

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF
THE REVIEW REPORT AND INTERIM STANDALONE CONDENSED
FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 30 JUNE 2019**

(ORIGINALLY ISSUED IN TURKISH)

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

**To the General Assembly of
Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş.**

Introduction

We have reviewed the accompanying condensed standalone statement of financial position of Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. (“the Company”) as of 30 June 2019 and the related condensed standalone statements of profit or loss and other comprehensive income, condensed standalone changes in equity, condensed standalone cash flows for the six-month period then ended and notes to the condensed standalone financial statements. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with Turkish Accounting Standards 34 “Interim Financial Reporting” (“TAS 34”). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

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

Okan Oz, SMMM
Partner

İstanbul, 8 August 2019

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

INTERIM CONDENSED STANDALONE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019 AND 31 DECEMBER 2018

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

| | Notes | Not Reviwed 30 June 2019 | Audited 31 December 2018 |
|---|-------|-----------------------------------|--------------------------------|
| ASSETS | | | |
| Current assets | | 19,380,526 | 19,810,629 |
| Cash and cash equivalents | 4 | 444,218 | 552,539 |
| Financial investments | 5 | 41,499 | 54,442 |
| Trade receivables | 7 | 2,531,051 | 1,573,649 |
| <i>Trade receivables due from related parties</i> | 20 | 595,936 | 10,711 |
| <i>Trade receivables due from third parties</i> | | 1,935,115 | 1,562,938 |
| Other receivables | 8 | 1,203,126 | 1,157,651 |
| <i>Other receivables due from third parties</i> | | 1,203,126 | 1,157,651 |
| Inventories | 9 | 13,389,465 | 14,749,905 |
| Prepaid expenses | 14 | 1,596,220 | 1,430,563 |
| Other current assets | 13 | 174,947 | 291,880 |
| Non-current assets | | 3,412,032 | 2,848,765 |
| Trade receivables | 7 | 2,536,953 | 1,895,829 |
| <i>Trade receivables due from third parties</i> | | 2,536,953 | 1,895,829 |
| Other receivables | 8 | 1,014 | 1,014 |
| Financial investments | | 288,037 | 288,000 |
| <i>Investments in subsidiaries, joint operations and associates</i> | 5 | 288,037 | 288,000 |
| Investment property | 10 | 446,538 | 367,382 |
| Property, plant and equipment | 11 | 61,387 | 63,494 |
| Intangible assets | | 4,741 | 1,824 |
| Other non-current assets | 13 | 73,362 | 231,222 |
| Total assets | | 22,792,558 | 22,659,394 |

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

INTERIM CONDENSED STANDALONE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019 AND 31 DECEMBER 2018

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

| | | <i>Not Revised</i> 30 June 2019 | <i>Audited</i> 31 December 2018 |
|--|--------------|---|---|
| | Notes | | |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | 7,491,312 | 7,737,738 |
| Short term borrowings | 6 | 947,187 | 800,504 |
| Current portion of non-current borrowings | 6 | 1,560,829 | 976,999 |
| Trade payables | 7 | 793,789 | 965,530 |
| <i>Trade payables due to related parties</i> | 20 | 60,371 | 69,985 |
| <i>Trade payables due to third parties</i> | | 733,418 | 895,545 |
| Other payables | 8 | 562,288 | 631,778 |
| Deferred income | 14 | 3,510,428 | 4,225,299 |
| <i>Deferred income from related parties</i> | 20 | 64,732 | 64,732 |
| <i>Deferred income from third parties</i> | | 3,445,696 | 4,160,567 |
| Current provisions | | 116,791 | 137,628 |
| <i>Current provisions for employee benefits</i> | | 7,695 | 6,125 |
| <i>Other current provisions</i> | 12 | 109,096 | 131,503 |
| Non-current liabilities | | 1,977,071 | 1,834,914 |
| Long term borrowings | 6 | 1,830,726 | 1,685,943 |
| Trade payables | | 66,433 | 69,327 |
| Other payables | | 67,357 | 68,792 |
| Deferred income | | 4,738 | 3,175 |
| Long term provisions | | 7,817 | 7,677 |
| <i>Long term provisions for employee benefits</i> | | 7,817 | 7,677 |
| Shareholders' equity | | 13,324,175 | 13,086,742 |
| Paid-in capital | 15 | 3,800,000 | 3,800,000 |
| Treasury shares (-) | | (284,480) | (284,480) |
| Share premium | | 2,366,895 | 2,366,895 |
| 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 | | 721,110 | 662,853 |
| Retained earnings | | 6,364,433 | 5,271,709 |
| Net profit for the period | | 356,259 | 1,269,807 |
| Total liabilities and equity | | 22,792,558 | 22,659,394 |

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

INTERIM CONDENSED STANDALONE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2019 AND 2018

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

| | | <i>Reviewed</i> | <i>Not</i> | <i>Reviewed</i> | <i>Not</i> |
|---|--------------|------------------------------------|---|------------------------------------|---|
| | <i>Notes</i> | <i>1 January- 30 June 2019</i> | <i>Reviewed 1 April- 30 June 2019</i> | <i>1 January- 30 June 2018</i> | <i>Reviewed 1 April- 30 June 2018</i> |
| Profit or loss | | | | | |
| Revenue | 16 | 3,164,914 | 1,929,885 | 2,304,082 | 868,700 |
| Cost of sales (-) | 16 | (2,662,962) | (1,487,059) | (1,032,386) | (495,340) |
| Gross profit | | 501,952 | 442,826 | 1,271,696 | 373,360 |
| General administrative expenses (-) | 17 | (110,805) | (56,210) | (105,332) | (64,917) |
| Marketing expenses (-) | 17 | (27,698) | (12,755) | (27,878) | (14,162) |
| Other income from operating activities | 18 | 379,488 | 198,570 | 299,509 | 137,544 |
| Other expenses from operating activities (-) | 18 | (62,107) | (33,590) | (78,886) | (46,169) |
| Operating profit | | 680,830 | 538,841 | 1,359,109 | 385,656 |
| Income from investing activities | | 166 | 1 | 435 | 353 |
| Operating profit before financial income / (expense) | | 680,996 | 538,842 | 1,359,544 | 386,009 |
| Financial income | 19 | 75,182 | 23,469 | 57,325 | 36,679 |
| Financial expenses (-) | 19 | (399,919) | (253,929) | (286,064) | (159,142) |
| Profit for the income | | 356,259 | 308,382 | 1,130,805 | 263,546 |
| Other comprehensive income | | | | | - |
| Total comprehensive income for the period | | 356,259 | 308,382 | 1,130,805 | 263,546 |
| Earnings per share (in full TL) | 22 | 0,0010 | 0,0008 | 0,0031 | 0,0007 |

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

INTERIM CONSENDED STANDALONE STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2019 AND 2018

