

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĐI A.Ő.

**CONVENIENCE TRANSLATION OF
CONDENSED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2018**

(ORIGINALLY ISSUED IN TURKISH)

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONDENSED STATEMENTS OF FINANCIAL POSITION
AT 31 MARCH 2018 AND 31 DECEMBER 2017**

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

		<i>Not Reviewed</i> 31 March 2018	<i>Audited</i> 31 December 2017
	Notes		
ASSETS			
Current assets		19,780,492	18,796,338
Cash and cash equivalents	4	1,561,581	897,501
Financial investments	5	168,880	186,274
Trade receivables	7	1,676,983	1,681,689
<i>Trade receivables due from related parties</i>	20	6,985	8,239
<i>Trade receivables due from third parties</i>		1,669,998	1,673,450
Other receivables	8	1,192,780	1,180,466
<i>Other receivables due from third parties</i>		1,192,780	1,180,466
Inventories	9	13,799,994	13,646,631
Prepaid expenses	14	1,077,566	986,501
Other current assets	13	302,708	217,276
Non-current assets		2,121,226	1,827,322
Trade receivables	7	1,674,530	1,686,645
<i>Trade receivables due from third parties</i>		1,674,530	1,686,645
Other receivables	8	1,029	988
Investment property		330,324	57,283
Property, plant and equipment	10	66,086	66,858
Intangible assets		2,627	2,911
Other non-current assets	13	46,630	12,637
Total assets		21,901,718	20,623,660

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONDENSED STATEMENTS OF FINANCIAL POSITION
AT 31 MARCH 2018 AND 31 DECEMBER 2017**

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

		<i>Not Reviewed</i> 31 March 2018	<i>Audited</i> 31 December 2017
	Notes		
LIABILITIES AND EQUITY			
Current liabilities		6,357,159	6,083,525
Current portion of non-current borrowings	6	695,564	482,364
Trade payables	7	1,750,434	1,266,648
<i>Trade payables due to related parties</i>	20	771,075	744,713
<i>Trade payables due to third parties</i>		979,359	521,935
Other payables	8	549,776	554,767
Deferred income	14	3,310,779	3,728,717
<i>Deferred income from related parties</i>	20	64,732	64,732
<i>Deferred income from third parties</i>		3,246,047	3,663,985
Current provisions		50,606	51,029
<i>Current provisions for employee benefits</i>		3,614	4,113
<i>Other current provisions</i>	12	46,992	46,916
Non-current liabilities		2,211,781	2,074,616
Long term borrowings	6	1,930,385	1,932,308
Trade payables		221,407	95,666
Other payables		50,574	37,306
Deferred income		3,362	3,174
Long term provisions		6,053	6,162
<i>Long term provisions for employee benefits</i>		6,053	6,162
Shareholders' equity		13,332,778	12,465,519
Paid-in capital	15	3,800,000	3,800,000
Treasury shares (-)		(284,480)	(284,480)
Share premium		2,378,513	2,378,513
Other comprehensive income / expense not to be reclassified to profit or loss		(42)	(42)
- <i>Gain/(loss) on remeasurement of employee benefits</i>		(42)	(42)
Restricted reserves		511,347	511,347
Retained earnings		6,060,181	4,304,087
Net profit for the year		867,259	1,756,094
Total liabilities and equity		21,901,718	20,623,660

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018 AND 2017

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

	Notes	<i>Not Reviewed</i> 1 January- 31 March 2018	<i>Not Reviewed</i> 1 January- 31 March 2017
Profit or loss			
Revenue	16	1,435,382	834,092
Cost of sales (-)	16	(537,046)	(385,151)
Gross profit		898,336	448,941
General administrative expenses (-)	17	(40,415)	(31,455)
Marketing expenses (-)	17	(13,716)	(18,960)
Other income from operating activities	18	161,965	108,997
Other expenses from operating activities (-)	18	(32,717)	(66,794)
Operating profit		973,453	440,729
Income from investing activities		82	1,361
Operating profit before financial income / (expense)		973,535	442,090
Financial income	19	20,646	13,263
Financial expenses (-)	19	(126,922)	(135,657)
Profit for the year		867,259	319,696
Other comprehensive income		-	-
Total comprehensive income for the year		867,259	319,696
Earnings per share (in full TL)		0.0024	0.0009

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018 AND 2017

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

					Income and Expense not to be Reclassified to Profit or Loss		Retained Earnings		
	Share capital	Treasury shares (-)	Share premium	Restricted reserves	Gain/Loss on remeasurement of employee benefits	Retained earnings	Net income for the year	Total equity	
1 January 2017	3,800,000	(262,857)	2,378,513	423,295	(897)	2,630,863	1,761,276	10,730,193	
Transfers	-	-	-	-	-	1,761,276	(1,761,276)	-	
Total comprehensive income	-	-	-	-	-	-	319,696	319,696	
31 March 2017	3,800,000	(262,857)	2,378,513	423,295	(897)	4,392,139	319,696	11,049,889	
1 January 2018	3,800,000	(284,480)	2,378,513	511,347	(42)	4,304,087	1,756,094	12,465,519	
Transferler	-	-	-	-	-	1,756,094	(1,756,094)	-	
Total comprehensive income	-	-	-	-	-	-	867,259	867,259	
31 March 2018	3,800,000	(284,480)	2,378,513	511,347	(42)	6,060,181	867,259	13,332,778	

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONDENSED STATEMENTS OF CASH FLOWS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018 AND 2017

