartal Project	186,694	186,778
Metropol İstanbul Project	182,046	246,166
İstanbul Kağıthane Seyrantepe Project	118,273	115,953
Kayabaşı 5. Etap Project	117,552	117,552
Park Maveria Project	116,003	115,859
Kayabaşı 6. Etap Project	114,900	115,227
İstanbul Üsküdar Project	108,107	85,006
Hoşdere 4. Etap Project	104,935	104,935
Kartal Yakacık Project	91,956	91,905
Kayabaşı 3. Etap Project	88,587	88,794
Konya Meram Yenice Project	86,704	86,704
Avcılar Kapadık Project	79,362	79,343
Denizli Merkez Efendi Project	76,256	74,761
Hoşdere 3. Etap Project	71,389	72,016
Kocaeli Derince Project	70,001	70,001
Yenibosna Project	68,063	68,334
Fatih Yedikule Project	65,646	65,646
Isparta Kule 5.Etap Project	58,105	-
Hoşdere 2. Etap Project	55,788	55,878
Ispartakule 6.Etap Projesi	47,979	-
Hoşdere 5.Etap Project	47,628	-
Hoşdere 6.Etap Projesi	44,652	-
Ankara Etimesgut Project	37,299	37,288
Yeni Yapı Project	30,129	-
Bakırköy Yeni Mah. Projesi	30,005	-
Ataşehir Finans Merkezi Project	17,095	14,951
Bulvar İstanbul Project	14,138	14,136
Evora İstanbul - 2 Project	415	-
Ankara Çankaya Mühye Project	-	316,662
Other	107,824	114,384
	5,723,658	5,409,099

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 10 - INVENTORIES (Continued)

Planned lands by turnkey project	30 September 2016	31 December 2015
İstanbul Esenler Kentsel Dönüşüm Project	444,706	348,366
Ayazma Emlak Konutları Project	203,486	133,791
Ispartakule 1. Etap 1. Kısım Project	127,220	95,535
Ispartakule 1. Etap 2. Kısım Project	110,542	83,358
Nevşehir Emlak Konutları Project	84,473	-
Körfezkent 4. Etap Project	65,577	39,199
Emlak Konut Başakşehir Evleri 2. Kısım Project	53,468	35,432
Başakşehir Ayazma 2. Etap Project	32,492	-
Kocaeli Gebze Kirazpınar Kentsel Dönüşüm Project	662	662
Bursa Kentsel Dönüşüm Project	424	424
Kayabaşı 1. Etap 1. Kısım Project	-	221,819
Hoşdere 1. Kısım 2. Etap Project	-	145,460
Kayabaşı 1. Etap 4. Kısım Project	-	125,384
Kayabaşı 1. Etap 3. Kısım Project	-	129,013
Hoşdere 1. Kısım 1. Etap Project	-	119,608
Kayabaşı 1. Etap 2. Kısım Project	-	107,553
Hoşdere 1. Kısım 3. Etap Project	-	61,703
	1,123,050	1,647,307
Completed units	30 September 2016	31 December 2015
Batışehir Project	141,896	-
Hoşdere Emlak Konutları	53,409	-
Dumankaya Miks Projesi	16,911	-
Başakşehir Emlak Konutları	5,753	-
Park Yaşam Mavişehir Evleri	1,739	1,739
Kayabaşı Emlak Konutları	1,654	-
Spradon Vadi Evleri	1,270	1,086
Kocaeli Körfez Kent Emlak Konutları	1,238	1,238
Evora 2. Etap Project	303	979
My Towerland	-	3,752
Burgazkent Çarşı Project	-	950
Other	30,413	2,177
	254,585	11,921

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

30 September 2016	Buildings	Motor vehicles	Furniture, equipment and fix assets	Construction in progress	Total
Net book value as of 1 January 2016	9,584	737	4,650	63,750	78,721
Additions	9,652	887	5,180	-	15,719
Disposal, (net) (-)	-	-	(44)	-	(44)
Transfers from constructions in progress,	63,750	-	-	(63,750)	-
Transfers to stock, (net)	(2,340)	-	-	-	(2,340)
Depreciation expense(-)	(1,222)	(295)	(1,814)	-	(3,331)
Reversal of impairment	575	-	-	-	575
Net book value	79,999	1,329	7,972	-	89,300
Cost	81,485	2,437	14,491	-	98,413
Accumulated depreciation (-)	(1,486)	(1,108)	(6,519)	-	(9,113)
Net book value	79,999	1,329	7,972	-	89,300

