

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION
CONDENSED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2017**

(ORIGINALLY ISSUED IN TURKISH)

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONTENTS	PAGE
INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION	1-2
INTERIM CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	3
INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY.....	4
INTERIM CONDENSED STATEMENTS OF CASH FLOWS.....	5
EXPLANATORY NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS.....	6-32
NOTE 1 ORGANIZATION AND OPERATION OF THE COMPANY.....	6
NOTE 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS.....	7-8
NOTE 3 ACCOUNTING POLICIES.....	8-9
NOTE 4 CASH AND CASH EQUIVALENTS.....	10
NOTE 5 FINANCIAL INVESTMENTS.....	11
NOTE 6 FINANCIAL LIABILITIES.....	11-12
NOTE 7 TRADE RECEIVABLES AND PAYABLES	12-13
NOTE 8 OTHER RECEIVABLES AND PAYABLES.....	13-14
NOTE 9 INVENTORIES.....	15-18
NOTE 10 PROPERTY, PLANT AND EQUIPMENT.....	19
NOTE 11 OTHER SHORT TERM PROVISIONS.....	20
NOTE 12 OTHER ASSETS AND LIABILITIES.....	20
NOTE 13 DEFERRED INCOME AND PREPAID EXPENSES.....	21
NOTE 14 SHAREHOLDERS' EQUITY.....	22
NOTE 15 REVENUE AND COST OF SALES.....	23
NOTE 16 GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES.....	23-24
NOTE 17 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES	24
NOTE 18 FINANCIAL INCOME / EXPENSES.....	24-25
NOTE 19 RELATED PARTY DISCLOSURES.....	25-27
NOTE 20 CONTINGENT ASSETS AND LIABILITIES.....	28-30
NOTE 21 EVENTS AFTER THE REPORTING PERIOD.....	30
ADDITIONAL NOTE CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS.....	31-32

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

		<i>Not Reviewed</i> 30 September 2017	<i>Audited</i> 31 December 2016
	Notes		
ASSETS			
Current assets		18,321,059	17,076,882
Cash and cash equivalents	4	1,032,215	2,420,030
Financial investments	5	229,588	221,998
Trade receivables	7	1,441,863	682,868
<i>Trade receivables due from related parties</i>	19	10,838	21,087
<i>Trade receivables due from third parties</i>		1,431,025	661,781
Other receivables	8	1,272,980	838,505
<i>Other receivables due from third parties</i>		1,272,980	838,505
Inventories	9	13,774,822	12,085,195
Prepaid expenses	13	407,346	543,811
Other current assets	12	162,245	284,475
Non-current assets		1,585,597	1,625,485
Trade receivables	7	1,460,987	1,466,854
<i>Trade receivables due from third parties</i>		1,460,987	1,466,854
Other receivables	8	936	1,053
Investment property		53,128	38,199
Property, plant and equipment	10	67,835	69,181
Intangible assets		2,711	2,605
Other non-current assets		-	47,593
Total assets		19,906,656	18,702,367

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

		<i>Not Reviewed</i> 30 September 2017	<i>Audited</i> 31 December 2016
	Notes		
LIABILITIES AND EQUITY			
Current liabilities		6,912,357	7,954,280
Short term borrowings	6	2	-
Current portion of non-current borrowings	6	370,748	219,490
Trade payables	7	2,236,048	3,824,119
<i>Trade payables due to related parties</i>	19	1,729,540	3,510,865
<i>Trade payables due to third parties</i>		506,508	313,254
Other payables	8	567,545	560,576
Deferred income	13	3,700,536	3,215,821
<i>Deferred income from related parties</i>	19	64,732	64,732
<i>Deferred income from third parties</i>		3,635,804	3,151,089
Current provisions		37,478	134,274
<i>Current provisions for employee benefits</i>		3,444	6,190
<i>Other current provisions</i>	11	34,034	128,084
Non-current liabilities		1,198,571	17,894
Long term borrowings	6	1,063,846	-
Trade payables		99,961	71
Other payables		26,171	9,352
Deferred income		2,990	2,963
Long term provisions		5,603	5,508
<i>Long term provisions for employee benefits</i>		5,603	5,508
Shareholders' equity		11,795,728	10,730,193
Paid-in capital	14	3,800,000	3,800,000
Treasury shares (-)		(262,857)	(262,857)
Share premium		2,378,513	2,378,513
Other comprehensive income / expense not to be reclassified to profit or loss		(897)	(897)
- <i>Gain/(loss) on remeasurement of employee benefits</i>		(897)	(897)
Restricted reserves		511,347	423,295
Retained earnings		4,304,087	2,630,863
Net profit for the year		1,065,535	1,761,276
Total liabilities and equity		19,906,656	18,702,367