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

	Notes	1 January- 31 March 2018	1 January- 31 March 2017
Cash flows from operating activities			
Profit for the year		867,259	319,696
Adjustments to reconcile net profit			
Depreciation and amortization expenses	17	1,790	1,633
Adjustments for impairments		30,963	17,237
<i>Adjustments for impairment loss (reversal of impairment loss) of inventories</i>	9	7,630	17,237
<i>Adjustments for impairment loss (reversal of impairment loss) of investment properties</i>	18	23,333	-
Changes in provisions		(531)	21,181
<i>Adjustments for (reversal of) provisions related with employee benefits</i>		(607)	(4,506)
<i>Adjustments for (reversal of) lawsuit and/or penalty provisions</i>	12	76	(5,222)
<i>Adjustments for (reversal of) other provisions</i>		-	30,909
Adjustments for interest (income) expenses		(43,503)	37,683
<i>Adjustments for interest income</i>		(170,211)	(97,827)
<i>Adjustments for interest expense</i>	19	126,708	135,510
Changes in net working capital		855,978	397,430
Adjustments for decrease (increase) in trade accounts receivable		(137,115)	(604,680)
<i>Decrease (increase) in trade accounts receivables from related parties</i>	20	1,254	7,491
<i>Decrease (Increase) in trade accounts receivables from third parties</i>		(138,369)	(612,171)
Adjustments for decrease (increase) in inventories		(457,367)	(248,530)
Adjustments for increase (decrease) in trade accounts payable		586,462	(602,585)
<i>Increase (decrease) in trade payables to related parties</i>		3,297	(829,951)
<i>Increase (decrease) in trade payables to third parties</i>		583,165	227,366
Adjustments for (decrease) in other operating receivables		(5,653)	(25,502)
Adjustments for increase (decrease) in other operating payables		(364,945)	541,379
Other adjustments for other increase (decrease) in working capital		(89,776)	(372,285)
Net cash flow from operating activities			
Interest received		31,734	30,991
Payments related with provisions for employee benefits		-	(141)
Income taxes paid		(44,475)	(29,904)
Cash flows from operating activities		374,843	(913,827)
Cash flows from investing activities			
Purchases of investment properties, tangible and intangible assets		(1,018)	(1,476)
Sales of tangible and intangible assets		284	-
Interest received		82	1,361
Purchases of financial assets		(7,000)	(4,831)
Returns of financial assets		7,410	103,774
Other inflows (outflows) of cash		16,986	-
Cash flow from investing activities		16,744	98,828
Cash flows from financing activities			
Proceeds from borrowings		200,000	621,006
<i>Proceeds from loans</i>		200,000	621,006
Repayments of borrowings, classified as financing activities		-	(55,000)
<i>Loan repayments</i>		-	(55,000)
Interest paid		(47,183)	(25,232)
Interest received	19	20,639	13,261
Other inflows (outflows) of cash		(56)	(190)
Cash flow from financing activities		173,400	553,845
Net Increase (decrease) in cash and cash equivalents		564,987	(261,154)
Cash and cash equivalents at the beginning of the year	4	385,081	956,205
Cash and cash equivalents at the end of the year	4	950,068	695,051

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

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

NOTE 1 – ORGANIZATION AND OPERATION OF THE COMPANY

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

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

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

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

The registered address of the Company is as follows:

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

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

The financial statements at 31 March 2018 have been approved by the Board of Directors on 30 April 2018. 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 Spor Kulübü Derneği was established on 23 August 2017 by the Company and Company’s employees. The centre of Emlak Konut Spor Kulübü Derneği is located in Istanbul.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

(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 31 March 2018 in accordance with the Communiqué and announcements regarding this Communiqué, in accordance with TAS 34, “Interim Financial Reporting”. In this respect, the Company has preferred to prepare condensed interim financial statements in the interim periods and prepared the mentioned condensed interim financial statements in compliance with CMB Accounting Standards. The condensed interim financial statements and the related notes to them are presented in accordance with the declaration dated 7 June 2013 and with the formats required by the CMB.

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

The Company maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. These condensed interim financial statements in Turkish Lira (“TRY”) based on the historical cost convention except for the financial assets and liabilities which are expressed with their fair value. The condensed interim financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Accounting Standards of the POA.

Accounting for the effects of hyperinflation

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards the application of inflation accounting is no longer required. Accordingly, the Company did not apply IAS 29 “Financial Reporting in Hyperinflationary Economies” issued by IASB in its financial statements for the accounting periods starting 1 January 2005.

Functional and presentation currency

Items included in the 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 thousands of TL, which is the Company’s functional and presentation currency.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

(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)

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 31 March 2018 are consistent with those prepared as of 31 December 2017. Therefore, condensed interim financial statements have to be considered with year end financial statements.

3.1 New and Revised Turkish Accounting Standarts

a) New and revised TFRSs in issue:

TFRS 9	<i>Financial Instruments</i>
TFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to TFRS 2	<i>Classification and Measurement of Share-Based Payment Transactions</i>
TFRS Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to TAS 40	<i>Transfers of Investment Property</i>
Annual Improvements to TFRS Standards 2014–2016 Cycle	<i>TFRS 1 , TAS 28</i>

TFRS 9 *Financial Instruments*

TFRS 9 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting.

Key requirements of TFRS 9:

- all recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018**

(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)

a) New and revised TFRSs in issue (Continued)

cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, TFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under TAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, TFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under TAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under TFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The amendments to TFRS 9 disclosed in the Note 3.2.

TFRS 15 *Revenue from Contracts with Customers*

TFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. TFRS 15 will supersede the current revenue recognition guidance including TAS 18 *Revenue*, TAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

(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)

a) New and revised TFRSs in issue (Continued)

The core principle of TFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under TFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

Later on *Clarifications to TFRS 15* in relation to the identification of performance obligations, principal versus agent considerations were issued, as well as licensing application guidance.

The amendments to TFRS 15 disclosed in the Note 3.2.

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.

The amendments to TFRS 10 and TAS 28 do not have any effect on the company's financial statements.

Amendments to TFRS 2 Classification and Measurement of Share-Based Payment Transactions

The amendments clarify the standard in respect of the share-based payment arrangement has a ‘net settlement feature’, such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

The amendments to TFRS 2 do not have any effect on the company's financial statements

TFRS Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

(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)

a) New and revised TFRSs in issue (Continued)

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

TFRS Interpretation 22 do not have any effect on the company's financial statements.

Amendments to TAS 40 *Transfers of Investment Property*

The amendments to TAS 40:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

The amendments to TFRS 40 do not have any effect on the company's financial statements.