30 September 2015	Buildings	Motor vehicles	Furniture, equipment and fix assets	Construction in progress	Total
Net book value as of 1 January 2015	9,302	545	2,152	23,898	35,897
Additions	420	462	1,960	21,067	23,909
Depreciation expense(-)	(169)	(194)	(665)	-	(1,028)
Impairment (-)	(420)	-	-	-	(420)
Net book value	9,133	813	3,447	44,965	58,358
Cost	10,675	1,552	7,336	44,965	64,528
Accumulated depreciation (-)	(1,122)	(739)	(3,889)	-	(5,750)
Impairment (-)	(420)	-	-	-	(420)
Net book value	9,133	813	3,447	44,965	58,358

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 12 – OTHER SHORT TERM PROVISIONS

	30 September 2016	31 December 2015
Provisions		
Provision for lawsuits	73,732	78,088
Provision for cost accruals	60,606	87,944
	134,338	166,032

The movements of provision for lawsuits as of 30 September 2016 and 2015 are as follows:

	2016	2015
Balance at 1 January	78,088	69,699
Provision charged for the period	2,613	2,246
Provision released within the current period	(5,722)	(3,303)
Provision used in the period	(1,247)	(9,217)
Balance at 30 September	73,732	59,425

NOTE 13 - OTHER ASSETS AND LIABILITIES

	30 September 2016	31 December 2015
Other current assets		
Progress payments given to contractors	99,048	79,286
Accrued income	62,897	43,842
Receivables from tax office (*)	29,276	33,144
Deferred VAT	5,000	10,000
Other	136	-
	196,357	166,272

(*) Receivables from tax office consist of bank stoppages paid on interest income, which have been requested from the tax office to be paid back.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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NOTE 14 - DEFERRED REVENUE AND PREPAID EXPENSES

	30 September 2016	31 December 2015
Short-term deferred revenue		
Deferred revenue from LSRSA projects (*)	1,644,584	2,330,071
Advances taken from Turnkey Project sales	385,592	1,000,469
Advances taken from LSRSA contractors (**)	1,001,159	763,886
Advances taken from related parties (Note 20)	64,733	64,732
	3,096,068	4,159,158

(*) 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 September 2016	31 December 2015
Long-term deferred revenue		
Other advances taken	2,522	2,448
	2,522	2,448

	30 September 2016	31 December 2015
Prepaid expenses		
Advances given for inventory (*)	2,381	32,414
Prepaid expenses	1,744	1,548
	4,125	33,962

(*) The inventory advances given consists of prepayments of the 53 independent units which the Company purchased from Sarphan Finanspark.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 15 - SHAREHOLDERS' EQUITY

The Company's authorized capital amount is TL 3,800,000 (31 December 2015: TL 3,800,000) and consists of 380,000,000,000 (31 December 2015: 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 September 2016 and 31 December 2015 is as follows:

Shareholders	30 September 2016		31 December 2015	
	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
Total paid in capital	100	3,800,000	100	3,800,000

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

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

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

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

The Company paid dividend to its shareholders amounting to TL 367,888 according to the decision in general assembly meeting on 14 April 2016. The dividend amounting to TL 11,618 which correspond to its treasury shares has been accounted in share premium account in equity.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 16 - SALES AND COST OF SALES

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Sales income				
Land sales	1,480,416	1,022,131	585,750	189,980
<i>Income from sale of land and plots by way of LSRSA</i>	<i>1,415,990</i>	<i>1,002,412</i>	<i>585,750</i>	<i>189,980</i>
<i>Land sales income</i>	<i>64,426</i>	<i>19,719</i>	-	-
Residential and commercial units sales	1,583,211	772,854	84,409	35,160
Rent Income	356	78	392	205
	3,063,983	1,795,063	670,551	225,345
Sales returns	(1,443)	(1,407)	(870)	(333)
Sales discounts	(541)	(39)	(561)	(270)
Net sales income	3,061,999	1,793,617	669,120	224,742
Cost of sales				
Cost of land sales	(352,124)	(271,702)	(230,125)	(77,621)
<i>Cost of land and plots sold by way of LSRSA</i>	<i>(340,326)</i>	<i>(267,481)</i>	<i>(230,125)</i>	<i>(77,621)</i>
<i>Cost of land sales</i>	<i>(11,798)</i>	<i>(4,221)</i>	-	-
Cost of residential and commercial units sales	(1,166,806)	(544,858)	(70,997)	(32,342)
	(1,518,930)	(816,560)	(301,122)	(109,963)
Gross profit	1,543,069	977,057	367,998	114,779