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

INTERIM CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017 AND 2016 (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Notes	<i>Not Reviewed 1 January- 30 September 2017</i>	<i>Not Reviewed 1 July- 30 September 2017</i>	<i>Not Reviewed 1 January- 30 September 2016</i>	<i>Not Reviewed 1 July- 30 September 2016</i>
Profit or loss					
Revenue	15	2,802,489	1,435,004	3,061,999	1,793,617
Cost of sales (-)	15	(1,380,359)	(809,380)	(1,518,930)	(816,560)
Gross profit		1,422,130	625,624	1,543,069	977,057
General administrative expenses (-)	16	(142,262)	(71,034)	(97,065)	(37,843)
Marketing expenses (-)	16	(52,281)	(20,764)	(40,161)	(16,354)
Other income from operating activities	17	261,039	52,078	180,574	66,253
Other expenses from operating activities (-)	17	(151,080)	(63,855)	(25,382)	(20,514)
Operating profit		1,337,546	522,049	1,561,035	968,599
Income from investing activities		2,226	466	10,870	3,300
Operating profit before financial income / (expense)		1,339,772	522,515	1,571,905	971,899
Financial income	18	63,389	16,970	69,779	20,109
Financial expenses (-)	18	(337,626)	(99,794)	(116,719)	(97,812)
Profit for the period from continued operations		1,065,535	439,691	1,524,965	894,196
Other comprehensive income / (loss)					
Items that will be reclassified to profit or loss					
<i>Actuarial losses related to employee benefit liabilities</i>		-	-	(366)	-
Total comprehensive income for the period		1,065,535	439,691	1,524,599	894,196
Earnings per share (in full TL)		0.0029	0.0012	0.0041	0.0024

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

	Share capital	Treasury shares (-)	Share premium	Restricted reserves	Other Comprehensive Income and Expense not to be Reclassified to Profit or Loss	Retained Earnings		Total equity
					Loss on remeasurement of employee benefits	Retained earnings	Net income for the year	
1 January 2016	3,800,000	(262,857)	2,366,895	357,908	(487)	2,111,335	952,605	9,325,399
Transfers	-	-	-	65,387	-	887,218	(952,605)	-
Dividend payment	-	-	-	-	-	(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
1 January 2017	3,800,000	(262,857)	2,378,513	423,295	(897)	2,630,863	1,761,276	10,730,193
Transferler	-	-	-	88,052	-	1,673,224	(1,761,276)	-
Total comprehensive income	-	-	-	-	-	-	1,065,535	1,065,535
30 September 2017	3,800,000	(262,857)	2,378,513	511,347	(897)	4,304,087	1,065,535	11,795,728

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

INTERIM CONDENSED STATEMENTS OF CASH FLOWS AT 30 SEPTEMBER 2017 AND 2016

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

Notes	1 January- 30 September 2017	1 January- 30 September 2016
Cash flows from operating activities		
Profit for the period	1,065,535	1,524,965
Adjustments to reconcile net profit		
Depreciation and amortization expenses	16	5,922
Adjustments for impairments	21,063	16,429
<i>Adjustments for impairment loss (reversal of impairment loss) of inventories</i>	9	21,063
Changes in provisions	(87,040)	(28,691)
<i>Adjustments for (reversal of) provisions related with employee benefits</i>	(2,642)	1,756
<i>Adjustments for (reversal of) lawsuit and/or penalty provisions</i>	11	(29,552)
<i>Adjustments for (reversal of) other provisions</i>	11	(54,846)
Adjustments for interest (income) expenses	98,706	(99,580)
<i>Adjustments for interest income</i>	(238,735)	(216,151)
<i>Adjustments for interest expense</i>	18	337,441
Changes in net working capital	1,104,186	1,417,712
Adjustments for decrease (increase) in trade accounts receivable	(753,128)	271,298
<i>Decrease (increase) in trade accounts receivables from related parties</i>	19	10,249
<i>Decrease (Increase) in trade accounts receivables from third parties</i>	(763,377)	89,281
Adjustments for decrease (increase) in inventories	(1,124,390)	685,064
Adjustments for increase (decrease) in trade accounts payable	(2,242,062)	(798,999)
<i>Increase (decrease) in trade accounts payables to related parties</i>	(2,260,175)	(598,000)
<i>Increase (decrease) in trade accounts payables to third parties</i>	18,113	(200,999)
Adjustments for increase (decrease) in other operating receivables	(108,701)	(73,491)
Adjustments for increase (decrease) in other operating payables	635,926	(1,017,372)
Other adjustments for other increase (decrease) in working capital	800,628	189,602
Net cash flow from operating activities		
Interest received	97,414	87,767
Payments related with provisions for employee benefits	(9)	(111)
Income taxes paid	(136,668)	(17,215)
Cash flows from operating activities	(1,726,804)	744,255
Cash flows from investing activities		
Purchases of tangible and intangible assets	(19,611)	(16,246)
Interest received	2,226	11,009
Purchases of financial assets	(39,169)	(108,114)
Returns of financial assets	147,810	99,884
Other inflows (outflows) of cash	(116,231)	-
Cash flow from investing activities	(24,975)	(13,467)
Cash flows from financing activities		
Proceeds from borrowings	1,384,294	864
<i>Proceeds from loans</i>	1,384,294	864
Repayments of borrowings, classified as financing activities	(165,000)	(165,000)
<i>Loan repayments</i>	(165,000)	(165,000)
Interest paid	(112,124)	(30,375)
Dividends paid	-	(356,071)
Interest received	49,972	69,710
Other inflows (outflows) of cash	(378)	(444)
Cash flow from financing activities	1,156,764	(481,316)
Increase (decrease) in cash and cash equivalents before effect of exchange rate changes		
before effect of exchange rate changes	(595,015)	249,472
Effect of exchange rate changes on cash and cash equivalents	-	-
Net Increase (decrease) in cash and cash equivalents	(595,015)	249,472
Cash and cash equivalents at the beginning of the period	4	985,315
Cash and cash equivalents at the end of the period	4	390,300
	390,300	1,008,965

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

(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 30 September 2017 have been approved by the Board of Directors on 30 October 2017. The General Assembly of the Company has the power to amend these financial statements.

