

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 31 MARCH 2020**

**(CONVENIENCE TRANSLATION OF THE REPORT
AND THE FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH)**

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

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EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2020 AND 31 DECEMBER 2019

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

		<i>Not Reviewed</i> 31 March 2020	<i>Audited</i> 31 December 2019
	Notes		
ASSETS			
Current assets		21,115,115	20,392,829
Cash and cash equivalents	4	1,256,708	546,968
Financial investments	5	15,006	22,370
Trade receivables	7	2,492,275	2,916,749
<i>Trade receivables due from related parties</i>	<i>21</i>	<i>481,168</i>	<i>479,941</i>
<i>Trade receivables due from third parties</i>		<i>2,011,107</i>	<i>2,436,808</i>
Other receivables	8	1,192,659	1,139,809
<i>Other receivables due from related parties</i>	<i>21</i>	<i>673</i>	<i>762</i>
<i>Other receivables due from third parties</i>		<i>1,191,986</i>	<i>1,139,047</i>
Inventories	9	14,103,252	13,782,778
Prepaid expenses	14	1,770,440	1,750,228
Other current assets	13	284,775	230,934
Current tax assets	20	-	2,993
Non-current assets		3,768,429	3,792,413
Trade receivables	7	2,997,276	3,067,809
<i>Trade receivables due from third parties</i>		<i>2,997,276</i>	<i>3,067,809</i>
Other receivables	8	44,344	42,035
<i>Other receivables due from third parties</i>		<i>17,546</i>	<i>17,419</i>
<i>Other receivables due from related parties</i>	<i>21</i>	<i>26,798</i>	<i>24,616</i>
Financial investments	5	836	836
Investments accounted for using equity method		6,386	7,331
Investment properties	10	464,668	480,145
Right-of-use assets		527	539
Property, plant and equipment	11	106,550	105,913
Intangible assets		4,194	4,393
Other non-current assets	13	135,547	75,958
Deferred tax assets	20	8,101	7,454
Total assets		24,883,544	24,185,242

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2020 AND 31 DECEMBER 2019

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

	Notes	Not Reviewed 31 March 2020	Audited 31 December 2019
LIABILITIES AND EQUITY			
Current liabilities		7,525,963	8,722,050
Short-term borrowings	6	1,093,427	1,864,938
Short-term portions of long-term borrowings		961,198	1,313,683
<i>Short-term portion of long-term borrowings from related parties</i>		3,384	2,988
<i>Lease liabilities</i>	21	3,384	2,988
<i>Short-term portion of long-term borrowings from third parties</i>		957,814	1,310,695
<i>Bank Loans</i>	6	957,814	1,310,695
Trade payables	7	704,470	505,768
<i>Trade payables due to related parties</i>	21	7,863	25,803
<i>Trade payables due to third parties</i>		696,607	479,965
Other payables	8	626,732	571,706
<i>Other payables to related parties</i>		398	397
<i>Other payables to third parties</i>		626,334	571,309
Deferred income	14	4,015,521	4,344,566
<i>Deferred income from related parties</i>	21	64,732	64,732
<i>Deferred income from third parties</i>		3,950,789	4,279,834
Short-term provisions		124,615	121,389
<i>Short-term provisions for employee benefits</i>		10,250	11,148
<i>Other short-term provisions</i>	12	114,365	110,241
Non-current liabilities		3,500,934	1,720,150
Long-term borrowings		3,371,245	1,590,567
<i>Long-term borrowings from related parties</i>		2,824	3,003
<i>Lease liabilities</i>	21	2,824	3,003
<i>Long-term borrowings from third parties</i>		3,368,421	1,587,564
<i>Bank Loans</i>	6	3,368,421	1,587,564
Trade payables		8	102
Other payables	8	49,257	48,887
Deferred income		4,885	4,591
Long-term provisions		13,382	13,846
<i>Long-term provisions for employee benefits</i>		13,382	13,846
Deferred tax liability		62,157	62,157
Shareholders' equity		13,856,647	13,743,042
Total equity attributable to equity holders of the Company		13,856,491	13,744,527
Paid-in capital	15	3,800,000	3,800,000
Treasury shares (-)		(296,231)	(284,480)
Share premium (discounts)		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 appropriated from profit		721,385	721,385
Prior years' profits		7,140,769	6,362,400
Net profit for the year		123,715	778,369
Non-controlling Interests		156	(1,485)
Total liabilities and equity		24,883,544	24,185,242