NOTE 17 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
General administrative expenses				
Personnel expenses	(38,044)	(14,393)	(29,542)	(10,239)
Taxes, duties and fees	(28,698)	(12,462)	(7,022)	9,839
Consultancy expenses	(5,628)	(2,019)	(3,429)	(457)
Subcontracting service expenses	(7,162)	(3,352)	(2,068)	(650)
Depreciation and amortisation	(4,589)	(1,596)	(1,686)	(621)
Lawsuit and notary expenses	(2,844)	(464)	(1,146)	(375)
Due and contribution expenses	(1,567)	(553)	(557)	(54)
Insurance expenses	(136)	(50)	(1,584)	(623)
Office expenses	(1,025)	(1,025)	(2,087)	(216)
Other	(7,372)	(1,929)	(5,067)	(1,269)
	(97,065)	(37,843)	(54,188)	(4,665)
Marketing, sales and distribution expenses				
Advertising expenses	(35,703)	(14,909)	(16,430)	(4,282)
Personnel expenses	(3,340)	(1,390)	(4,080)	(868)
Other	(1,118)	(55)	(2,541)	(625)
	(40,161)	(16,354)	(23,051)	(5,775)

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 18 - OTHER INCOME / EXPENSES

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Other income				
Finance income from credit sales	84,424	24,140	65,613	14,215
Delay penalty interest from project contractors	45,327	27,549	13,431	2,879
Released lawsuit provisions (Note 12)	5,722	(163)	3,303	25
Recirculate commission income	6,538	1,028	5,350	1,873
Not realized finance income	5,820	2,777	13,915	6,498
Impairment provision reversals	3,014	391	79	13
Delay penalty and compensation income from project contractors	-	-	1,528	736
Other	29,729	10,531	8,676	2,347
	180,574	66,253	111,895	28,586
	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Other expenses				
Impairment provision expenses	(18,867)	(17,257)	(6,385)	(1,473)
Reversal of due date differences	(1,570)	-	-	-
Lawsuit provision charge for the period (Note 12)	(2,613)	(2,613)	(2,246)	(952)
Lawsuit expenses	-	-	(7,000)	(1,377)
Other	(2,332)	(644)	(2,377)	(1,313)
	(25,382)	(20,514)	(18,008)	(5,115)

NOTE 19 - FINANCIAL INCOME / EXPENSES

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Financial income				
Interest income from time deposits	69,710	20,045	58,973	18,159
Foreign exchange income	69	64	21	13
	69,779	20,109	58,994	18,172
	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Financial expenses				
Interest discount on pay off debt (*)	(91,638)	(91,638)	-	-
Interest expense on Turkish Treasury borrowings (**)	(24,933)	(6,169)	(37,643)	(13,488)
Foreign exchange loss	(146)	(3)	(715)	(310)
Commission expenses	(2)	(2)	(257)	(82)
	(116,719)	(97,812)	(38,615)	(13,880)

(*) This amount is related to the application of 20% deduction over the current loan balance of borrowers who continue their installment payments in the projects held by the Company, in case of clearing their debt amount.

(**) Interest expense of borrowing for HAS beneficiaries payments from Turkish Treasury amounting to TL 269,000 calculated in accordance with Domestic Government Debt Securities issuance compound interest rate announced at the time of payment periods.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 20 - RELATED PARTY TRANSACTIONS

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, Insaat, 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.

- Balances and transactions with respect to Turkish Treasury are detailed in Note 6, 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 TL 2,600,053 as of 30 September 2016 (31 December 2015: TL 2,725,418) Regarding these bank balances, the Company also generated interest income from the related State banks amounted to TL 174,623 in as of 30 September 2016 (30 September 2015: TL 573,152). Average effective interest rates of time deposits of the Company as of 30 September 2016 are explained in Note 5.

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

	30 September 2016	31 December 2015
Trade receivables from related parties		
Emlak Planl. İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd. Şti.	15,265	197,277
Emlak Planl. İnş. Prj. Yön. A.Ş. - Fideltus İnş-Öztaş İnş O.G.	5,567	5,567
Emlak Planl. İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	1,323	1,328
	22,155	204,172
	30 September 2016	31 December 2015
Trade payables to related parties		
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (“TOKİ”) (*)	3,560,348	1,881,778
Emlak Basın Yayın A.Ş.	32	-
Ege Yapı Ltd. Şti.-Emlak Pazarlama O.G.	1,358	-
	3,561,738	1,881,778

(*) The Company has purchased various lands from its ultimate parent company (TOKİ) in 2016 and 2015. The remaining payable from this purchases to TOKİ is amounting to TL 3,285,582 (31 December 2015: TL 1,711,926) and accrued interest is TL 274,765 (31 December 2015: TL 169,852).