(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 shareholders equity |
|---|------------------|---------------------|------------------|---------------------|---|-------------------|---------------------------|---------------------------|
| | | | | | Gain/Loss on remeasurement of employee benefits | Retained earnings | Net income for the period | |
| 1 January 2018 (Previously Reported) | 3,800,000 | (284,480) | 2,378,513 | 511,347 | (42) | 4,304,087 | 1,756,094 | 12,465,519 |
| Accounting policy change effect (Note 3) | - | - | - | - | - | (4,142) | - | (4,142) |
| 1 January 2018 (Restated) | 3,800,000 | (284,480) | 2,378,513 | 511,347 | (42) | 4,299,945 | 1,756,094 | 12,461,377 |
| Transfers | - | - | (11,618) | 151,506 | - | 1,616,206 | (1,756,094) | - |
| Dividend payment (Note:15) | - | - | - | - | - | (644,442) | - | (644,442) |
| Total comprehensive income | - | - | - | - | - | - | 1,130,805 | 1,130,805 |
| 30 June 2018 | 3,800,000 | (284,480) | 2,366,895 | 662,853 | (42) | 5,271,709 | 1,130,805 | 12,947,740 |
| 1 January 2019 | 3,800,000 | (284,480) | 2,366,895 | 662,853 | (42) | 5,271,709 | 1,269,807 | 13,086,742 |
| Transfers | - | - | - | 58,257 | - | 1,211,550 | (1,269,807) | - |
| Dividend payment (Note 15) (*) | - | - | - | - | - | (118,826) | - | (118,826) |
| Total comprehensive income | - | - | - | - | - | - | 356,259 | 356,259 |
| 30 June 2019 | 3,800,000 | (284,480) | 2,366,895 | 721,110 | (42) | 6,364,433 | 356,259 | 13,324,175 |

(*) At the Ordinary General Assembly Meeting held on 30 April 2019, the decision on distributing cash dividend of 122,980 TL from the 2018 fiscal year profit (28 March 2018: 666.976 TL) is approved. As of 30 April 2019, the Company has own 3,38% shares with a nominal value of 1 TL, is shown by netting off dividend to be distributed. Dividend payment was made on 31 May 2019.

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

INTERIM CONDENSED STANDALONE STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2019 AND 2018

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

| Notes | 1 January- 30 June 2019 | 1 January- 31 March 2018 |
|---|----------------------------|-----------------------------|
| Cash flows from operating activities | | |
| Profit for the year | 356,259 | 1,130,805 |
| Adjustments to reconcile net profit | | |
| Depreciation and amortization expenses | 17 | 3,718 |
| Adjustments for impairments | 33,345 | 40,779 |
| <i>Adjustments for impairment loss (reversal of impairment loss) of inventories</i> | 9 | 33,345 |
| <i>Adjustments for impairment loss (reversal of impairment loss) of investment properties</i> | 18 | - |
| Changes in provisions | (20,284) | 8,237 |
| <i>Adjustments for (reversal of) provisions related with employee benefits</i> | 1,710 | 1,347 |
| <i>Adjustments for (reversal of) lawsuit and/or penalty provisions</i> | 12 | (22,407) |
| <i>Adjustments for (reversal of) possible risks of cash and cash equivalents</i> | 18 | 413 |
| Adjustments for interest (income) expenses | 30,032 | (20,961) |
| <i>Adjustments for interest income</i> | (369,580) | (306,778) |
| <i>Adjustments for interest expense</i> | 19 | 399,612 |
| Changes in net working capital | 403,070 | 1,162,032 |
| Adjustments for decrease (increase) in trade accounts receivable | (1,354,405) | (243,431) |
| <i>Decrease (increase) in trade accounts receivables from related parties</i> | (585,225) | (84) |
| <i>Decrease (Increase) in trade accounts receivables from third parties</i> | (769,180) | (243,347) |
| Adjustments for decrease (increase) in inventories | 1,275,333 | (368,284) |
| Adjustments for increase (decrease) in trade accounts payable | (133,137) | 347,557 |
| <i>Increase (decrease) in trade payables to related parties</i> | 31,884 | 20,626 |
| <i>Increase (decrease) in trade payables to third parties</i> | (165,021) | 326,931 |
| Adjustments for (decrease) in other operating receivables | (39,988) | (81,353) |
| Adjustments for increase (decrease) in other operating payables | (649,499) | (8,177) |
| Other adjustments for other increase (decrease) in working capital | 99,801 | (64,688) |
| Net cash flow from operating activities | | |
| Interest received | 44,354 | 89,484 |
| Payments related with provisions for employee benefits | - | - |
| Income taxes paid | (77,438) | (86,776) |
| Cash flows from operating activities | (431,909) | 746,364 |
| Cash flows used in obtaining control of subsidiaries or other businesses | | |
| Cash flows used in obtaining control of subsidiaries or other businesses | (47,477) | - |
| Purchases of investment properties, tangible and intangible assets | (30,873) | (749) |
| Interest received | 166 | 435 |
| Purchases of financial assets | (10,000) | (7,000) |
| Returns of financial assets | 50 | 13,116 |
| Other inflows (outflows) of cash | 21,638 | 46,629 |
| Cash flow from investing activities | (66,496) | 52,431 |
| Payments to acquire entity's shares or other equity instruments | - | - |
| Proceeds from borrowings | 2,534,819 | 610,000 |
| <i>Proceeds from loans</i> | 1,356,819 | 610,000 |
| <i>Proceeds From Issue of Debt Instruments</i> | 1,178,000 | - |
| Repayments of borrowings, classified as financing activities | (1,675,499) | (154,595) |
| <i>Loan repayments</i> | (618,499) | (154,595) |
| <i>Payments of Issued Debt Instruments</i> | (1,057,000) | - |
| Interest paid | (264,412) | (138,646) |
| Dividends Paid | (118,826) | (644,442) |
| Interest received | 31,891 | 57,313 |
| Other inflows (outflows) of cash | (9,816) | (117) |
| Cash flow from financing activities | 498,157 | -270,487 |
| Net Increase (decrease) in cash and cash equivalents | -248 | 528,308 |
| Cash and cash equivalents at the beginning of the year | 4 | 371,894 |
| Cash and cash equivalents at the end of the year | 4 | 371,646 |
| | | 913,389 |

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM STANDALONE CONDENSED FINANCIAL STATEMENTS FOR SIX MONTHS PERIOD ENDED 30 JUNE 2019

(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 Company employs 393 workers. (31 December 2018 – 369).

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 interim standalone financial statements at 30 June 2019 have been approved by the Board of Directors on 8 July 2019.

The ultimate parent and ultimate controlling party of the company is T.C. Toplu Konut İdaresi Başkanlığı (the Housing Development Administration of Turkey, “TOKİ”). TOKİ is a state institution under the control of T.C. Ministry of Environment and Urbanisation.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

NOTE 2 - BASIS OF PRESENTATION OF STANDALONE FINANCIAL STATEMENTS

The principal accounting policies applied in the preparation of these standalone financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 Financial Reporting Standards (“TFRS”) and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority (“POA”).

The condensed interim financial statements are presented in accordance with the “TMS Taksonomisi Hakkında Duyuru” issued by the POA on 15 April, 2019 and the formats specified in the “Financial Statements Examples and Guidelines for Use” published by the CMB.

The Company prepared its condensed interim financial statements for the period ended 30 June 2019 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 standalone financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The standalone 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 INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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

NOTE 2 - BASIS OF PRESENTATION OF STANDALONE FINANCIAL STATEMENTS (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 standalone financial statements are prepared under the going concern assumption.

2.2 Conformity with the Portfolio Limitations

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

NOTE 3 - ACCOUNTING POLICIES

The accounting policies adopted as of 30 June 2019 are consistent with those prepared as of 31 December 2018. Therefore, condensed interim financial statements have to be considered with year end financial statements.

3.1 New and amended IFRS Standards that are effective for the current year

| | |
|---|---|
| IFRS 16 | Leases |
| Amendments to IAS 28 | <i>Long-term Interests in Associates and Joint Ventures</i> |
| IFRIC 23 | <i>Uncertainty over Income Tax Treatments</i> |
| Amendments to IAS 19 Employee Standards 2015–2017 Cycle | <i>Plan Amendment, Curtailment or Settlement</i> |
| | <i>IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs</i> |

IFRS 16 Leases

General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 supersedes the current lease guidance including IAS 17 Leases and the related Interpretations for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group is 1 January 2019 retrospectively taking into account the cumulative effect in the financial statements.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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

NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and amended IFRS Standards that are effective for the current year (Continued)

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17.