The ultimate parent and ultimate controlling party of the company is T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (the Housing Development Administration of Turkey, “TOKİ”). TOKİ is a state institution under the control of Republic of Turkey Prime Ministry. Emlak Konut 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 INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

(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 2017 in accordance with the Communiqué and announcements regarding this Communiqué, in accordance with TAS 34, “Interim Financial Reporting”. In this respect, the Company has preferred to prepare condensed interim financial statements in the interim periods and prepared the mentioned condensed interim financial statements in compliance with CMB Accounting Standards. The condensed interim financial statements and the related notes to them are presented in accordance with the declaration dated 7 June 2013 and with the formats required by the CMB.

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

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

Accounting for the effects of hyperinflation

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

Functional and presentation currency

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

(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.

Statement of Compliance with TAS

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

2.2 Conformity with the Portfolio Limitations

The information presented in Additional Note of this report, regarding control of conformity with the portfolio limitations, is a summary information extracted from financial statements in accordance with Article 16 of Communiqué No:II-14.1, “Principles of Financial Reporting in Capital Markets” and is prepared in accordance with the provisions of the control of portfolio limitations of Communiqué No: III-48.1, “Principles Regarding Real Estate Investment Companies”.

NOTE 3 – ACCOUNTING POLICIES

The accounting policies adopted as of condensed interim 30 September 2017 are consistent with those prepared as of 31 December 2016. Therefore, condensed interim financial statements have to be considered with year end financial statements.

3.1 New and Revised Turkish Accounting Standarts

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

None.

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

None.

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

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

TFRS 9
TFRS 15

*Financial Instruments*¹
*Revenue from Contracts with Customers*¹

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017**

(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)

IFRS 9 Financial Instruments

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

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

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

IFRS 15 Revenue from Contracts with Customers

IFRS 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.

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

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

3.2 Comparative information and revision of prior period financial statements

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

The Company has classified blocked deposits more than 3 months maturity, which amounted to TRY 81,203 and which were shown under "cash and cash equivalents" for 2016, under "financial investments". These classifications have no effect on net profit and equity.

The Company has classified, the cash flows "cash flows from financing activities" amounting to TRY 69,710 from "cash flows from operating activities" in the cash flow statement for the year 2016.

3.3 Critical accounting estimates, assumptions and judgments

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 4 – CASH AND CASH EQUIVALENTS

	30 September 2017	31 December 2016
Cash on hand	-	2
Banks	1,032,215	2,420,028
- Demand deposit	119,529	52,545
- Time deposits up to 3 months maturity	912,686	2,367,483
	1,032,215	2,420,030

Maturities of cash and cash equivalents are as follows:

	30 September 2017	31 December 2016
Demand	119,529	52,547
Up to 3 month	912,686	2,367,483
Less: Blocked deposits with maturities less than 3 months	(29,784)	(6,991)
	1,002,431	2,413,039

Average effective interest rates of time deposits are as follows:

	30 September 2017	31 December 2016
	(%)	(%)
	7.71%	7.94%

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

	30 September 2017	31 December 2016
Cash and cash equivalents	1,032,215	2,420,030
Less: Interest accruals	(4,720)	(8,074)
Less: LSRSA project deposits (*)	(203,821)	(313,266)
Less: TOKİ deposits (**)	(419,955)	(1,111,138)
Less: Blocked deposits	(13,419)	(2,237)
	390,300	985,315

(*) 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 203,821 (31 December 2016: TL 313,266) part of the total project amount deposits TL 16,365 (31 December 2016: TL 4,754) 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.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 5 - FINANCIAL INVESTMENTS

Financial investments	30 September 2017	31 December 2016
Blocked deposits more than 3 months maturity (**)	197,434	81,203
Bond	19,887	128,278
Special issue government bonds (*)	12,267	12,517
	229,588	221,998

(*) 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 110,643 (31 December 2016: TL 55,015) while the company portion of the blocked shares is TL 86,791 (December 31, 2016: TL 26,188).

The Company acquired bonds amounting to 19,887 TL as of 30 September 2017 (31 December 2016: 128,278 TL) from free market. These bonds are measured at fair value. The fair value of these bonds are calculated by using the effective interest rates quarterly. Average effective interest rate of financial assets at 30 September 2017 is 12.21 % (31 December 2016: 8.95%). As of 30 September 2017, average term of the treasure bills changes between three and six months (31 December 2016: changes between three and six months).

NOTE 6 - FINANCIAL LIABILITIES

	30 September 2017	31 December 2016
Short-term financial liabilities		
Short-term bank borrowings	2	-
Short-term portion of long-term borrowings	370,748	219,490
	370,750	219,490

Long-term financial liabilities	30 September 2017	31 December 2016
Long-term borrowings	1,063,846	-
	1,063,846	-

According to the agreement signed with the Turkish Treasury in 25 July 2008, the Company has TL 49,000 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 weighted average interest rate of the borrowing as at 30 September 2017 is 13.42% (31 December 2016: 9.32%).