Annual Improvements to TFRS Standards 2014–2016 Cycle

- **TFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of TFRS 1, because they have now served their intended purpose.
- **TAS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Annual Improvements to TFRS Standards 2014–2016 Cycle do not have any effect on the company's financial statements.

b) 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 16

*Leases*¹

TFRS 28 (Amendments)

*Long-term Interests in Associates and Joint Ventures*¹

¹ Effective for annual periods beginning on or after 1 January 2019.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

(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 in issue but not yet effective

Amendments to TAS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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

This amendment clarifies that an entity applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Company does not evaluate the effects of these standards, amendments and improvements on the financial statements.

3.2 Changes in accounting policies

This note explains the impact of the adoption of TFRS 9 Financial Instruments, TFRS 15 Revenue from Contracts with Customers and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

a) **The change in accounting policies of impact on the Company’s condensed interim financial statements**

The application of changing accounting policies for the first time has no significant effect on the Company's financial statements.

b) **TFRS 9 Financial instruments**

Impact on the Financial Statement

TFRS 9 replaces the provisions of TAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

As a result of the adoption of TFRS 9, there have been some changes in accounting policies since 1 January 2018, the amendments to TFRS 9 do not have any significant effect on the Company's financial statements.

Classification and Measurement

The Company management has assessed business models as of 1 January 2018, in which the financial instruments will be presented in the categories specified in TFRS 9.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

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NOTE 3 – ACCOUNTING POLICIES (Continued)

3.2 Changes in accounting policies (Continued)

b) TFRS 9 Financial instruments (Continued)

- Revenue classified as held-to-maturity (Note 5): These are held within the scope of the business model aimed at collecting contractual cash flows, which include interest payments on principal and principal balance only. Therefore, these financial assets will continue to be measured at their amortized cost after the application of TFRS 9.
- Trade and other receivables shown at amortized cost (Note 7): These are held within the business model aimed at collecting contractual cash flows, which include interest payments on principal and principal balance only. Therefore, these financial assets will continue to be measured at their amortized cost after the application of TFRS 9.
- All other financial assets and liabilities will continue to be measured in accordance with TAS 39 as it is currently accepted.

Impairment

Financial assets measured at amortized cost are subject to impairment provisions stated in TFRS 9.

The Company accounts for the impairment, which is equal to the expected life-time losses, using the simplified approach permitted by TFRS 9 for trade receivables.

3.3 Significant accounting policies - TFRS 9 Financial instruments

New standards and interpretations applied TFRS 9 Financial instruments The last version of TFRS 9, issued in 19 Jan 2017, replaces the existing guidance in TAS 39 “Financial Instruments: Recognition and Measurement”. It also carries forward the guidance on recognition, classification, measurement and derecognition of financial instruments from TAS 39 to TFRS 9. The last version of TFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of TFRS 9. TFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

Classification and measurement – Financial assets

TFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

TFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI (fair value through other comprehensive income) and FVTPL (fair value through profit or loss).The standard eliminates the existing TAS 39 categories of held to maturity, loans and receivables and available for sale.

The new classification requirements would have had a impact on its accounting for trade receivables, investments in debt securities, cash and cash equivalents and other financial assets.

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

NOTE 3 – ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies - TFRS 9 Financial instruments (Continued)

Impairment – Financial assets and contract assets

TFRS 9 replaces the 'incurred loss' model in TAS 39 with a forward looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under TFRS 9, loss allowances will be measured on either the following bases.

- 12 month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12 month ECL measurement applies if it has not.

An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing component. The Company will apply lifetime ECL measurement.

The Company has taken advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of TFRS 9 are recognized in retained earnings and reserves as at 1 January 2018.

3.4 Assigned receivables transactions

The Company performed two assigned transactions in 2018. The first is on-balance sheet receivables originating from delivered independent parts and the other comprises of off-balance sheet items that have not yet been delivered. In the first assigned transaction, the receivables from the sale of residential and commercial units excluding some portion whose credit risk remains with the Company and the future CPI escalation differences are assigned as "non-recourse". The difference between the carrying value of the receivables from the sale of residential and commercial units and the cash received is accounted in the statement of profit or loss as finance expense. The cash received is presented as operating cash flows. In the second factoring transaction, the Company factored its off balance sheet receivables arising from its pre-sales contracts excluding some portion whose credit risk remains with the Company and the future CPI escalation differences are assigned as "non-recourse" and collected cash. The cash collected is recorded as liability in deferred income. The difference between the receivables of the residential and commercial units that are transferred and the cash received shall be deducted from the sales revenue of the individual section delivery in the statement of profit or loss table. The cash received is presented as operating cash flows in the statement of cash flows.

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NOTE 4 – CASH AND CASH EQUIVALENTS

	31 March 2018	31 December 2017
Banks	1,561,581	897,501
- Demand deposit	188,974	191,479
- Time deposits up to 3 months maturity	1,372,607	706,022
	1,561,581	897,501

Maturities of cash and cash equivalents are as follows:

	31 March 2018	31 December 2017
Demand	188,974	191,479
Up to 3 month	1,372,607	706,022
Less: Blocked deposits with maturities less than 3 months	(36,232)	(30,977)
	1,525,349	866,524

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

	31 March 2018	31 December 2017
	(%)	(%)
	13.35%	10.41%

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

	31 March 2018	31 December 2017
Cash and cash equivalents	1,561,581	897,501
Less: Interest accruals	(5,938)	(2,707)
Less: LSRSA project deposits (*)	(320,873)	(237,198)
Less: TOKİ deposits (**)	(261,277)	(255,176)
Less: Blocked deposits	(23,425)	(17,339)
	950,068	385,081

(*) 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 320,873 (31 December 2017: TL 237,198) part of the total project amount deposits TL 12,807 (31 December 2017: TL 13,638) comprises 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.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

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

NOTE 5 - FINANCIAL INVESTMENTS

Financial investments	31 March 2018	31 December 2017
Blocked deposits more than 3 months maturity (**)	148,757	165,741
Bond	8,106	8,266
Special issue government bonds (*)	12,017	12,267
	168,880	186,274

(*) 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 76,031 (31 December 2017: TL 80,748) while the company portion of the blocked shares is TL 72,726 (December 31, 2017: TL 84,993).