The amendments to IFRS 16 do not have a significant impact on the financial statements of the Company.

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

This amendment clarifies that an entity applies IFRS 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.

IFRS Interpretation 23 Uncertainty over Income Tax Treatments

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

Annual Improvements to IFRS Standards 2015–2017 Cycle

Annual Improvements to IFRS Standards 2015–2017 Cycle include amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements in when a party that participates in, but does not have joint control of, IAS 12 Income Taxes; income tax consequences of dividends in profit or loss, and IAS 23 Borrowing Costs in capitalized borrowing costs.

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NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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

NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and amended International Financial Reporting Standards (Continued)

b) New and revised IFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

| | |
|----------------------|--|
| IFRS 17 | <i>Insurance Contracts</i> |
| Amendments to IFRS 3 | <i>Business Combinations</i> |
| Amendments to IAS 1 | <i>Presentation of Financial Statements</i> |
| Amendments to IAS 8 | <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> |

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

Amendments to IFRS 3 Business Combinations

The definition of “business” is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of “business” in IFRS 3 Business Combinations standart has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

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NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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

NOTE 4 – CASH AND CASH EQUIVALENTS

| | 30 June 2019 | 31 December 2018 |
|---|----------------|------------------|
| Cash on hand | 62 | 8 |
| Banks | 418,257 | 552,531 |
| - Demand deposit | 253,002 | 131,740 |
| - Time deposits up to 3 months maturity | 165,255 | 420,791 |
| Other cash and cash equivalents | 25,899 | - |
| | 444,218 | 552,539 |

Maturities of cash and cash equivalents are as follows:

| | 30 June 2019 | 31 December 2018 |
|---|----------------|------------------|
| Demand | 253,002 | 131,740 |
| Up to 3 month | 165,255 | 420,791 |
| Less: Blocked deposits with maturities less than 3 months | (4,568) | (29,990) |
| | 413,689 | 522,541 |

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

| | 30 June 2019 | 31 December 2018 |
|--|--------------|------------------|
| | (%) | (%) |
| | 23.55% | 18.47% |

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

| | 30 June 2019 | 31 December 2018 |
|----------------------------------|----------------|------------------|
| Cash and cash equivalents | 444,218 | 552,539 |
| Less: Interest accruals | (3,513) | (1,132) |
| Less: LSRSA project deposits (*) | (69,805) | (169,609) |
| Less: Blocked deposits | (1,473) | (11,710) |
| Add: TFRS 9 impact | 2,219 | 1,806 |
| | 371,646 | 371,894 |

(*) 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 69,805 (31 December 2018: TL 169,609) part of the total project amount deposits TL 3,095 (31 December 2018: TL 18,280) comprises of blocked deposits.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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

NOTE 5 - FINANCIAL INVESTMENTS

| Short-term financial investments | 30 June 2019 | 31 December 2018 |
|---|---------------|------------------|
| Blocked deposits more than 3 months maturity (**) | 19,482 | 42,375 |
| Special issue government bonds (*) | 22,017 | 12,067 |
| | 41,499 | 54,442 |

(*) 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 12,649 (31 December 2018: TL 17,591) while the company portion of the blocked shares is TL 6,833 (31 December 2018: TL 24,784).

Subsidiary

As of 30 June 2019 and 31 December 2018, the carrying values of the subsidiaries of the Company on the balance sheet are as follows:

| | 30 June 2019 | | 31 December 2018 | |
|--|--------------|----------------|------------------|----------------|
| | Share (%) | TL | Share (%) | TL |
| Emlak Planlama İnşaat Proje Yönetimi ve Ticaret A.Ş. | 100 | 288,000 | 100 | 288,000 |
| Büyükaly Tesis Yönetim A.Ş. | 37 | 37 | - | - |
| Total | | 288,037 | | 288,000 |

Interests in joint operations

As of 30 June 2019 and 31 December 2018, the carrying value of the Company's interest in joint operations in the balance sheet is as follows:

| | 30 June 2019 | | 31 December 2018 | |
|-----------------------------|--------------|----------|------------------|----------|
| | Share (%) | TL | Share (%) | TL |
| İstmarina AVM Adi Ortaklığı | 40 | - | 40 | - |
| Total | | - | | - |

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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

NOTE 6 - FINANCIAL LIABILITIES

| | 30 June 2019 | 31 December 2018 |
|--|------------------|------------------|
| Short-term financial liabilities | | |
| Short-term commercial bill (*) | 831,488 | 689,367 |
| Short-term bank borrowings | 115,699 | 111,137 |
| Short-term portion of long-term borrowings | 1,560,829 | 976,999 |
| | 2,508,016 | 1,777,503 |

(*) On 19 March 2019, the Company had issued a rent certificates amounting TL 150,000 that have maturity date of date of 3 July 2019 with an profit share of 20.75% ,amounting TL 150,000 that have maturity date of date of 30 July 2019 with an profit share of 22.90% on 30 April 2019 , amounting TL 150,000 that have maturity date of date of 6 August 2019 with a profit share of 22.90% on 9 April 2019, amounting TL 188,000 that have maturity date of date of 22 October 2019 with an profit share of 23.90% on 25 June 2019 and amounting TL 150,000 that have maturity date of date of 03 September 2019 with an profit share of 23.25% on 7 May 2019. From these lease certificates, TL 54,310 worth of these lease certificates is bought from the Company's affiliate EPP (Note: 20).

| | 30 June 2019 | 31 December 2018 |
|--|------------------|------------------|
| Long-term financial liabilities | | |
| Long-term borrowings | 1,830,726 | 1,685,943 |
| | 1,830,726 | 1,685,943 |

The all borrowings are received as TL currency and the interest rate of the borrowing as at 30 June 2019 is 17.54% (31 December 2018: 17.62 %).

The redemption schedules of the borrowings at 30 June 2019 and 31 December 2018 are as follows:

| | 30 June 2019 | 31 December 2018 |
|------|------------------|------------------|
| 2020 | 616,290 | 999,507 |
| 2021 | 1,166,745 | 638,745 |
| 2022 | 47,691 | 47,691 |
| | 1,830,726 | 1,685,943 |

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

| | 30 June 2019 | 31 December 2018 |
|-----------------------|------------------|------------------|
| Less than 3 months | 351,531 | 202,373 |
| Between 3 - 12 months | 1,324,997 | 885,763 |
| Between 1 - 5 years | 1,830,726 | 1,685,943 |
| | 3,507,254 | 2,774,079 |

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

| | 30 June 2019 | 31 December 2018 |
|--|------------------|------------------|
| Short-term trade receivables | | |
| Receivables from LSRSA contractors invoiced | 992,745 | 851,820 |
| Receivables from sale of residential and commercial units | 723,999 | 649,874 |
| Assigned receivables from sale of residential and commercial units (*) | 44,958 | 44,958 |
| Receivables from land sales | 199,665 | 24,754 |
| Receivables from related parties (Note 20) | 595,936 | 10,711 |
| Rent receivables | 7,241 | 6,734 |
| Other | 3,971 | 2,369 |
| Unearned finance income | (37,464) | (17,571) |
| | 2,531,051 | 1,573,649 |
| Doubtful receivables | 1,837 | 1,837 |
| Less: Provision for doubtful receivables | (1,837) | (1,837) |
| | 2,531,051 | 1,573,649 |