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

	30 September 2017	31 December 2016
2018	105,385	-
2019	421,538	-
2020	421,538	-
2021	115,385	-
	1,063,846	-

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

	30 September 2017	31 December 2016
Less than 3 months	49,000	115,490
Between 3 - 12 months	321,750	104,000
Between 1 - 5 years	1,063,846	-
	1,434,596	219,490

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	30 September 2017	31 December 2016
Short-term trade receivables		
Receivables from LSRSA contractors invoiced	887,052	237,016
Receivables from sale of residential and commercial units	529,086	418,768
Receivables from related parties (Note 19)	10,838	21,087
Receivables from land sales	11,734	6,514
Rent receivables	1,502	1,449
Other	2,127	978
Unearned finance income	(476)	(2,944)
	1,441,863	682,868
Doubtful receivables	1,837	1,866
Less: Provision for doubtful receivables	(1,837)	(1,866)
	1,441,863	682,868

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

	30 September 2017	31 December 2016
Long-term trade receivables		
Receivables from sale of residential and commercial units	1,646,056	1,539,837
Unearned finance income	(185,069)	(72,983)
	1,460,987	1,466,854

	30 September 2017	31 December 2016
Short-term trade payables		
Payables to related parties (Note 19)	1,729,540	3,510,865
Payables to LSRSA contractors invoiced	277,487	279,154
Trade payables	212,719	16,931
Time deposit interest accruals from LSRSA contractors invoiced (*)	16,302	17,169
	2,236,048	3,824,119

(*) The contractors’ portion of the residential unit sales as defined in the agreement which gained from ongoing LSRSA projects is deposited in the time deposit bank accounts under control of the Company within the related LSRSA projects (Note 4).

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

	30 September 2017	31 December 2016
Short-term other receivables		
Receivables from contractors	876,069	441,771
Housing Acquisition Support (“HAS”) related receivables from Turkish Treasury	390,768	390,780
Receivables from the authorities	6,013	5,826
Other	130	128
	1,272,980	838,505

	30 September 2017	31 December 2016
Long-term other receivables		
Deposits and guarantees given	936	1,053
	936	1,053

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES (Continued)

	30 September 2017	31 December 2016
Short term other payables		
Payable to HAS beneficiaries	403,070	403,447
Payable to contractors (*)	88,752	88,752
Taxes and funds payable	29,379	14,447
Other	46,344	53,930
	567,545	560,576

(*) The amount includes the unissued invoice by the contractor amount of TL 88,752 regarding to the units received as a result of revenue allocation at İzmir Mavisehir Phase 3 project, where the contractor filed a lawsuit regarding the revenue sharing percentages (31 December 2016: TL 88,752).

The movements of the payments either from Company’s shareholder’s equity to HAS beneficiaries and the detail of HAS payments and HAS receivables and payables related to Treasury Support as of for 30 September 2017 and 2016 are shown below:

	1 January 2017	Additions within the period	Disposals	30 September 2017
Treasury support share				
Receivable from Treasury (Note 8)	390,780	4	(16)	390,768
Special purpose government Bond (Note 5)	12,517	-	(250)	12,267
Cash generated from government bond redemption	150	266	(381)	35
Total consideration received or receivable from Treasury	403,447			403,070
Payable to HAS beneficiaries	(403,447)			(403,070)

	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	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)

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 9 -INVENTORIES

	30 September 2017	31 December 2016
Lands	4,653,699	4,293,728
<i>Cost</i>	4,661,634	4,305,099
<i>Impairment</i>	(7,935)	(11,370)
Planned land by LSRSA	5,946,820	5,664,474
Planned land by turnkey project	2,092,724	1,841,251
Residential and commercial units ready for sale	1,081,579	285,741
<i>Cost</i>	1,113,515	293,179
<i>Impairment</i>	(31,936)	(7,438)
	13,774,822	12,085,195

As of 30 September 2017, independent valuation reports prepared by Atak Gayrimenkul Değerleme A.Ş. ve Nova Taşınmaz Değerleme ve Danışmanlık A.Ş. are taken into consideration in order to calculate the fair value and impairment loss, if any, on land units and commercial units ready for sale.

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

	2017	2016
Balance at 1 January	18,808	11,374
Impairment charge for the period	34,399	18,868
Reversal of impairment	(13,336)	(2,439)
Balance at 30 September	39,871	27,803

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 9 - INVENTORIES (Continued)

The details of land and residential stocks of the company are shown below as of 30 September 2017 and 31 December 2016:

Lands	30 September 2017	31 December 2016
İstanbul Küçükçekmece Lands	1,825,441	1,822,839
İstanbul Bakırköy Lands	685,406	-
İstanbul Şişli Lands	455,122	455,122
İstanbul Başakşehir Lands	359,504	299,141
İstanbul Arnavutköy Lands	317,309	317,309
İstanbul Çekmeköy Lands	247,830	-
İstanbul Tuzla Lands	205,917	225,933
Antalya Muratpaşa Lands	190,000	-
İstanbul Kartal Lands	132,283	132,283
Samsun Canik Lands	93,416	-
İstanbul Ataşehir Lands	41,979	41,979
İstanbul Esenyurt Lands	36,654	36,181
Ankara Çankaya Lands	17,802	15,358
Tekirdağ Kapaklı Lands	8,248	8,248
İstanbul İstinye Lands	7,734	-
Tekirdağ Çorlu Lands	6,153	6,153
Maltepe Küçükyalı Lands	2,753	2,753
İstanbul Şile Lands	2,441	10,213
Kocaeli Tütünciftliği Lands	1,528	3,417
Kocaeli Gebze Lands	1,308	2,999
İstanbul Zekeriyaköy Lands	677	677
İzmir Urla Lands	-	10,166
İstanbul Zeytinburnu Lands	-	400,045
Ankara Yeni Mahalle Lands	-	272,783
Yalova Lands	-	178,340
Bursa Osmangazi Lands	-	27,336
Other	14,194	24,453
	4,653,699	4,293,728