The Company acquired bonds amounting to 8,106 TL as of 31 March 2018 (31 December 2017: 8,266 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 31 March 2018 is 14.09 % (31 December 2017: 12.92%). As of 31 March 2018, average term of the treasure bills changes between three and six months (31 December 2017: changes between three and six months).

NOTE 6 - FINANCIAL LIABILITIES

	31 March 2018	31 December 2017
Short-term financial liabilities		
Short-term portion of long-term borrowings	695,564	482,364
	695,564	482,364
Long-term financial liabilities	31 March 2018	31 December 2017
Long-term borrowings	1,930,385	1,932,308
	1,930,385	1,932,308

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

The weighted average interest rate of the borrowing as at 31 March 2018 is 14.31% (31 December 2017: 14.75 %).

The redemption schedules of the borrowings at 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018	31 December 2017
2019	605,769	746,154
2020	807,692	746,154
2021	501,538	440,000
2022	15,386	-
	1,930,385	1,932,308

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

	31 March 2018	31 December 2017
Less than 3 months	105,385	47,692
Between 3 - 12 months	590,179	434,672
Between 1 - 5 years	1,930,385	1,932,308
	2,625,949	2,414,672

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

	31 March 2018	31 December 2017
Short-term trade receivables		
Receivables from LSRSA contractors invoiced	1,320,873	951,881
Receivables from sale of residential and commercial units	300,870	721,531
Assigned receivables from sale of residential and commercial units (*)	44,958	-
Receivables from land sales	10,376	11,289
Receivables from related parties (Note 20)	6,985	8,239
Rent receivables	1,084	1,572
Other	2,428	2,429
Unearned finance income	(10,591)	(15,252)
	1,676,983	1,681,689
Doubtful receivables	1,837	1,837
Less: Provision for doubtful receivables	(1,837)	(1,837)
	1,676,983	1,681,689

(*)The Company has assigned a certain portion of its receivables arising from installement sales that it has realized as "irrevocable". This amount comprises of the receivables from the receivables financing company.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

	31 March 2018	31 December 2017
Long-term trade receivables		
Receivables from sale of residential and commercial units	1,910,918	1,944,998
Unearned finance income	(236,388)	(258,353)
	1,674,530	1,686,645

	31 March 2018	31 December 2017
Short-term trade payables		
Payables to related parties (Note 20)	771,075	744,713
Payables to LSRSA contractors invoiced	555,616	314,001
Trade payables	412,630	195,211
Time deposit interest accruals from LSRSA contractors invoiced (*)	11,113	12,723
	1,750,434	1,266,648

(*) 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 8 - OTHER RECEIVABLES AND PAYABLES

	31 March 2018	31 December 2017
Short-term other receivables		
Receivables from contractors	795,482	783,205
Housing Acquisition Support (“HAS”) related receivables from Turkish Treasury	390,771	390,771
Receivables from the authorities	6,393	6,360
Other	134	130
	1,192,780	1,180,466

	31 March 2018	31 December 2017
Long-term other receivables		
Deposits and guarantees given	1,029	988
	1,029	988

	31 March 2018	31 December 2017
Short term other payables		
Payable to HAS beneficiaries	402,960	403,013
Payable to contractors (*)	88,752	88,752
Taxes and funds payable	6,155	10,187
Other	51,909	52,815
	549,776	554,767

(*) 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 2017: TL 88,752).

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NOTE 8 - OTHER RECEIVABLES AND PAYABLES (Continued)

As of 31 March 2018, other long-term payables comprises of deposits and guarantees received.

The movements of the payments either from Company’s shareholder’s equity to HAS beneficiaries and the detail of HAS payments and HAS receivables and payables related to Treasury Support as of for 31 March 2018 and 2017 are shown below:

	1 January 2018	Additions within the period	Disposals	31 March 2018
Treasury support share				
Receivable from Treasury	390,771	-	-	390,771
Special purpose government Bond (Note 5)	12,267	-	(250)	12,017
Cash generated from government bond redemption	(25)	250	(53)	172
Total consideration received or receivable from Treasury	403,013			402,960
Payable to HAS beneficiaries	(403,013)			(402,960)

	1 January 2017	Additions within the period	Disposals	31 March 2017
Treasury support share				
Receivable from Treasury	390,780	2	(8)	390,774
Special purpose government Bond	12,517	-	(250)	12,267
Cash generated from government bond redemption	150	258	(192)	216
Total consideration received or receivable from Treasury	403,447			403,257
Payable to HAS beneficiaries	(403,447)			(403,257)

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NOTE 9 -INVENTORIES

	31 March 2018	31 December 2017
Lands	4,080,173	4,022,623
<i>Cost</i>	4,097,527	4,033,188
<i>Impairment</i>	(17,354)	(10,565)
Planned land by LSRSA	6,291,515	6,362,982
Planned land by turnkey project	2,723,897	2,433,661
Residential and commercial units ready for sale	704,409	827,365
<i>Cost</i>	713,493	838,629
<i>Impairment</i>	(9,084)	(11,264)
	13,799,994	13,646,631

As of 31 March 2018, independent valuation reports prepared by Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. ve Yetkin Gayrimenkul Değerleme ve Danışmanlık A.Ş. are taken into consideration in order to calculate the fair value and impairment loss, if any, on land units and commercial units ready for sale.