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 MARCH 2020 AND 2019

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

	Notes	Not Reviewed 1 January- 31 March 2020	Not Reviewed 1 January- 31 March 2019
Revenue	16	696,589	1,240,162
Cost of sales (-)	16	(411,777)	(1,184,639)
Gross profit		284,812	55,523
General administrative expenses (-)	17	(57,929)	(60,083)
Marketing expenses (-)	17	(12,019)	(15,169)
Other income from operating activities	18	149,502	181,234
Other expenses from operating activities (-)	18	(130,835)	(28,562)
Share of losses from investments accounted for using equity method		(949)	(2,805)
Operating profit		232,582	130,138
Income from investing activities		3	165
Operating profit before financial income / (expense)		232,585	130,303
Financial income	19	30,525	58,236
Financial expenses (-)	19	(138,401)	(140,969)
Profit from continuing operations, before tax		124,709	47,570
Tax income from continuing operations		647	6,354
<i>Deferred tax income</i>	20	647	6,354
Net profit for the period		125,356	53,924
Profit for the period is attributable to:			
Non-controlling interests		1,641	(14)
Owners of the Company		123,715	53,938
Other comprehensive income		-	-
Total comprehensive income		125,356	53,924
Total comprehensive income is attributable to:			
Non-controlling interests		1,641	(14)
Owners of the Company		123,715	53,938
Earnings per share (in full TL)		0,0003	0,0001

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED 31 MARCH 2020 AND 2019

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

	Share capital	Treasury shares (-)	Share premium/ discounts	Restricted reserves appropriated from profit	Other Accumulated Comprehensive Income and Expense not to be Reclassified to Profit or Loss	Retained Earnings		Total	Non-controlling interests	Total equity
						Prior years' profit	Net profit for the period			
1 January 2019	3,800,000	(284,480)	2,366,895	662,853	(42)	5,271,709	1,268,049	13,084,984	(1,466)	13,083,518
Transfers	-	-	-	-	-	1,268,049	(1,268,049)	-	-	-
Total comprehensive income	-	-	-	-	-	-	53,938	53,938	(14)	53,924
31 March 2019	3,800,000	(284,480)	2,366,895	662,853	(42)	6,539,758	53,938	13,138,922	(1,480)	13,137,442
1 January 2020	3,800,000	(284,480)	2,366,895	721,385	(42)	6,362,400	778,369	13,744,527	(1,485)	13,743,042
Transfers	-	-	-	-	-	778,369	(778,369)	-	-	-
Increases/(Decreases) Related to the										
Acquisition of Treasury Shares	-	(11,751)	-	-	-	-	-	(11,751)	-	(11,751)
Total comprehensive income	-	-	-	-	-	-	123,715	123,715	1,641	125,356
31 March 2020	3,800,000	(296,231)	2,366,895	721,385	(42)	7,140,769	123,715	13,856,491	156	13,856,647

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED 31 MARCH 2020 AND 2019

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

		1 January- 31 March 2020	1 January- 31 March 2019
Cash flows from operating activities			
Profit for the period		125,356	53,924
Adjustments to reconcile net profit			
Adjustments related to depreciation and amortization expenses	17,18	22,179	1,889
Adjustments related to tax expense (income)	20	(647)	-6,354
Adjustments related to undistributed losses of investments accounted for using the equity method		949	2,805
Adjustments for impairments		91,104	19,120
<i>Adjustments related to (reversal of) impairment of inventories</i>	9	91,104	19,120
Changes in provisions		8,469	(15,623)
<i>Adjustments related to (reversal of) provisions for employee benefits</i>		(1,362)	2,835
<i>Adjustments related to (reversal of) provision for lawsuit and/or penalty</i>	12	4,124	(21,014)
<i>Adjustments related to (reversal of) provisions for possible risks</i>	18	5,707	2,556
Adjustments for interest (income) expenses		10,888	(48,864)
<i>Adjustments for interest income</i>	18,19	(125,750)	(189,790)
<i>Adjustments for interest expense</i>	19	136,638	140,926
Changes in net working capital		258,298	6,897
Adjustments related to (increase) / decrease in trade receivable		432,403	(534,971)
<i>Decrease (increase) in trade receivables from related parties</i>		(1,227)	2,064
<i>Decrease (Increase) in trade receivables from third parties</i>		433,630	(537,035)
Adjustments related to decrease/(increase) in inventories		(396,101)	318,478
Adjustments related to increase/(decrease) in trade payables		198,608	(29,947)
<i>Increase (decrease) in trade payables to related parties</i>		(17,940)	(12,691)
<i>Increase (decrease) in trade payables to third parties</i>		216,548	(17,256)
Adjustments related to decrease (increase) in other receivables related to operations		(113,409)	(192,394)
Adjustments related to increase (decrease) in other payables related to operations		(262,795)	(84,112)
Adjustments related to other increase (decrease) in working capital		32,604	95,965
Net cash flows from operating activities			
Interest received		19,646	29,576
Payments related to provisions for employee benefits		(75)	-
Income taxes paid		37,564	(52,093)
Cash flows from operating activities		206,743	(442,601)
Cash flows from investing activities			
Cash outflows used in obtaining control of subsidiaries		-	(47,477)
Purchases of investment properties, property, plant and equipment and intangible assets		(2,222)	(1,971)
Interest received		3	165
Returns of financial assets		-	50
Other cash inflows (outflows)		(3,503)	14,712
Cash flows from investing activities		(5,722)	(34,521)
Cash flows from financing activities			
Payments for acquisition of treasury shares	15	(11,751)	-
Proceeds from Borrowings		2,073,457	1,420,000
<i>Proceeds from Loans</i>		1,523,457	880,000
<i>Proceeds from Issue of Debt Instruments</i>		550,000	540,000
Repayments of borrowings		(1,427,469)	(747,716)
<i>Loan Repayments</i>		(877,469)	(352,716)
<i>Payments of Issued Debt Instruments</i>		(550,000)	(395,000)
Cash Outflow from Debt Payments for Lease Contracts		(219)	-
Interest paid		(120,324)	(86,588)
Interest received		30,468	10,203
Other cash inflows (outflows)		2	(38)
Cash flow from financing activities		544,164	595,861
Net increase (decrease) in cash and cash equivalents		745,185	118,739
Cash and cash equivalents at the beginning of the period	4	432,038	494,226
Cash and cash equivalents at the end of the period	4	1,177,223	612,965