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

| | 30 June 2019 | 31 December 2018 |
|---|------------------|------------------|
| Long-term trade receivables | | |
| Receivables from sale of residential and commercial units | 2,674,682 | 2,178,500 |
| Receivables from land sales | 213,528 | - |
| Unearned finance income | (351,257) | (282,671) |
| | 2,536,953 | 1,895,829 |

| | 30 June 2019 | 31 December 2018 |
|--|----------------|------------------|
| Short-term trade payables | | |
| Payables to related parties (Note 20) | 60,371 | 69,985 |
| Payables to LSRSA contractors invoiced | 343,234 | 361,559 |
| Trade payables | 370,308 | 514,244 |
| Time deposit interest accruals from LSRSA contractors invoiced (*) | 19,876 | 19,742 |
| | 793,789 | 965,530 |

(*) 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. The Company tracks the contractor's share of the interest earned from the advances accumulated in these short term debts accounts.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

| | 30 June 2019 | 31 December 2018 |
|---|------------------|------------------|
| Short-term other receivables | | |
| Receivables from contractors | 801,053 | 759,276 |
| Housing Acquisition Support (“HAS”) related receivables from Turkish Treasury | 390,768 | 390,768 |
| Receivables from the authorities | 10,646 | 6,909 |
| Other | 659 | 698 |
| | 1,203,126 | 1,157,651 |

| | 30 June 2019 | 31 December 2018 |
|------------------------------------|--------------|------------------|
| Long-term other receivables | | |
| Deposits and guarantees given | 1,014 | 1,014 |
| | 1,014 | 1,014 |

| | 30 June 2019 | 31 December 2018 |
|----------------------------------|----------------|------------------|
| Short term other payables | | |
| Payable to HAS beneficiaries | 402,991 | 402,810 |
| Payable to contractors (*) | 88,752 | 88,752 |
| Taxes and funds payable | 17,777 | 22,801 |
| Notes payable | 0 | 47,477 |
| Other | 52,768 | 69,938 |
| | 562,288 | 631,778 |

(*) 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 2018: TL 88,752).

As of 30 June 2019, other long-term payables comprises of deposits and guarantees received.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES (Continued)

The movements of the payments either from Company’s shareholder’s equity to HAS beneficiaries and the detail of HAS payments and HAS receivables and payables related to Treasury Support as of for 30 June 2019 and 2018 are shown below:

| | 1 January 2019 | Additions within the period | Disposals | 30 June 2019 |
|---|-------------------|-----------------------------------|-----------|------------------|
| Treasury support share | | | | |
| Receivable from Treasury | 390,768 | - | - | 390,768 |
| Special purpose government bond | 12,067 | 10,000 | (50) | 22,017 |
| Cash generated from government bond redemption | (25) | 12 | (9,781) | (9,794) |
| Total consideration received or receivable from Treasury | 402,810 | | | 402,991 |
| Payable to HAS beneficiaries | (402,810) | | | (402,991) |

| | 1 January 2018 | Additions within the period | Disposals | 30 June 2018 |
|---|-------------------|-----------------------------------|-----------|------------------|
| Treasury support share | | | | |
| Receivable from Treasury | 390,771 | - | (3) | 390,768 |
| Special purpose government bond | 12,267 | - | (250) | 12,017 |
| Cash generated from government bond redemption | (25) | 252 | (114) | 113 |
| Total consideration received or receivable from Treasury | 403,013 | | | 402,898 |
| Payable to HAS beneficiaries | (403,013) | | | (402,898) |

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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

NOTE 9 -INVENTORIES

| | 30 June 2019 | 31 December 2018 |
|---|-------------------|-------------------|
| Lands | 3,212,508 | 3,278,940 |
| <i>Cost</i> | 3,349,678 | 3,427,421 |
| <i>Impairment</i> | (137,170) | (148,481) |
| Planned land by LSRSA | 6,185,849 | 7,100,097 |
| Planned land by turnkey project | 2,669,129 | 3,118,629 |
| Residential and commercial units ready for sale | 1,321,979 | 1,252,239 |
| <i>Cost</i> | 1,400,508 | 1,286,112 |
| <i>Impairment</i> | (78,529) | (33,873) |
| | 13,389,465 | 14,749,905 |

As of 31 December 2018, independent valuation reports prepared by Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. and 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:

| | 2019 | 2018 |
|----------------------------------|----------------|---------------|
| Balance at 1 January | 182,354 | 21,829 |
| Impairment charge for the period | 56,797 | 42,857 |
| Reversal of impairment | (23,452) | (27,315) |
| Balance at 30 June | 215,699 | 37,371 |

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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

NOTE 9 - INVENTORIES (Continued)

The details of land and residential stocks of the company are shown below as of 30 June 2019 and 31 December 2018:

| Lands | 30 June 2019 | 31 December 2018 |
|-----------------------------|---------------------|-------------------------|
| İstanbul Küçükçekmece Lands | 1,420,469 | 1,420,469 |
| İstanbul Başakşehir Lands | 657,093 | 438,912 |
| İstanbul Bakırköy Lands | 350,673 | 350,673 |
| İstanbul Tuzla Lands | 205,917 | 205,917 |
| İstanbul Arnavutköy Lands | 170,189 | 166,655 |
| İstanbul Kartal Lands | 109,183 | 109,183 |
| Samsun Canik Lands | 94,265 | 94,265 |
| İstanbul Ataşehir Lands | 40,232 | 40,132 |
| İstanbul Esenyurt Lands | 58,546 | 39,178 |
| Ankara Çankaya Lands | 50,775 | 17,695 |
| İstanbul Avcılar Lands | 19,307 | - |
| İzmir Konak Umurbey Lands | 12,258 | 12,258 |
| İstanbul İstinye Lands | 7,734 | 7,734 |
| Tekirdağ Çorlu Lands | 6,153 | 6,153 |
| Maltepe Küçükyalı Lands | 3,010 | 3,010 |
| Tekirdağ Kapaklı Lands | 1,862 | 1,862 |
| İstanbul Umraniye Lands | 1,844 | 1,844 |
| Kocaeli Gebze Lands | 729 | 729 |
| İstanbul Zekeriyaköy Lands | 677 | 677 |
| Kocaeli Tütünciftliği Lands | 618 | 618 |
| İstanbul Beşiktaş Lands | - | 360,002 |
| Other | 974 | 974 |
| | 3,212,508 | 3,278,940 |

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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

NOTE 9 - INVENTORIES (Continued)

| Planned lands by LSRSA | 30 June 2019 | 31 December 2018 |
|------------------------------------|------------------|------------------|
| Nidapark İstinye Project | 992,898 | 993,433 |
| Nidapark Kucukyali Project | 678,501 | 677,715 |
| Büyükyali Project | 654,315 | 656,805 |
| Merkez Ankara Project | 637,619 | 630,115 |
| Nişantaşı Project | 539,160 | 498,095 |
| Bizim 2.Mahalle Project | 508,993 | 476,638 |
| Florya Şenlik Mahallesi Project | 375,802 | 370,512 |
| Beykoz Riva Project | 378,666 | 366,646 |
| İstanbul Çekmeköy Taşdelen Project | 290,527 | 271,109 |
| Validebağ Konakları Project | 153,910 | 153,764 |
| Köy Project | 152,778 | 153,352 |
| Avangart İstanbul Project | 121,112 | 120,077 |
| Temaşehir Konya Project | 97,735 | 96,074 |
| Evora Denizli Project | 77,261 | 76,256 |
| Karat 34 Project | 68,389 | 67,480 |
| Cer İstanbul Project | 67,480 | 67,520 |
| Ebruli İspartakule Project | 58,225 | 58,105 |
| Avrupark Hayat Project | 54,057 | 54,289 |
| Yeniköy Konakları İstanbul Project | 45,366 | 45,368 |
| Tual Bahçekent Project | 36,272 | 118,929 |
| Semt Bahçekent Project | 35,427 | 50,154 |
| İspartakule 6. Etap Project | 29,375 | 48,682 |
| Ofis Karat Bakırköy Project | 30,955 | 30,605 |
| Nidapark Kayasehir Project | 29,526 | 199,373 |
| İstanbul Finans Merkezi Project | 23,783 | 22,444 |
| Tuzla İçmeler Project | 20,016 | 20,016 |
| Tual Adalar Project | 12,179 | 90,842 |
| Şile Çavuş Project | 9,813 | 9,813 |
| Ankara Saraçoğlu Project | 3,272 | 2,442 |
| İstmarina Project | - | 29,170 |
| Koordinat Çayyolu Project | - | 97,164 |
| Evvel İstanbul Project | - | 128 |
| Zeytinburnu Beştelsiz Project | - | 408,029 |
| Çankaya Oran Project | - | 33,079 |
| Kocaeli Derince Project | - | 70,360 |
| Maslak 1453 Project | - | 35,422 |
| Other | 2,437 | 92 |
| | 6,185,849 | 7,100,097 |