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

	2018	2017
Balance at 1 January	18,808	18,808
Impairment charge for the period	8,810	26,717
Reversal of impairment	(1,180)	(9,480)
Balance at 31 March	26,438	36,045

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NOTE 9 - INVENTORIES (Continued)

The details of land and residential stocks of the company are shown below as of 31 March 2018 and 31 December 2017:

Lands	31 March 2018	31 December 2017
İstanbul Küçükçekmece Lands	1,412,120	1,341,390
İstanbul Bakırköy Lands	685,406	685,406
İstanbul Şişli Lands	455,122	455,122
İstanbul Başakşehir Lands	367,637	352,243
İstanbul Arnavutköy Lands	333,309	333,309
İstanbul Çekmeköy Lands	247,830	247,830
İstanbul Tuzla Lands	205,916	205,917
İstanbul Kartal Lands	133,878	133,878
Samsun Canik Lands	94,265	94,265
İstanbul Ataşehir Lands	40,136	40,136
İstanbul Esenyurt Lands	49,588	49,588
Ankara Çankaya Lands	18,094	46,042
İstanbul İstinye Lands	7,734	7,734
Kocaeli Gebze Lands	7,214	7,839
Tekirdağ Kapaklı Lands	6,210	6,210
Tekirdağ Çorlu Lands	6,153	6,153
Maltepe Küçükyalı Lands	3,010	3,010
İstanbul Şile Lands	2,441	2,441
İstanbul Umraniye Lands	1,844	1,844
Kocaeli Tütünciftliği Lands	1,528	1,528
İstanbul Zekeriyaköy Lands	677	677
Other	61	61
	4,080,173	4,022,623

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NOTE 9 - INVENTORIES (Continued)

Planned lands by LSRSA	31 March 2018	31 December 2017
Nidapark İstinye Project	994,193	994,512
Nidapark Kucukyali Project	677,715	678,835
Büyükyali Project	656,808	656,805
Merkez Ankara Project	634,550	639,672
Bizim 2.Mahalle Project	426,012	486,288
Zeytinburnu Beştelsiz Project	408,046	407,730
Beykoz Riva Project	344,410	-
Köy Project	203,254	225,564
Nidapark Kayasehir Project	199,440	179,903
Antalya Muratpaşa Project	196,673	194,435
Validebağ Konakları Project	153,764	153,775
Tual Bahçekent Project	118,929	105,104
Avangart İstanbul Project	118,273	120,077
Evvel İstanbul Project	98,767	72,590
Koordinat Çayyolu Project	97,138	97,138
Tual Adalar Project	90,842	91,079
Temaşehir Konya Project	86,704	86,704
Avrupark Project	81,739	71,818
Evora Denizli Project	76,256	77,197
Kocaeli Derince Project	70,360	70,360
Cer İstanbul Project	67,520	67,520
Karat 34 Project	67,166	67,438
Ebruli Ispartakule Project	58,105	57,817
Avrupark Hayat Project	54,056	48,665
Semt Bahçekent Project	50,154	45,413
Ispartakule 6. Etap Project	47,979	47,979
Yeniköy Konakları İstanbul Project	45,368	45,475
Maslak 1453 Project	35,469	35,469
Çankaya Oran Project	33,079	-
Ofis Karat Bakırköy Project	30,919	30,919
Göl Panorama Project	21,524	13,720
Tuzla İçmeler Project	20,016	20,016
İstmarina Project	15,322	194,406
Şile Çavuş Project	9,813	9,813
Ankara Saraçoğlu Project	1,152	-
Avrupa Konutları Başakşehir Project	-	126,977
Other	-	141,769
	6,291,515	6,362,982

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

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NOTE 9 - INVENTORIES (Continued)

Planned lands by turnkey project	31 March 2018	31 December 2017
Ayazma Emlak Konutları Project	467,015	431,551
Başkent Emlak Konutları Project	514,508	470,380
Ispartakule 1. Etap 1. Kısım Project	287,300	265,455
Kuzey Yakası Project	276,170	227,941
Gebze Emlak Konutları	259,190	211,815
Ispartakule 1. Etap 2. Kısım Project	244,759	223,584
Nevşehir Emlak Konutları Project	172,991	163,996
Körfezkent 4. Etap Project	153,187	126,008
Emlak Konut Başakşehir Evleri 2. Etap Project	138,770	128,922
Başakşehir Ayazma 2. Etap Project	121,587	108,261
Niğde Emlak Konutları	72,260	64,486
Kocaeli Körfezkent Commercial Units	16,160	11,262
	2,723,897	2,433,661

Completed units	31 March 2018	31 December 2017
Sarphan Finanspark Project	231,042	231,042
Maslak 1453 Project	168,335	168,335
Esenler Emlak Konutları	82,996	138,828
Metropol İstanbul Project	77,723	141,096
Batışehir Project	38,554	41,631
Nidakule Ataşehir Project	30,862	30,862
Unikonut Project	23,435	23,435
Dumankaya Miks Project	24,866	24,866
Bahçekent Emlak Konutları 1.Etap 3.Kısım	11,302	11,616
Başakşehir Emlak Konutları 1. Etap 2.Kısım	4,345	4,345
Bulvar İstanbul Project	3,917	3,917
Kayabaşı Emlak Konutları	2,657	2,418
Park Yaşam Mavişehir Evleri	1,739	1,739
Kocaeli Körfezkent Emlak Konutları	1,089	1,089
Spradon Vadi Evleri	-	599
Other	1,547	1,547
	704,409	827,365

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

31 March 2018	Buildings	Motor vehicles	Furniture, equipment and fix assets	Construction in progress	Total
Net book value as of 1 January 2018	58,504	833	7,427	94	66,858
Additions	-	-	210	3	213
Depreciation expense(-)	(165)	(99)	(721)	-	(985)
Net book value 31 March 2018	58,339	734	6,916	97	66,086
Cost	62,129	2,160	18,071	97	82,457
Accumulated depreciation (-)	(3,790)	(1,426)	(11,155)	-	(16,371)
Net book value 31 March 2018	58,339	734	6,916	97	66,086

31 March 2017	Buildings	Motor vehicles	Furniture, equipment and fix assets	Construction in progress	Total
Net book value as of 1 January 2017	59,327	1,226	8,599	29	69,181
Additions	94	-	789	-	883
Depreciation expense(-)	(529)	(99)	(710)	-	(1,338)
Net book value 31 March 2017	58,892	1,127	8,678	29	68,726
Cost	61,345	2,436	16,812	29	80,622
Accumulated depreciation (-)	(2,453)	(1,309)	(8,134)	-	(11,896)
Net book value 31 March 2017	58,892	1,127	8,678	29	68,726

NOTE 11 –INVESTMENT PROPERTIES

Investment properties are for rent and sales comparison approach and income methods by discounted cash flows are used as fair value in these valuations and impairment calculations.