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 9 - INVENTORIES (Continued)

Planned lands by LS RSA	30 September 2017	31 December 2016
Sarıyer İstinye Project	993,780	1,006,171
Nidapark Kucukyali Project	678,812	677,675
Büyükyali Project	659,551	656,808
Ankara Yenimahalle İstasyon Project	638,371	634,574
Zeytinburnu Beşelsiz Project	405,063	-
Köy Project	225,506	225,241
İstmarina Project	182,094	186,635
Metropol İstanbul Project	182,046	182,046
Kayabaşı 5. Etap Project	173,298	117,552
Kayabaşı 6. Etap Project	166,718	113,982
Validebağ Konakları Project	153,775	108,107
Hoşdere 3. Etap Projesi	146,957	159,150
Avangart İstanbul Project	115,150	118,273
Hoşdere 4. Etap Project	108,251	104,977
Tual Adalar Project	94,066	106,405
Park Maveria Project	93,922	116,866
Temaşehir Konya Project	90,121	86,704
Fatih Yedikule Projesi	78,455	121,491
Evora Denizli Project	77,548	76,268
Kocaeli Derince Project	70,360	70,001
Karat 34 Project	68,995	68,063
Isparta Kule 5.Etap Project	57,817	58,105
Hoşdere 2. Etap Project	48,665	47,628
Göl Panorama Project	47,736	79,722
Yenikoy Konakları İstanbul Project	45,475	30,130
Koordinat Çayyolu Project	35,685	37,299
Maslak 1453 Project	35,469	230,386
Ataşehir Finans Merkezi Project	19,455	17,587
Other	253,679	226,628
	5,946,820	5,664,474

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 9 - INVENTORIES (Continued)

Planned lands by turnkey project	30 September 2017	31 December 2016
Başkent Emlak Konutları	435,801	336,250
Ayazma Emlak Konutları Project	376,896	224,918
Ispartakule 1. Etap 1. Kısım Project	234,092	156,515
Ispartakule 1. Etap 2. Kısım Project	180,035	130,396
Kayabası Recreation Project	186,348	143,298
Gebze Project	150,910	68,682
Nevşehir Emlak Konutları Project	145,799	97,816
Körfezkent 4. Etap Project	113,681	73,926
Emlak Konut Başakşehir Evleri 2. Kısım Project	111,483	66,922
Başakşehir Ayazma 2. Etap Project	101,526	44,112
Nigde Project	50,535	24,419
Kocaeli Körfezkent Quran Course Construction Projesi	4,997	-
Bursa Kentsel Dönüşüm Project	425	424
İstanbul Esenler Kentsel Dönüşüm Project	196	472,911
Kocaeli Gebze Kirazpınar Kentsel Dönüşüm Project	-	662
	2,092,724	1,841,251

Completed units	30 September 2017	31 December 2016
Esenler Emlak Konutları	245,667	-
Sarphan Finanspark Project	229,106	28,440
Merkez Ankara Project	222,813	-
Metropol İstanbul Project	148,780	-
Büyükyalı Project	80,472	-
Batışehir Project	43,949	136,932
Unikonut Project	27,237	31,572
Nidakule Ataşehir Project	25,028	26,210
Dumankaya Miks Project	24,778	16,911
Hoşdere Emlak Konutları	12,469	28,330
Bulvar İstanbul Evleri	9,106	3,138
Başakşehir Emlak Konutları	4,345	5,287
Kayabaşı Emlak Konutları	2,350	1,654
Park Yaşam Mavişehir Evleri	1,486	1,486
Kocaeli Körfez Kent Emlak Konutları	1,089	1,238
Spradon Vadi Evleri	624	2,195
Evora 2. Etap Project	303	303
Other	1,977	2,045
	1,081,579	285,741

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

30 September 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	1,190	-	1,551	62	2,803
Depreciation expense(-)	(1,603)	(296)	(2,250)	-	(4,149)
Net book value 30 September 2017	58,914	930	7,900	91	67,835
Cost	62,439	2,160	17,566	91	82,256
Accumulated depreciation (-)	(3,525)	(1,230)	(9,666)	-	(14,421)
Net book value 30 September 2017	58,914	930	7,900	91	67,835

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, (net)	63,750	-	-	(63,750)	-
Transfers from stock, (net)	(2,340)	-	-	-	(2,340)
Depreciation expense(-)	(1,222)	(295)	(1,814)	-	(3,331)
Impairment (-)	575	-	-	-	575
Net book value 30 September 2016	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 30 September 2016	79,999	1,329	7,972	-	89,300

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 11 – OTHER SHORT TERM PROVISIONS

	30 September 2017	31 December 2016
Provisions		
Provision for lawsuits	34,034	73,238
Provision for cost accruals	-	54,846
	34,034	128,084