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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

NOTE 9 - INVENTORIES (Continued)

| Planned lands by turnkey project | 30 June 2019 | 31 December 2018 |
|---|---------------------|-------------------------|
| Gebze Emlak Konutları | 984,211 | 618,036 |
| Başkent Emlak Konutları Project | 738,723 | 557,844 |
| Kuzey Yakası Project | 521,307 | 349,753 |
| Ankara Başkent Project | 337,495 | 255,532 |
| Kocaeli Körfezkent Commercial Units | 56,553 | 40,918 |
| Halkalı Emlak Konutları Project | 20,868 | - |
| Hoşdere Hayat Parkı Project | 9,972 | - |
| Ankara Mühye Emlak Konutları Project | - | - |
| Ayazma Emlak Konutları Project | - | 1,916 |
| Nevşehir Emlak Konutları Project | - | 225,771 |
| Ispartakule 1. Etap 1. Kısım Project | - | 458,732 |
| Ispartakule 1. Etap 2. Kısım Project | - | 408,117 |
| Niğde Emlak Konutları | - | 162,387 |
| Başakşehir Ayazma 2. Etap Project | - | 39,623 |
| | 2,669,129 | 3,118,629 |

| Completed residential and commercial units | 30 June 2019 | 31 December 2018 |
|---|---------------------|-------------------------|
| Maslak 1453 Project | 644,875 | 654,276 |
| Sarphan Finanspark Project | 185,517 | 225,534 |
| Niğde Emlak Konutları | 84,207 | - |
| Başakşehir Ayazma Emlak Konutları | 75,577 | 115,630 |
| İstmarina Project | 64,744 | 51,728 |
| Ispartakule Emlak Konutları | 38,694 | - |
| Göl Panorama Project | 36,042 | - |
| Koordinat Çayyolu Project | 35,410 | - |
| Nidakule Ataşehir Project | 24,052 | 24,052 |
| Nevşehir Emlak Konutları | 22,045 | - |
| Dumankaya Miks Project | 19,330 | 19,330 |
| Kocaeli Körfezkent Emlak Konutları | 14,777 | 57,058 |
| Batışehir Project | 11,730 | 11,730 |
| Başakşehir Emlak Konutları | 11,596 | 29,228 |
| Esenler Emlak Konutları | 7,748 | 6,895 |
| Unikonut Project | 9,842 | 9,411 |
| Bahçekent Emlak Konutları | 8,640 | 8,445 |
| Avrupa Konutları Başakşehir Project | 7,952 | 8,553 |
| Metropol İstanbul Project | 6,152 | 7,889 |
| Bulvar İstanbul Project | 3,208 | 3,208 |
| Bahçekent Flora Evleri | 1,082 | 1,082 |
| Park Yaşam Mavişehir Evleri | - | 1,739 |
| Other | 8,759 | 16,451 |
| | 1,321,979 | 1,252,239 |

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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

NOTE 10 – 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.

The movement of investment property at 30 June 2019 and 2018 are as follows:

| | Lands and completed units | Atasehir General Management Office A Block | Total |
|---|--------------------------------------|---|--------------|
| Cost Value | | | |
| Opening balance as of 1 January 2019 | 329,182 | 40,922 | 370,104 |
| Transfers from completed units and land inventories | 51,762 | - | 51,762 |
| Purchases | 27,905 | - | 27,905 |
| Ending balance as of 30 June 2019 | 408,849 | 40,922 | 449,771 |

Accumulated Depreciation

| | | | |
|--------------------------------------|---------|--------|---------|
| Opening balance as of 1 January 2019 | - | 2,722 | 2,722 |
| Charge for the year | - | 511 | 511 |
| Ending balance as of 30 June 2019 | - | 3,233 | 3,233 |
| Carrying value as of 30 June 2019 | 408,849 | 37,689 | 446,538 |

| | Lands and completed units | Atasehir General Management Office A Block | Total |
|--------------------------------------|--------------------------------------|---|--------------|
| Cost Value | | | |
| Opening balance as of 1 January 2018 | 17,608 | 40,922 | 58,530 |
| Purchases (*) | 272,367 | - | 272,367 |
| Impairment Provision | (25,237) | - | (25,237) |
| Ending balance as of 30 June 2018 | 264,738 | 40,922 | 305,660 |

Accumulated Depreciation

| | | | |
|--------------------------------------|---------|--------|---------|
| Opening balance as of 1 January 2018 | - | 1,247 | 1,247 |
| Charge for the year | - | 491 | 491 |
| Ending balance as of 30 June 2018 | - | 1,738 | 1,738 |
| Carrying value as of 30 June 2018 | 264,738 | 39,184 | 303,922 |

(*)The Company is made up of commercial units purchased in 2018 to earn rental income from the Istmarina shopping center, which was completed within the scope of in “Istanbul Kartal Revenue Sharing Business for Land Sale”.

As of 30 June 2019, the rent income from investment properties is TL 6,931 (1 January – 30 June 2018 :TL 3,889).

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NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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

NOTE 10 - INVESTMENT PROPERTIES (Continued)

Regarding the measurement of fair values of investment properties at 30 June 2019, the valuation reports are taken from independent valuation CMB authorised firms Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. (31 December 2018: Terra Gayrimenkul Değerleme A.Ş.). The fair values of the investment property determined by independent valuation experts are as follows:

| | 30 June 2019 | 31 December 2018 |
|---|----------------|------------------|
| Lands | 149,450 | 69,800 |
| Atasehir General Management Office A Block | 83,524 | 83,524 |
| Independent commercial units of Istmarina AVM | 272,179 | 272,179 |
| | 505,153 | 425,503 |

Fair values of investment properties as of June 30, 2019 includes appraisal report values dated December 31, 2018 and expenditures made for investment properties until June 30, 2019.