Regarding the measurement of fair values of investment properties at 31 March 2018, the valuation reports are taken from independent valuation CMB authorised firms Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Yetkin Gayrimenkul Değerleme ve Danışmanlık A.Ş. (31 December 2017: Atak Gayrimenkul Değerleme A.Ş.). The fair values of the investment property determined by independent valuation experts are as follows:

	31 March 2018	31 December 2017
Lands	23,744	23,744
Atasehir General Management Office A Block	83,524	83,524
Independent commercial units of Istmarina AVM (*)	270,950	-
	378,218	107,268

(*)The Company purchased independent commercial units in 2018 with the aim of obtaining rental income from the Istmarina shopping center, which was completed within the scope of "İstanbul Kartal LSRSA Project".

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

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

NOTE 12 –PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 March 2018	31 December 2017
Provisions		
Provision for lawsuits	46,992	46,916
	46,992	46,916

The movements of provision for lawsuits as of 31 March 2018 and 2017 are as follows:

	2018	2017
Balance at 1 January	46,916	73,238
Provision released within the current period (Note 18)	-	(5,222)
Provision charged for the period (Note 18)	76	-
Provision used in the period	-	(9,565)
Balance at 31 March	46,992	58,451

12.1 Continued and Contingency Cases

12.1.1 Contractor firm filed a lawsuit against the Company claiming compensation because of damage caused by our company in the agreement of The LSRSA Project regarding İstanbul Bakırköy, 51/4 section 257 zone 33 & 38 parcels. the requested case has been concluding against the Company by the local court and the judgment of the Court of Cassation is dismissed in favor of the Company and the decision of the local court is expected. The Company made provision amounting to TL 19,738 from the related case.

12.1.2 Plaintiff contractor firm filed a lawsuit against the Company claiming compensation because of receivables, cancellation of title deed, registration. The decision of the contractor to unjustly terminate the contract has been finalized. Lawsuits filed by the company, amounting to TL 6.681, have been partially accepted and the trial has been appealed The Company made provision amounting to TL 6,717 from the related case.

12.1.3 The plaintiff is requested by the contractor to register a legal mortgage amounting to TL 4,065 for the buildings constructed in İstanbul, Kucukcekmece District 478, parcel 6, and parcel 844, parcel 1. The İstanbul 16th Asliye Commercial Court dismissed the lack of jurisdiction by stating that the Bakırköy courts were the definite authority. The decision has been appealed and the Court of Cassation upheld the decision of the local court. The proceedings are continuing at the Bakırköy 4th Asliye Commercial Court. The Company made provision amounting to TL 4,117 from the related case.

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

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

12.2 Contingent Liabilities of Emlak Konut GYO

In the financial statements prepared as of 31 March, 2018, the ongoing litigation liabilities were evaluated in the following matters. According to the opinion of the Company Management and its lawyers, no provision has been made in the financial statements prepared as of 31 March, 2018 on the grounds that it is not probable that the outflow of resources with economic benefits will be realized in cases filed against the Company in order to fulfill its obligation.

12.2.1 The LSRSA Project Agreement 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.

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 Company filed a lawsuit as well for collecting amount of TL 34,100 without prejudice to further claims as of 7 July 2011.

According to comments received from the Company’s lawyer, it is not expected to arise any liability that put the Company under obligation as a result of related case.

12.2.2 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.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

12.2 Contingent Liabilities of Emlak Konut GYO (Continued)

The court rejected the case on 5 March 2015. The claimant has filed an appeal. The result of appeal is being waited. As a result of the appeal the court’s verdict was approved from the supreme court.

12.2.3 Contractor firm filed a lawsuit against the Company claiming compensation amounting to 21.690 TL. The court decided to accept the case. The decision of the local court was corrupted by the Court of Cassation in favor of Emlak Konut GYO. The correctness of the decision is expected. According to comments received from the Company’s lawyer, it is not expected to arise any liability that put the Company under obligation as a result of related case.

12.2.4 Contractor of İzmir Mavisehir Upper North Area 2. Phase LSRSA Project, the contractor was filed a lawsuit for assignment that the claimant has given. The case is proceeding and According to comments received from the Company’s lawyer, it is not expected to arise any liability that put the Company under obligation as a result of related case.

12.2.5 In terms of the assignment given by the Istanbul Ümraniye Phase 1 LSRSA contractor, ordinary partnership received amount of TL 46,000 from Şekerbank T.A.Ş. according to the contract with Emlak Konut GYO. Şekerbank T.A.Ş. claiming that the amount of TL 34,134 has not been paid unjustly to the transferring entity. The plaintiff requested that the mortgage be put on a part of the immovable subject matter in order to constitute the guarantee of taking the case. The trial is ongoing.

12.3 Contingent Assets of Emlak Konut GYO

12.3.1 As of 31 March 2018 and 31 December 2017, the breakdown of nominal trade receivables resulted from the residential and commercial unit sales and the expected timing of the nominal installments not due or not collected that are not included in the balance sheet as TAS 18 criteria has not been met since the construction is still ongoing or the construction has been completed but the units have not been delivered in accordance with pre-sales contract:

31 March 2018	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	300,870	718,005	1,018,875
2 year	427,893	597,746	1,025,639
3 year	354,108	471,176	825,284
4 year	220,476	351,076	571,552
5 year and above	908,441	1,666,936	2,575,377
	2,211,788	3,804,939	6,016,727

31 December 2017	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	721,531	755,373	1,476,904
2 year	480,164	564,401	1,044,565
3 year	343,526	488,004	831,530
4 year	217,240	345,673	562,913
5 year and above	904,068	1,622,221	2,526,289
	2,666,529	3,775,672	6,442,201