The movement of provision for lawsuits as of 30 September 2017 and 2016 are as follows:

	2017	2016
Balance at 1 January	73,238	78,088
Provision released within the current period (Note 17)	(31,612)	(5,722)
Provision charged for the period (Note 17)	2,060	2,613
Provision paid in the period	(9,610)	-
Provision used in the period	(42)	(1,247)
Balance at 30 September	34,034	73,732

NOTE 12 - OTHER ASSETS AND LIABILITIES

	30 September 2017	31 December 2016
Other current assets		
Accrued income	65,452	122,946
Progress payments given to contractors	80,234	118,700
Receivables from tax office	15,919	34,066
Deferred VAT	-	8,500
Other	640	263
	162,245	284,475

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 13 - DEFERRED INCOME AND PREPAID EXPENSES

	30 September 2017	31 December 2016
Short-term deferred income		
Deferred income from LSRSA projects (*)	2,179,818	1,727,759
Advances taken from LSRSA contractors (**)	876,781	976,954
Advances taken from turnkey project sales	457,590	371,128
Deferred income from sales of completed units	121,615	75,248
Advances taken from related parties (Note 19)	64,732	64,732
	3,700,536	3,215,821

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

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

	30 September 2017	31 December 2016
Prepaid expenses		
Advances given for inventory (*)	406,472	542,674
Prepaid expenses	874	1,137
	407,346	543,811

(*) A protocol has been signed between the Company and the Tariş Cooperative Associations to develop revenue sharing project on a total of 143,366-m2 land, which is belonging to the Tariş Cooperative Unions, located within the boundaries of Kurukay / Umurbey, Konak district of İzmir. The Company has provided an advance of stock amounting to TL 382,789.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 14 - SHAREHOLDERS' EQUITY

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

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

Shareholders	30 September 2017		31 December 2016	
	Share (%)	TL	Share (%)	TL
Public offering portion	50.66	1,925,111	50.66	1,925,111
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı ("TOKİ")	49.34	1,874,831	49.34	1,874,831
HAS beneficiaries	0.00	56	0.00	56
Other	0.00	2	0.00	2
Total paid in capital	100	3,800,000	100	3,800,000

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

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

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

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

Between 1 January 2015 and 24 August 2015, The Company has repurchased 9,183,544 numbers of shares with nominal value between TL 2.39 and TL 2.46 and total amounting to TL 22,169,753.53 full TL). Shares average purchase price is TL 2.42 and as a result of the purchases, the share of the total shares to the total share lot is 3.16%

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 15 - REVENUE AND COST OF SALES

	1 January- 30 September 2017	1 July- 30 September 2017	1 January- 30 September 2016	1 July- 30 September 2016
Sales income				
Land sales	2,205,409	1,256,149	1,480,416	1,022,131
<i>Income from sale of land and plots by way of LSRSA</i>	<i>1,510,324</i>	<i>561,064</i>	<i>1,415,990</i>	<i>1,002,412</i>
<i>Land sales income</i>	<i>695,085</i>	<i>695,085</i>	<i>64,426</i>	<i>19,719</i>
Residential and commercial units sales	683,358	183,247	1,583,211	772,854
Other Income	1,975	274	356	78
	2,890,742	1,439,670	3,063,983	1,795,063
Sales returns	(87,861)	(4,570)	(1,443)	(1,407)
Sales discounts	(392)	(96)	(541)	(39)
Net sales income	2,802,489	1,435,004	3,061,999	1,793,617
Cost of sales				
Cost of land sales	(934,760)	(725,339)	(352,124)	(271,702)
<i>Cost of land and plots sold by way of LSRSA</i>	<i>(457,635)</i>	<i>(248,214)</i>	<i>(340,326)</i>	<i>(267,481)</i>
<i>Cost of land sales</i>	<i>(477,125)</i>	<i>(477,125)</i>	<i>(11,798)</i>	<i>(4,221)</i>
Cost of residential and commercial units sales	(445,599)	(84,041)	(1,166,806)	(544,858)
	(1,380,359)	(809,380)	(1,518,930)	(816,560)
Gross profit	1,422,130	625,624	1,543,069	977,057

NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January- 30 September 2017	1 July- 30 September 2017	1 January- 30 September 2016	1 July- 30 September 2016
General administrative expenses				
Personnel expenses	(42,451)	(16,474)	(38,044)	(14,393)
Taxes, duties and fees	(38,673)	(22,499)	(28,698)	(12,462)
Donations	(14,565)	(13,759)	-	-
Consultancy expenses	(11,720)	(4,433)	(5,628)	(2,019)
Subcontracting service expenses	(9,547)	(4,075)	(7,162)	(3,352)
Depreciation and amortisation	(5,922)	(2,475)	(4,589)	(1,596)
Due and contribution expenses	(3,829)	(1,233)	(1,567)	(553)
Office expenses	(3,220)	(1,960)	(1,025)	(1,025)
Travel expenses	(3,084)	(876)	(2,174)	(725)
Maintenance	(1,641)	(663)	(1,433)	(746)
Lawsuit and notary expenses	(1,126)	(198)	(2,844)	(464)
Communication	(417)	(145)	(485)	(126)
Insurance expenses	(1,077)	(862)	(136)	(50)
Other	(4,990)	(1,382)	(3,280)	(332)
	(142,262)	(71,034)	(97,065)	(37,843)