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

| 30 June 2019 | Buildings | Motor vehicles | Furniture, equipment and fix assets | Construction in progress | Total |
|-------------------------------------|---------------|----------------|-------------------------------------|--------------------------|---------------|
| Net book value as of 1 January 2019 | 56,884 | 550 | 5,963 | 97 | 63,494 |
| Additions | - | - | 51 | - | 51 |
| Depreciation expense(-) | (575) | (153) | (1,430) | - | (2,158) |
| Net book value 30 June 2019 | 56,309 | 397 | 4,584 | 97 | 61,387 |
| Cost | 61,751 | 2,160 | 19,294 | 97 | 83,302 |
| Accumulated depreciation (-) | (5,442) | (1,763) | (14,710) | - | (21,915) |
| Net book value 30 June 2019 | 56,309 | 397 | 4,584 | 97 | 61,387 |

| 30 June 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 | - | - | 291 | 3 | 294 |
| Depreciation expense(-) | (567) | (148) | (1,434) | - | (2,149) |
| Net book value 30 June 2018 | 57,937 | 685 | 6,284 | 97 | 65,003 |
| Cost | 62,129 | 2,160 | 18,152 | 97 | 82,538 |
| Accumulated depreciation (-) | (4,192) | (1,475) | (11,868) | - | (17,535) |
| Net book value 30 June 2018 | 57,937 | 685 | 6,284 | 97 | 65,003 |

All of the depreciation expenses are included in the general administrative expenses account. The expected useful lives are stated below:

| | Years |
|------------------------|-------|
| Buildings | 50 |
| Motor vehicles | 5 |
| Furniture and fixtures | 4-5 |

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

NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

| | 30 June 2019 | 31 December 2018 |
|------------------------|----------------|------------------|
| Provisions | | |
| Provision for lawsuits | 109,096 | 131,503 |
| | 109,096 | 131,503 |

The movements of provision for lawsuits as of 30 June 2019 and 2018 are as follows:

| | 2019 | 2018 |
|--|----------------|---------------|
| Balance at 1 January | 131,503 | 46,916 |
| Provision released within the current period (Note 20) | (22,407) | - |
| Provision charged for the period (Note 20) | - | 1,382 |
| Balance at 30 June | 109,096 | 48,298 |

12.1 Continuing Cases and Provisions

12.1.1 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. İzmir Karsiyaka Commercial Court of First Instance issued an expert report to determine the level of work was at around 83%, and the legal relationship of the parties were not related to construction right in return of the 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 date 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 comitee. 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 the plaintiff's assertion, the contract of the related project has been terminated unjustly by the Emlak Konut. The contractor firm is subject to compensation case. The claimant increased the value of the case according to the various expert reports and the related case amount increased to TL 65,596. The Company made provision amounting to TL 75,840 from the related case as of 30 June 2019.

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

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

12.1 Continuing Cases and Provisions (Continued)

12.1.2 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 20,521 from the related case as of 30 June 2019.

12.1.3 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 6,860 from the related case as of 30 June 2019.

12.2 Contingent Liabilities of Emlak Konut GYO

In the financial statements prepared as of 30 June 2019, 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 30 June 2019 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 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. In the expert opinion, the expert graded the view that the existence of the mortgage crisis necessitated the adaptation to 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. According to the opinion of the company lawyer, no liability is expected to born as a result of the related lawsuit.

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

12.2 Contingent Liabilities of Emlak Konut GYO (Continued)

12.2.2 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.

12.2.3 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.

12.2.4 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. According to the opinion of the company lawyer, no liability is expected to born as a result of the related lawsuit.

12.3 Contingent Assets of Emlak Konut GYO

12.3.1 As of 30 June 2019 and 31 December 2018, 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 TFRS 15 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:

| 30 June 2019 | Trade Receivables | Off-balance sheet deferred revenue | Total |
|---------------------|--------------------------|---|------------------|
| 1 year | 723,999 | 815,013 | 1,539,012 |
| 2 year | 336,183 | 546,269 | 882,452 |
| 3 year | 392,104 | 348,241 | 740,345 |
| 4 year | 335,278 | 258,652 | 593,930 |
| 5 year and above | 1,611,117 | 693,373 | 2,304,490 |
| | 3,398,681 | 2,661,548 | 6,060,229 |

| 31 December 2018 | Trade Receivables | Off-balance sheet deferred revenue | Total |
|-------------------------|--------------------------|---|------------------|
| 1 year | 649,874 | 1,078,613 | 1,728,487 |
| 2 year | 397,839 | 873,235 | 1,271,074 |
| 3 year | 354,604 | 494,918 | 849,522 |
| 4 year | 318,761 | 381,373 | 700,134 |
| 5 year and above | 1,107,296 | 1,576,903 | 2,684,199 |
| | 2,828,374 | 4,405,042 | 7,233,416 |

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

NOTE 13 - OTHER ASSETS AND LIABILITIES

| | 30 June 2019 | 31 December 2018 |
|--|----------------|------------------|
| Other current assets | | |
| Progress payments given to contractors | 159,502 | 160,128 |
| Accrued income | 10,456 | 114,049 |
| Receivables from tax office | 4,989 | 17,703 |
| | 174,947 | 291,880 |

| | 30 June 2019 | 31 December 2018 |
|---------------------------------|---------------|------------------|
| Other non-current assets | | |
| Deferred VAT | 73,362 | 231,222 |
| | 73,362 | 231,222 |

NOTE 14 - DEFERRED INCOME AND PREPAID EXPENSES

| | 30 June 2019 | 31 December 2018 |
|---|------------------|------------------|
| Short-term deferred income | | |
| Deferred income from LSRSA projects (*) | 1,514,581 | 2,134,978 |
| Advances taken from LSRSA contractors (**) | 833,351 | 688,925 |
| Advances taken from turnkey project sales | 268,978 | 403,299 |
| Alienable deferred incomes (***) | 239,333 | 336,000 |
| Deferred income from sales of completed units | 589,453 | 597,365 |
| Advances taken from related parties (Note 20) | 64,732 | 64,732 |
| | 3,510,428 | 4,225,299 |

(*) 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".

| | 30 June 2019 | 31 December 2018 |
|----------------------------------|------------------|------------------|
| Prepaid expenses | | |
| Advances given for inventory (*) | 1,596,123 | 1,430,510 |
| Prepaid expenses | 97 | 53 |
| | 1,596,220 | 1,430,563 |

(*) 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 467,825. The Company has also provided a stock advance of 1,055,343 TL to the contractors for the houses and commercial units they have received from Ankara Yeninahalle Station, Nidapark Küçükyalı and Büyükyalı projects.

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NOTE 15 - SHAREHOLDERS' EQUITY

The Company's authorized capital amount is TL 3,800,000 (31 December 2018: TL 3,800,000) and consists of 380,000,000,000 (31 December 2018: 380,000,000,000) authorized number of shares with a nominal value of TL 0,01 each.

The Company's shareholders and their shareholding percentages as of 30 June 2019 and 31 December 2018 is as follows:

| Shareholders | 30 June 2019 | | 31 December 2018 | |
|--|--------------|------------------|------------------|------------------|
| | Share (%) | TL | Share (%) | TL |
| Public offering portion | 50,66 | 1,925,111 | 50,66 | 1,925,111 |
| T.C. 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.

On 30 April 2019, the General Assembly decided to distribute dividends amounting to TL 122,980. This dividend amounting to TL 4,154 is related to repurchased shares and offsetted under 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 rise to 3.38% as a result of transactions between 23 December 2013- 17 November 2017.