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

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

NOTE 13 - OTHER ASSETS AND LIABILITIES

	31 March 2018	31 December 2017
Other current assets		
Accrued income	174,600	111,557
Progress payments given to contractors	84,636	83,020
Receivables from tax office	23,714	20,187
Deferred VAT	19,758	2,512
	302,708	217,276

	31 March 2018	31 December 2017
Other non-current assets		
Deferred VAT	46,630	12,637
	46,630	12,637

NOTE 14 - DEFERRED INCOME AND PREPAID EXPENSES

	31 March 2018	31 December 2017
Short-term deferred income		
Deferred income from LSRSA projects (*)	1,488,395	2,069,084
Advances taken from LSRSA contractors (**)	703,875	850,342
Advances taken from turnkey project sales	611,947	582,153
Alienable deferred incomes (***)	350,000	-
Deferred income from sales of completed units	91,830	162,406
Advances taken from related parties (Note 20)	64,732	64,732
	3,310,779	3,728,717

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

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

(***)The Company is obliged to collect cash by assigning a certain portion of its receivables arising from term sales that it has realized as "irrevocable recourse".

	31 March 2018	31 December 2017
Prepaid expenses		
Advances given for inventory (*)	1,077,130	986,501
Prepaid expenses	436	-
	1,077,566	986,501

(*) A protocol has been signed between the Company and the Tarıř Cooperative Associations to develop revenue sharing project on a total of 143,366-m2 land, which is belonging to the Tarıř Cooperative Unions, located within the boundaries of Kurukay / Umurbey, Konak district of İzmir. The Company has provided an advance of stock amounting to TL 400,585. The Company has also provided a stock advance of 639,886 TL to the contractors for the houses and commercial units they have received from Ankara Yeninahalle Station and Büyükyalı projects.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

(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 2017: TL 3,800,000) and consists of 380,000,000,000 (31 December 2017: 380,000,000,000) authorized number of shares with a nominal value of TL 0,01 each.

The Company's shareholders and their shareholding percentages as of 31 March 2018 and 31 December 2017 is as follows:

Shareholders	31 March 2018		31 December 2017	
	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.

Between 1 November 2017 and 17 November 2017, The Company has repurchased 8,309,000 numbers of shares with nominal value between full TL 2.55 and full TL 2.70 and total amounting to full TL 21,623,770 full TL). Shares average purchase price is TL 2.60 and as a result of the purchases, the share of the total shares to the total share lot is 3.38%

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

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

NOTE 16 - REVENUE AND COST OF SALES

	1 January- 31 March 2018	1 January- 31 March 2017
Sales income		
Land sales	1,277,923	412,505
<i>Income from sale of land and plots by way of LSRSA</i>	<i>1,277,923</i>	<i>412,505</i>
Residential and commercial units sales	158,034	421,060
Other Income	1,084	538
	1,437,041	834,103
Sales returns	(926)	(11)
Sales discounts	(733)	-
Net sales income	1,435,382	834,092
Cost of sales		
Cost of land sales	(415,411)	(64,767)
<i>Cost of land and plots sold by way of LSRSA</i>	<i>(415,411)</i>	<i>(64,767)</i>
Cost of residential and commercial units sales	(121,635)	(320,384)
	(537,046)	(385,151)
Gross profit	898,336	448,941

NOTE 17 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January- 31 March 2018	1 January- 31 March 2017
General administrative expenses		
Personnel expenses	(15,251)	(11,659)
Taxes, duties and fees	(9,091)	(6,886)
Subcontracting service expenses	(3,375)	(2,824)
Consultancy expenses	(3,100)	(3,112)
Depreciation and amortisation	(1,790)	(1,633)
Travel expenses	(1,739)	(1,484)
Office expenses	(1,511)	(392)
Maintenance	(702)	(816)
Due and contribution expenses	(547)	(817)
Donations	(155)	(30)
Insurance expenses	(117)	(31)
Lawsuit and notary expenses	(117)	(328)
Communication	(91)	(125)
Other	(2,829)	(1,318)
	(40,415)	(31,455)

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
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**NOTE 17 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES
(Continued)**

	1 January- 31 March 2018	1 January- 31 March 2017
Marketing, sales and distribution expenses		
Advertising expenses	(11,444)	(17,441)
Personnel expenses	(947)	(1,205)
Office expenses	(120)	(115)
Notary expenses	(17)	-
Other	(1,188)	(199)
	(13,716)	(18,960)

NOTE 18- OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January- 31 March 2018	1 January- 31 March 2017
Other income from operating activities		
Finance income from credit sales	110,309	63,908
Delay penalty interest from project contractors	39,180	19,533
Recirculate commission income	6,628	4,074
Impairment provision reversals (Note 9)	1,180	9,480
Fee returns from land offices	514	-
Income from tender contract sales	125	-
Released lawsuit provisions (Note 12)	76	5,222
Other	3,953	6,780
	161,965	108,997

	31 March 2018	31 March 2017
Other expenses from operating activities		
Investment properties impairment provision expenses	(23,333)	-
Home and land inventories impairment provision expenses	(8,810)	(26,717)
Reversal of due date differences	-	(39,091)
Other	(574)	(986)
	(32,717)	(66,794)

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

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

NOTE 19 - FINANCIAL INCOME / EXPENSES

	1 January- 31 March 2018	1 January- 31 March 2017
Financial income		
Interest income from time deposits	20,639	13,261
Foreign exchange income	7	2
	20,646	13,263
	1 January- 31 March 2018	1 January- 31 March 2017
Financial expenses		
Loan interest expense	(58,460)	(18,251)
Assigned receivables and commission expense	(44,438)	-
Interest expense on payable to TOKI (*)	(23,065)	(110,628)
Interest discount on pay off debt	(745)	(1,073)
Foreign exchange loss	(214)	(147)
Interest expense on Turkish Treasury borrowings	-	(5,558)
	(126,922)	(135,657)

(*) This amount comprises of the interest expense accrued as of 31 March 2018 for the debts arising from payments of land received from the Toplu Konut İdaresi.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

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NOTE 20 - 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
11. Emlak Konut Spor Kulübü Derneği

According to the revised TAS 24 – “Related Parties Transactions Standard”, exemptions have been brought to the disclosure requirements of balances. The Company has transactions with state banks (T.C.Ziraat Bankası A.Ş., Türkiye Vakıflar Bankası T.A.O., Türkiye Halk Bankası A.Ş.) and Turkish Treasury.