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

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

	1 January- 30 September 2017	1 July- 30 September 2017	1 January- 30 September 2016	1 July- 30 September 2016
Marketing, sales and distribution expenses				
Advertising expenses	(47,406)	(18,996)	(35,703)	(14,909)
Personnel expenses	(3,987)	(1,411)	(3,340)	(1,390)
Other	(888)	(357)	(1,118)	(55)
	(52,281)	(20,764)	(40,161)	(16,354)

NOTE 17 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January- 30 September 2017	1 July- 30 September 2017	1 January- 30 September 2016	1 July- 30 September 2016
Other income from operating activities				
Finance income from credit sales	126,819	19,663	84,424	24,140
Delay penalty interest from project contractors	46,423	14,350	45,327	27,549
Released lawsuit provisions (Note 11)	31,612	10	5,722	(163)
Impairment provision reversals (Note 9,10)	13,336	3,856	3,014	391
Not realized finance income	-	-	5,820	2,777
Recirculate commission income	9,728	1,767	6,538	1,028
Other	33,121	12,432	29,729	10,531
	261,039	52,078	180,574	66,253

	1 January- 30 September 2017	1 July- 30 September 2017	1 January- 30 September 2016	1 July- 30 September 2016
Other expenses from operating activities				
Reversal of due date differences	(109,619)	(57,675)	(1,570)	-
Impairment provision expenses (Note 9)	(34,399)	(3,409)	(18,868)	(17,257)
Lawsuit provision charge for the period (Note 11)	(2,060)	(2,060)	(2,613)	(2,613)
Other	(5,002)	(711)	(2,331)	(644)
	(151,080)	(63,855)	(25,382)	(20,514)

NOTE 18 - FINANCIAL INCOME / EXPENSES

	1 January- 30 September 2017	1 July- 30 September 2017	1 January- 30 September 2016	1 July- 30 September 2016
Financial income				
Interest income from time deposits	49,972	16,968	69,710	20,045
Interest income from TOKI	13,295	-	-	-
Foreign exchange income	122	2	69	64
	63,389	16,970	69,779	20,109

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 18 - FINANCIAL INCOME / EXPENSES (Continued)

	1 January- 30 September 2017	1 July- 30 September 2017	1 January- 30 September 2016	1 July- 30 September 2016
Financial expenses				
Interest expense on payable to TOKİ (**)	(180,876)	(45,758)	-	-
Loan interest expense	(97,435)	(49,670)	-	-
Interest discount on pay off debt	(48,629)	(2,590)	(91,638)	(91,638)
Interest expense on Turkish Treasury borrowings (*)	(10,501)	(1,738)	(24,933)	(6,169)
Foreign exchange loss	(185)	(38)	(146)	(3)
Commission expenses	-	-	(2)	(2)
	(337,626)	(99,794)	(116,719)	(97,812)

(*) Interest expense of borrowing for HAS beneficiaries payments from Turkish Treasury amounting to TL 49,000 as of 30 September 2017 calculated in accordance with Domestic Government Debt Securities issuance compound interest rate announced at the time of payment periods.

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

NOTE 19 - RELATED PARTY DISCLOSURES

The main shareholder of the Company is T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (“TOKİ”). TOKİ is a state institution under control of Republic of Turkey Prime Ministry. Related parties of the Company are as listed below:

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 19 - RELATED PARTY DISCLOSURES (Continued)

- Balances and transactions with respect to Turkish Treasury are detailed in Note 4, 5 and 8.
- The Company mostly deposits its cash in State Banks in compliance with its related statute. The bank balances with state banks amounted to TL 800,743 as of 30 September 2017 (31 December 2016: TL 2,178,178) Regarding these bank balances, the Company also generated interest income from the related State banks amounted to TL 102,585 in as of 30 September 2017 (30 September 2016: TL 49,411). Average effective interest rates of time deposits of the Company as of 30 September 2017 are explained in Note 4.

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

	30 September 2017	31 December 2016
Trade receivables from related parties		
Emlak Planl. İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd. Şti.	3,894	14,178
Emlak Planl. İnş. Prj. Yön. A.Ş. - Fideltus İnş-Öztaş İnş O.G.	5,576	5,567
Emlak Planl. İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	1,368	1,342
	10,838	21,087

	30 September 2017	31 December 2016
Trade payables to related parties		
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (“TOKİ”) (*)	1,727,816	3,509,541
Ege Yapı Ltd. Şti.-Emlak Pazarlama O.G.	1,324	1,324
Emlak Konut Spor Kulübü Derneği	400	-
	1,729,540	3,510,865

(*) The Company has purchased various lands from its ultimate parent company (TOKİ). The remaining payable from this purchases to TOKİ is amounting to TL 1,221,818 (31 December 2016: TL 3,080,088) and accrued interest is TL 505,998 (31 December 2016: TL 429,453).

	30 September 2017	31 December 2016
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 a predetermined portion of the total sales amount in line with the agreements.