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NOTE 16 - REVENUE AND COST OF SALES

| | 1 January- 30 June 2019 | 1 April- 30 June 2019 | 1 January- 30 June 2018 | 1 April- 30 June 2018 |
|---|----------------------------|--------------------------|----------------------------|--------------------------|
| Sales income | | | | |
| Land sales | 1,875,424 | 1,668,338 | 1,935,461 | 657,538 |
| <i>Income from sale of land and plots by way of LSRSA</i> | <i>806,951</i> | <i>742,238</i> | <i>1,477,203</i> | <i>199,280</i> |
| <i>Land sales income</i> | <i>1,068,473</i> | <i>926,100</i> | <i>458,258</i> | <i>458,258</i> |
| Residential and commercial units sales | 1,285,494 | 259,049 | 368,925 | 210,891 |
| Other Income | 6,921 | 5,051 | 3,028 | 1,944 |
| | 3,167,839 | 1,932,438 | 2,307,414 | 870,373 |
| Sales returns | (2,925) | (2,553) | (1,841) | (915) |
| Sales discounts | - | - | (1,491) | (758) |
| Net sales income | 3,164,914 | 1,929,885 | 2,304,082 | 868,700 |
| Cost of sales | | | | |
| Cost of land sales | (1,395,025) | (1,199,598) | (788,158) | (372,747) |
| <i>Cost of land and plots sold by way of LSRSA</i> | <i>(446,822)</i> | <i>(392,383)</i> | <i>(588,836)</i> | <i>(173,425)</i> |
| <i>Cost of land sales</i> | <i>(948,203)</i> | <i>(807,215)</i> | <i>(199,322)</i> | <i>(199,322)</i> |
| Cost of residential and commercial units sales | (1,267,937) | (287,461) | (244,228) | (122,593) |
| | (2,662,962) | (1,487,059) | (1,032,386) | (495,340) |
| Gross profit | 501,952 | 442,826 | 1,271,696 | 373,360 |

NOTE 17 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

| | 1 January- 30 June 2019 | 1 April- 30 June 2019 | 1 January- 30 June 2018 | 1 April- 30 June 2018 |
|--|----------------------------|--------------------------|----------------------------|--------------------------|
| General administrative expenses | | | | |
| Personnel expenses | (43,114) | (22,617) | (29,022) | (13,771) |
| Taxes, duties and fees | (16,841) | (5,809) | (21,073) | (11,982) |
| Consultancy expenses | (14,937) | (10,564) | (9,677) | (6,577) |
| Due and contribution expenses | (6,765) | (3,034) | (1,924) | (1,377) |
| Information technology expenses | (5,215) | (2,151) | (4,331) | (956) |
| Travel expenses | (3,434) | (1,583) | (2,871) | (1,132) |
| Depreciation and amortisation | (3,718) | (1,829) | (3,172) | (1,382) |
| Maintenance | (1,135) | (627) | (1,994) | (1,292) |
| Lawsuit and notary expenses | (828) | (600) | (2,595) | (2,478) |
| Insurance expenses | (597) | (393) | (517) | (400) |
| Communication | (404) | (234) | (293) | (202) |
| Donations | -1,039 | (1,039) | (18,718) | (18,563) |
| Other | (12,778) | (5,730) | (9,145) | (4,805) |
| | (110,805) | (56,210) | (105,332) | (64,917) |

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NOTE 17 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES (Continued)

| | 1 January- 30 June 2019 | 1 April- 30 June 2019 | 1 January- 30 June 2018 | 1 April- 30 June 2018 |
|---|----------------------------|--------------------------|----------------------------|--------------------------|
| Marketing, sales and distribution expenses | | | | |
| Advertising expenses | (21,612) | (10,575) | (23,170) | (11,726) |
| Personnel expenses | (3,935) | (1,924) | (3,024) | (2,077) |
| Notary expenses | (26) | 0 | (50) | -33,00 |
| Office expenses | (9) | (8) | (188) | -68,00 |
| Other | (2,116) | (248) | (1,446) | (258) |
| | (27,698) | (12,755) | (27,878) | (14,162) |

NOTE 18- OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

| | 1 January- 30 June 2019 | 1 April- 30 June 2019 | 1 January- 30 June 2018 | 1 April- 30 June 2018 |
|---|----------------------------|--------------------------|----------------------------|--------------------------|
| Other income from operating activities | | | | |
| Finance income from credit sales | 249,723 | 137,199 | 184,651 | 74,342 |
| Released lawsuit provisions (Note 12) | 22,438 | 1,424 | - | - |
| Delay penalty interest from project contractors | 44,520 | 25,478 | 64,379 | 25,199 |
| Recirculate commission income | 15,336 | 6,353 | 12,562 | 5,934 |
| Fee returns from land offices | 6,997 | 3,449 | 1,284 | 770 |
| Impairment provision reversals (Note 9) | 23,452 | 21,657 | 27,315 | 26,135 |
| Income from tender contract sales | - | - | 151 | 26 |
| Other | 18,183 | 3,855 | 9,167 | 5,138 |
| | 380,649 | 199,415 | 299,509 | 137,544 |

| | 1 January- 30 June 2019 | 1 April- 30 June 2019 | 1 January- 30 June 2018 | 1 April- 30 June 2018 |
|--|----------------------------|--------------------------|----------------------------|--------------------------|
| Other expenses from operating activities | | | | |
| Home and land inventories impairment provision expenses (Note 9) | (56,797) | (35,882) | (42,857) | (34,047) |
| Cash and cash equivalents impairment provision expenses | (413) | 2,143 | (5,508) | (5,508) |
| Lawsuit provision charge for the period (Note 12) | - | - | (1,382) | (1,382) |
| Investment properties impairment provision expenses | - | - | (25,237) | (1,904) |
| Other | (5,014) | 77 | (3,902) | (3,328) |
| | (62,224) | (33,662) | (78,886) | (46,169) |

NOTE 19 - INCOME FROM INVESTING ACTIVITIES

| | 1 January- 30 June 2019 | 1 April- 30 June 2019 | 1 January- 30 June 2018 | 1 April- 30 June 2018 |
|---|----------------------------|--------------------------|----------------------------|--------------------------|
| Financial income | | | | |
| Interest income from time deposits | 33,672 | 23,469 | 57,313 | 36,674 |
| Interest income from TOKI | 41,498 | - | - | - |
| Foreign exchange income | 12 | - | 12 | 5 |
| | 75,182 | 23,469 | 57,325 | 36,679 |
| Financial expenses | | | | |
| Loan and sukuk interest expense | (280,390) | (172,768) | (161,742) | (103,282) |
| Interest discount on pay off debt | (113,620) | (78,194) | (29,185) | (28,440) |
| Assigned receivables and commission expense | (5,602) | (2,661) | (27,376) | - |
| Interest expense on payable to TOKI | - | - | (67,514) | - |
| Foreign exchange loss | (307) | (306) | (247) | (33) |
| | (399,919) | (253,929) | (286,064) | (131,755) |

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NOTE 20 - RELATED PARTY DISCLOSURES

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

1. T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)
2. Emlak Planlama, İnşaat, Proje Yönetimi ve Ticaret A.Ş. (“EPP”)
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. Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. Ortak Girişimi
9. Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay Ortak Girişimi
10. Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş Ortak Girişimi
11. Emlak Planlama İnşaat Proje Yönetimi ve Tic. A.Ş. - Emlak Basın Yayın A.Ş. Ortak Girişimi
12. Emlak Konut Spor Kulübü Derneği
13. Dap Yapı İnşaat Sanayi ve Ticaret A.Ş. ve Eltes İnşaat Tesisat Sanayi ve Ticaret A.Ş. Ortak Girişimi – Emlak Konut GYO A.Ş. (“İstmarina AVM Adi Ortaklığı”)
14. Türkiye Emlak Katılım Bankası A.Ş.
15. T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü
16. İller Bankası A.Ş.

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 142,182 as of 30 June 2019 (31 December 2018: TL 219,689) Average effective interest rates of time deposits of the Company as of 30 June 2019 are explained in Note 4.

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

| | 30 June 2019 | 31 December 2018 |
|---|----------------|------------------|
| Trade receivables from related parties | | |
| T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü | 470,866 | - |
| İller Bankası A.Ş. | 115,025 | - |
| Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G. | 3,131 | 3,797 |
| Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş O.G. | 5,577 | 5,577 |
| Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay Ortak Girişimi | 1,337 | 1,337 |
| | 595,936 | 10,711 |
| Trade payables to related parties | | |
| T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”) (*) | 59,047 | 68,661 |
| Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G. | 1,324 | 1,324 |
| | 60,371 | 69,985 |

(*) The Company has purchased various lands from its ultimate parent company (TOKİ). The remaining payable

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from this purchases to TOKİ is amounting to TL 59,047 (31 December 2018: TL 68,661).