- Balances and transactions with respect to Turkish Treasury are detailed in Note 4, 5 and 8.
- The Company mostly deposits its cash in State Banks in compliance with its related statute. The bank balances with state banks amounted to TL 947,176 as of 31 March 2018 (31 December 2017: TL 508,974) Regarding these bank balances, the Company also generated interest income from the related State banks amounted to TL 26,740 in as of 31 March 2018 (31 March 2017: TL 34,539). Average effective interest rates of time deposits of the Company as of 31 March 2018 are explained in Note 4.

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

	31 March 2018	31 December 2017
Trade receivables from related parties		
Emlak Planl. İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd. Şti.	99	1,353
Emlak Planl. İnş. Prj. Yön. A.Ş. - Fideltus İnş-Öztaş İnş O.G.	5,576	5,576
Emlak Planl. İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	1,310	1,310
	6,985	8,239

	31 March 2018	31 December 2017
Trade payables to related parties		
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (“TOKİ”) (*)	769,692	743,388
Ege Yapı Ltd. Şti.-Emlak Pazarlama O.G.	1,383	1,325
	771,075	744,713

(*) The Company has purchased various lands from its ultimate parent company (TOKİ). The remaining payable from this purchases to TOKİ is amounting to TL 489,380 (31 December 2017: TL 489,380) and accrued interest is TL 58,403 (31 December 2017: TL 38,200).

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NOTE 20 - RELATED PARTY DISCLOSURES (Continued)

Advances received from related parties	31 March 2018	31 December 2017
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 a predetermined portion of the total sales amount in line with the agreements.

Purchases from related parties	1 January- 31 March 2018	1 January- 31 March 2017
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (“TOKİ”)	12,058	-
Emlak Planlama İnş. Prj. Yön. A.Ş. - Emlak Basın Yayın A.Ş.	286	225
	12,344	225

Finance expense from related parties	31 March 2018	31 March 2017
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (“TOKİ”)	23,065	110,628
	23,065	110,628

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

Sales to related parties	1 January- 31 March 2018	1 January- 31 March 2017
Emlak Planlama İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd. Şti.	-	2
	-	2

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:

Remuneration of key management	1 January- 31 March 2018	1 January- 31 March 2017
Salaries and other short-term employee benefits	1,296	1,533
	1,296	1,533

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018

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NOTE 21 - COMMITMENTS

The mortgage and guarantees received of the Company as of 31 March 2018 and 31 December 2017 are explained below;

	31 March 2018	31 December 2017
Guarantees received (*)	3,750,067	3,606,210
Mortgages received (**)	57,685	57,685
	3,807,752	3,663,895

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

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

The collaterals, pledges and mortgages (“CPM”) of the Company as of 31 March 2018 and 31 December 2017 are explained below;

	31 March 2018	31 December 2017
A. CPM given on behalf of the Company's legal personality	56,323	56,397
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	-	-
	56,323	56,397

NOTE 22 - EVENTS AFTER THE REPORTING PERIOD

The Company has agreed “ordinary partnership” with Dap Yapı İnşaat San. ve Tic. A.Ş. (%59,7), Eltes İnş. Tes. San. Tic. A.Ş. (%0,3) and the Company (%40), aim of initiating operational (rent) activities of the shopping center. The construction of the shopping center (spread on a area of 51.000 m2) is completed within Istmarina Project (İstanbul Kartal LSRSA Project).

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
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**ADDITIONAL NOTE - CONTROL OF COMPLIANCE WITH THE PORTFOLIO
LIMITATIONS**

	Non-Consolidated (Individual) Financial Statements		Current Period	Prior Period
	Main Account Items	Related Regulation	31 March 2018	31 December 2017
			(TL)	(TL)
A	Money and Capital Market Instruments	Series:III-No:48, Art,24/(b)	1,148,311	591,401
B	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)	14,229,042	13,802,092
C	Affiliates	Series:III-No:48, Art,24/(b)	-	-
	Due from related parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
	Other Assets		6,524,365	6,134,501
D	Total Assets	Series:III-No:48, Art,3/(k)	21,901,718	20,527,994
E	Financial Liabilities	Series:III-No:48, Art,31	2,625,949	2,414,672
F	Other Financial Liabilities	Series:III-No:48, Art,31	-	-
G	Due from Financial Leases	Series:III-No:48, Art,31	-	-
H	Due to Related Parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
I	Shareholders' equity	Series:III-No:48, Art,31	13,332,778	12,465,519
	Other Resources		5,942,991	5,647,803
D	Total Resources	Series:III-No:48, Art,3/(k)	21,901,718	20,527,994
	Non-Consolidated (Individual) Financial Statements		Current Period	Prior Period
	Other Account Items	Related Regulation	31 March 2018	31 December 2017
			(TL)	(TL)
A1	The portion of Money and Capital Market Instruments held for Payables of Properties for the following 3 Years	Series:III-No:48, Art,24/(b)	1,148,311	591,401
A2	Term/ Demand/ Currency	Series:III-No:48, Art,24/(b)	950,068	385,081
A3	Foreign Capital Market Instruments	Series:III-No:48, Art,24/(d)	-	-
B1	Foreign Properties, Projects based on properties and Rights based on Properties	Series:III-No:48, Art,24/(d)	-	-
B2	Idle Lands	Series:III-No:48, Art,24/(c)	314,581	330,670
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	56,323	56,397
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 THREE MONTH PERIODS ENDED 31 MARCH 2018

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

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

	Portfolio restrictions	Related regulation	31 March 2018 (%)	31 December 2017 (%)	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)	70	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)	1	2	<20%
6	Affiliates to the Operating Company	Series:III-No:48, Art,28	-	-	<10%
7	Borrowing Limit	Series:III-No:48, Art,31	20	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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