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 20 - RELATED PARTY TRANSACTIONS (Continued)

	30 September 2016	31 December 2015
Advances received from related parties		
Emlak Planl. İnş. Prj. Yön. A.Ş. - Fideltus İnş. - Öztaş İnş. O.G. (*)	64,732	64,732
	64,732	64,732

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

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Purchases from related parties				
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (“TOKİ”) Emlak Planl. İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd. Şt	2,294,361 152,191	16,000 -	1,292,655 -	- -
Emlak Planl. İnş. Prj. Yön. A.Ş. - Emlak Basın Yayın A.Ş.	643	174	-	-
	2,447,195	16,174	1,292,655	-

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Sales to related parties				
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (“TOKİ”) (*) Emlak Planl. İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi Emlak Pazarlam-Yeni Sarp Ortak Girişimi	50,102 53 -	- 4 -	- - 30	- - -
	50,155	4	30	-

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 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Remuneration of key management				
Salaries and other short-term employee	2,743	1,186	1,557	677
	2,743	1,186	1,557	677

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 21 - CONTINGENT ASSETS AND LIABILITIES

1. The LSRSA Project Agreement dated 21 December 2005 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. 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. The Company does not expect any obligation or liability to be incurred as a result of the lawsuit.

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 4 March 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 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 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 (Note 9).

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.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 21 - CONTINGENT ASSETS AND LIABILITIES (Continued)

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.

3. Mortgage and guarantees received are;

	30 September 2016	31 December 2015
Guarantees received (*)	2,858,398	3,256,850
Mortgages received (**)	45,878	126,221
	2,904,276	3,383,071

(*) 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.

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

	30 September 2016	31 December 2015
A. CPM given on behalf of the Company's legal personality	65,502	58,040
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	-	-
	65,502	58,040

NOTE 22 - EVENTS AFTER THE REPORTING PERIOD

For the respective operations and transactions of the protocol signed between our Company and Galatasaray Sports Club Association issued on 29 June 2016, The President of the Club was authorized by the General Assembly of Galatasaray Sports Club Association dated 22 October 2016 and the works within this scope will continue.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016**

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

ADDITIONAL NOTE - CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS

	Non-Consolidated (Individual) Financial Statements Main Account Items	Related Regulation	Current Period 30 September 2016 (TL)	Prior Period 31 December 2015 (TL)
A	Money and Capital Market Instruments	Series:III-No:48, Art,24/(b)	2,832,552	938,774
B	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)	12,002,870	10,355,987
C	Affiliates	Series:III-No:48, Art,24/(b)	-	-
	Due from related parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
	Other Assets		3,806,527	5,932,743
D	Total Assets	Series:III-No:48, Art,3/(k)	18,641,949	17,227,504
E	Financial Liabilities	Series:III-No:48, Art,31	275,079	444,657
F	Other Financial Liabilities	Series:III-No:48, Art,31	-	-
G	Due from Financial Leases	Series:III-No:48, Art,31	-	-
H	Due to Related Parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
I	Shareholders' equity	Series:III-No:48, Art,31	10,493,927	9,325,399
	Other Resources		7,872,943	7,457,448
D	Total Resources	Series:III-No:48, Art,3/(k)	18,641,949	17,227,504
	Non-Consolidated (Individual) Financial Statements Other Account Items	Related Regulation	Current Period 30 September 2016 (TL)	Prior Period 31 December 2015 (TL)
A1	The portion of Money and Capital Market Instruments held for Payables of Properties for the following 3 Years	Series:III-No:48, Art,24/(b)	715,906	938,774
A2	Term/ Demand/ Currency	Series:III-No:48, Art,24/(b)	715,906	759,489
A3	Foreign Capital Market Instruments	Series:III-No:48, Art,24/(d)	-	-
B1	Foreign Properties, Projects based on properties and Rights based on Properties	Series:III-No:48, Art,24/(d)	-	-
B2	Idle Lands	Series:III-No:48, Art,24/(c)	420,448	543,047
C1	Foreign Affiliates	Series:III-No:48, Art,24/(d)	-	-
C2	Affiliates for Operating Company	Series:III-No:48, Art,28	-	-
J	Non-cash Loans	Series:III-No:48, Art,31	65,502	58,103
K	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

(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 September 2016 (%)	31 December 2015 (%)	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)	68	67	>50%
3	Money and Capital Market Instruments and Affiliates	Series:III-No:48, Art,24/(b)	11	-	<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	3	<20%
6	Affiliates to the Operating Company	Series:III-No:48, Art,28	-	-	<10%
7	Borrowing Limit	Series:III-No:48, Art,31	3	5	<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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