NOTE 20 - RELATED PARTY DISCLOSURES (Continued)

| Advances received from related parties | 30 June 2019 | 31 December 2018 |
|---|---------------|------------------|
| Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş 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- 30 June 2019 | 1 April- 30 June 2019 | 1 January- 30 June 2018 | 1 April- 30 June 2018 |
|--|----------------------------|--------------------------|----------------------------|--------------------------|
| T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”) | 280,902 | - | 12,058 | - |
| Emlak Planlama İnş. Prj. Yön. A.Ş. - Emlak Basın Yayın A.Ş. O.G. | - | - | 577 | 291 |
| | 280,902 | - | 12,635 | 291 |

EPP had rent certificate amounting to TL 100,000 which were issued by the Company as of 31 December 2018 and the Company repaid TL 100,000 to EPP on 18 March 2019. The rent certificates which the Company had issued has been bought by EPP which is affiliate of the company amounting 54,310 TL.

| Finance expense from related parties | 1 January- 30 June 2019 | 1 April- 30 June 2019 | 1 January- 30 June 2018 | 1 April- 30 June 2018 |
|--|----------------------------|--------------------------|----------------------------|--------------------------|
| T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”) | - | - | 67,514 | 44,449 |
| Türkiye Emlak Katılım Bankası A.Ş. | 8,905 | 8,905 | - | - |
| Emlak Planlama, İnşaat, Proje Yönetimi ve Ticaret A.Ş. | 7,166 | 2,103 | - | - |
| | 16,071 | 11,008 | 67,514 | 44,449 |

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- 30 June 2019 | 1 April- 30 June 2019 | 1 January- 30 June 2018 | 1 April- 30 June 2018 |
|--|----------------------------|--------------------------|----------------------------|--------------------------|
| T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”) | 70,959 | 599 | - | - |
| İller Bankası A.Ş. | 115,640 | 115,640 | - | - |
| T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü | 470,867 | 470,867 | - | - |
| | 657,466 | 587,106 | - | - |

Persons who are the top management of the entity are persons who have direct or indirect authority and responsibility for planning and managing their activities, including any executive (administrative or other).

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NOTE 20 - RELATED PARTY DISCLOSURES (Continued)

In the Company, the chair 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- 30 June 2019 | 1 April- 30 June 2019 | 1 January- 30 June 2018 | 1 April- 30 June 2018 |
|---|----------------------------|--------------------------|----------------------------|--------------------------|
| Salaries and other short-term employee benefits | 3,364 | 1,928 | 2,982 | 1,686 |
| | 3,364 | 1,928 | 2,982 | 1,686 |

NOTE 21 - COMMITMENTS

The mortgage and guarantees received of the Company as of 30 June 2019 and 31 December 2018 are explained below;

| | 30 June 2019 | 31 December 2018 |
|-------------------------|------------------|------------------|
| Guarantees received (*) | 2,197,791 | 3,008,731 |
| Mortgages received (**) | 58,564 | 78,342 |
| | 2,256,355 | 3,087,073 |

(*) 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.

The collaterals, pledges and mortgages (“CPM”) of the Company as of 30 June 2019 and 31 December 2018 are explained below;

| | 30 June 2019 | 31 December 2018 |
|--|---------------|------------------|
| A. CPM given on behalf of the Company's legal personality | 81,611 | 53,468 |
| 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 | - | - |
| | 81,611 | 53,468 |

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NOTE 23 – EARNINGS PER SHARE

In Turkey, companies can increase their share capital by making a pro rata distribution of shares (“Bonus Shares”) to existing shareholders from retained earnings and revaluation surplus. The issue of such shares is treated as the issuance of ordinary shares in the calculation of earnings per share. Accordingly, previous effects of related share distributions taking into consideration on weighted average number of shares used in calculation. Earnings per share is calculated by considering the total number of new shares when there is an increase in issued shares because of distribution of bonus shares after the balance sheet date but before the preparation of financial statements.

The earnings per share stated in income statement are calculated by dividing net income for the period by the weighted average number of the Company’s shares for the period.

The Company can withdraw the issued shares. The weighted average number of stocks taken back changes the calculation of earnings per share in line with the number of shares.

| | 1 January- 30 June 2019 | 1 April- 30 June 2019 | 1 January- 30 June 2018 | 1 April- 30 June 2018 |
|--|----------------------------|--------------------------|----------------------------|--------------------------|
| Net income attributable to equity holders of the parent in full TL | 356,259 | 308,382 | 1,130,805 | 263,546 |
| Weighted average number of ordinary shares | 3,663,584,506 | 3,663,584,506 | 3,663,584,506 | 3,663,584,506 |
| Earnings per share in full TL | 0,0010 | 0,0008 | 0,0031 | 0,0007 |

NOTE 23 - EVENTS AFTER THE REPORTING PERIOD

On 3 July 2019, the Company issued a bond amounting TL 100,000 with a maturity date of 24 September 2019 in a limit of TL 2,000,000 bond issuance ceiling .

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(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 30 June 2019 (TL) | Prior Period 31 December 2018 (TL) |
|-----------|---|------------------------------------|---|---|
| | Main Account Items | Related Regulation | | |
| A | Money and Capital Market Instruments | Series:III-No:48, Art,24/(b) | 415,912 | 437,372 |
| B | Properties, Projects based on Properties and Rights based on Properties | Series:III-No:48, Art,24/(a) | 13,892,312 | 15,166,621 |
| C | Affiliates | Series:III-No:48, Art,24/(b) | 288,037,00 | - |
| | Due from related parties (Non Commercial) | Series:III-No:48, Art,23/(f) | - | - |
| | Other Assets | | 8,196,297 | 6,767,401 |
| D | Total Assets | Series:III-No:48, Art,3/(k) | 22,792,558 | 22,659,394 |
| E | Financial Liabilities | Series:III-No:48, Art,31 | 4,338,742 | 3,463,446 |
| 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 | 13,324,175 | 13,086,742 |
| | Other Resources | | 5,129,641 | 6,109,206 |
| D | Total Resources | Series:III-No:48, Art,3/(k) | 22,792,558 | 22,659,394 |
| | Non-Consolidated (Individual) Financial Statements | | Current Period 30 June 2019 (TL) | Prior Period 31 December 2018 (TL) |
| | Other Account Items | Related Regulation | | |
| 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) | 415,912 | 437,372 |
| A2 | Term/ Demand/ Currency | Series:III-No:48, Art,24/(b) | 371,646 | 371,894 |
| 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) | 618,260 | 650,651 |
| C1 | Foreign Affiliates | Series:III-No:48, Art,24/(d) | - | - |
| C2 | Affiliates for Operating Company | Series:III-No:48, Art,28 | 288,000 | - |
| J | Non-cash Loans | Series:III-No:48, Art,31 | 81,611 | 56,397 |
| K | Mortgage amount of Servient Lands Which Will Be Developed And Not Owned | Series:III-No:48, Art,22/(e) | - | - |

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

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

| | Portfolio restrictions | Related regulation | 30 June 2019 (%) | 31 December 2018 (%) | 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) | 63 | 69 | >50% |
| 3 | Money and Capital Market Instruments and Affiliates | Series:III-No:48, Art,24/(b) | 1,26 | 1,27 | <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) | 3 | 3 | <20% |
| 6 | Affiliates to the Operating Company | Series:III-No:48, Art,28 | 0,01 | 0,01 | <10% |
| 7 | Borrowing Limit | Series:III-No:48, Art,31 | 33 | 27 | <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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