	1 January- 30 September 2017	1 July- 30 September 2017	1 January- 30 September 2016	1 July- 30 September 2016
Purchases from related parties				
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (“TOKİ”)	1,274,500	262,500	2,294,361	16,000
Emlak Planlama İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd Şti.	1,791	-	152,191	-
Emlak Planlama İnş. Prj. Yön. A.Ş. - Emlak Basın Yayın A.Ş.	702	197	643	174
	1,276,993	262,697	2,447,195	16,174

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 19 - RELATED PARTY DISCLOSURES (Continued)

	1 January- 30 September 2017	1 July- 30 September 2017	1 January- 30 September 2016	1 January- 30 September 2016
Finance expense from related parties				
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (“TOKİ”)	180,876	45,758	-	-
	180,876	45,758	-	-

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

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

	1 January- 30 September 2017	1 July- 30 September 2017	1 January- 30 September 2016	1 January- 30 September 2016
Sales to related parties				
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (“TOKİ”)	27,309	-	50,102	-
Emlak Planlama İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd. Şti.	88	2	-	-
Emlak Planlama İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	-	-	53	4
	27,397	2	50,155	4

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 2017	1 July- 30 September 2017	1 January- 30 September 2016	1 January- 30 September 2016
Remuneration of key management				
Salaries and other short-term employee benefits	4,474	1,552	2,743	1,186
	4,474	1,552	2,743	1,186

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 20 - CONTINGENT ASSETS AND LIABILITIES

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

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

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

The 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.

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

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

The court 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.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 20 - CONTINGENT ASSETS AND LIABILITIES (Continued)

- 3 Contractor of İzmir Mavisehir Upper North Area 2. Phase LSRSA Project, Bozoğlu İnş. San. Tic. Ltd. Şti, was filed a lawsuit for assignment that the claimant has given. The case is proceeding and According to comments received from the Company’s lawyer, it is not expected to arise any liability that put the Company under obligation as a result of related case.
- 4 In terms of the assignment given by the Istanbul Ümraniye Phase 1 LSRSA contractor, YeniSarp-Özakar, ordinary partnership received amount of TL 46,000 from Şekerbank T.A.Ş. according to the contract with Emlak Konut GYO. Şekerbank T.A.Ş. claiming that the amount of TL 34,134 has not been paid unjustly to the transferring entity. The plaintiff requested that the mortgage be put on a part of the immovable subject matter in order to constitute the guarantee of taking the case. The trial is ongoing.
- 5 Taş Yapı İnşaat Sanayi ve Ticaret. A.Ş. filed a lawsuit against the Company claiming compensation because of damage caused by our company in the agreement of The LSRSA project regarding İstanbul Bakırköy, Kartaltepe St. 51/4 section 257 zone 33 & 38 parcels. The case was amended and it was decided to accept the case in court. As a result of the appeal examination, the court ruling was corrupted by the Court of Cassation. According to comments received from the Company’s lawyer, it is not expected to arise any liability that put the Company under obligation as a result of related case.
6. Mortgage and guarantees received are;

	30 September 2017	31 December 2016
Guarantees received (*)	3,528,624	3,027,085
Mortgages received (**)	45,878	45,878
	3,574,502	3,072,964

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

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

NOTE 20 - CONTINGENT ASSETS AND LIABILITIES (Continued)

7. Collaterals, pledges, mortgages ("CPM"):

	30 September 2017	31 December 2016
A. CPM given on behalf of the Company's legal personality	56,364	65,511
B. CPM given on behalf of fully consolidated subsidiaries	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM	-	-
i) Total amount of CPM given on behalf of majority shareholder	-	-
ii) Total amount of CPM given on behalf of other companies which are not in scope of B and C	-	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C	-	-
	56,364	65,511

NOTE 21 - EVENTS AFTER THE REPORTING PERIOD

1. Emlak Konut GYO will apply a discount, if payment is made in full or in part by the customers who reside or buy the residential / commercial unit on or before December 31, 2016. The discount campaign will be available from 20 October to 11 December 2017.
2. Emlak Konut GYO has announced on 3 October 2017 that it has revised the terms of sale of certain commercial units in the projects it has identified. According to these revisions, sales in these commercial units will be able to be offset with 0.50% fixed installments or maturity differences, and payments will start in January 2018.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017**

(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		Current Period	Prior Period
	Main Account Items	Related Regulation	30 September 2017	31 December 2016
			(TL)	(TL)
A	Money and Capital Market Instruments	Series:III-No:48, Art,24/(b)	638,027	2,405,012
B	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)	13,945,311	12,204,919
C	Affiliates	Series:III-No:48, Art,24/(b)	-	-
	Due from related parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
	Other Assets		5,323,318	4,092,436
D	Total Assets	Series:III-No:48, Art,3/(k)	19,906,656	18,702,367
E	Financial Liabilities	Series:III-No:48, Art,31	1,434,596	219,561
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	11,795,728	10,730,193
	Other Resources		6,676,332	7,752,613
D	Total Resources	Series:III-No:48, Art,3/(k)	19,906,656	18,702,367
	Non-Consolidated (Individual) Financial Statements		Current Period	Prior Period
	Other Account Items	Related Regulation	30 September 2017	31 December 2016
			(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)	638,027	956,203
A2	Term/ Demand/ Currency	Series:III-No:48, Art,24/(b)	390,300	956,203
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)	258,367	425,220
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	56,364	65,511
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 INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

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

	Portfolio restrictions	Related regulation	30 September 2017 (%)	31 December 2016 (%)	Minimum/ Maximum Rate
1	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-	<10%
2	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)(b)	73	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	13	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.

.....