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2020

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

NOTE 1 – ORGANIZATION AND OPERATION OF THE GROUP

Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. (“Emlak Konut GYO” or the “Group”) was established on 26 December 1990 as a subsidiary of Türkiye Emlak Bankası A.Ş. The Group 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 Group has been registered and started its activities on 6 March 1991. The Group’s articles of association were revised on 19 May 2001 and it became an entity subject to the Turkish Commercial Code No. 4603.

The Group was transformed into a Real Estate Investment Group 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 Group into a Real Estate Investment Group 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 Group was submitted for the approval of the Board and the amendment draft was approved at the Ordinary General Shareholders Committee meeting of the Group convened on 22 July 2002, changing the articles of association accordingly.

The articles of association of the Group 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 Group convened on 28 February 2006, the title of the Group “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 Group’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 Group is Barbaros Mah. Mor Sümbül Sok. No: 7/2 B (Batı Ataşehir) Ataşehir – İstanbul.

The objective and operating activity of the Group 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 Group cannot be a part of construction business, but only can organize it by auctioning between the contractors.

The consolidated consolidated financial statements at 31 March 2020 have been approved by the Board of Directors on 11 June 2020.

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

Emlak Konut GYO will be referred to as the “Group” with its subsidiaries and investments valued by the equity method.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2020

(Amounts are expressed in thousand Turkish Lira ("TL") unless otherwise stated.)

NOTE 1 – ORGANIZATION AND OPERATION OF THE GROUP (Continued)

The World Health Organization (WHO) has declared an international public health emergency due to the eruption of the coronavirus (COVID-19), which first appeared in Wuhan, China has described COVID-19 as a pandemic as of 11 March 2020. Covid-19 which has rapidly spread across Turkey and the world is considered to have negative economic impact in Turkey and other countries. Since these economic impacts remain uncertain as of the publication date of the financial statements, their impact on the Company's financial statements has not been reasonably estimated, as well. The details of the measures taken by both the government and the Company's management concerning COVID-19 are explained in the events after the reporting period (Note 23).

Subsidiaries

Subsidiaries of Emlak Konut GYO operate in Turkey and their main operations are as follows:

Subsidiaries	Nature of Operations			
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. ("EPP")	Real Estate Investments			
EPP (*) - Emay Adi Ortaklığı ("EPP-EMAY")	Construction			
EPP - Fideltus - Öztaş Ortak Girişimi	Construction			

	31 March 2020		31 December 2019	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
EPP (*)	100	100	100	100
EPP-EMAY	60	60	60	60

(*) In parallel with the Group's growing strategy, Emlak Planlama İnşaat Proje Yönetimi ve Ticaret A.Ş. was fully owned by the Group with the decision of Board of Directors dated 9 November 2018 and numbered 62/163.

Investments valued by equity method (Affiliates)

Affiliates of Emlak Konut GYO operate in Turkey and their main operations are as follows:

Investments valued by equity method (Affiliates)	Nature of Operations			
Bio İstanbul Proje Geliştirme ve Yatırım A.Ş. ("Bio")	Consultancy and Construction Services			

	31 March 2020		31 December 2019	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
Bio	32.5	32.5	32.5	32.5

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2020

(Amounts are expressed in thousand Turkish Lira ("TL") unless otherwise stated.)

NOTE 1 – ORGANIZATION AND OPERATION OF THE GROUP (Continued)

Shares in Joint Operations

Shares in Joint Operations of Emlak Konut GYO operate in Turkey and their main operations are as follows:

Shares in joint operations	31 March 2020		31 December 2019	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
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")				
Büyükaly Tesis Yönetimi A.Ş.				
	40	40	40	40
	37	37	-	-

(*)An "Ordinary Partnership" is formed between Dap Yapı İnşaat San. and Tic. A.Ş., Eltes İnş. Tes. San. Tic. A.Ş. and the Group with the ownership rate of 59.7%, 0.3% and 40%, respectively with the purposes of the sale of one Shopping Mall (AVM) on a land of 51,000 m2 in the Istmarina project and which was constructed under "Istanbul Kartal LRSRA Project" ready to operate after being rented and the financial management of the shopping center.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

2.1. Basis of Presentation

The financial statements of the Group 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"). TFRS is updated through communiqués in order to comply with the changes in the International Financial

The interim condensed consolidated financial statements are presented in accordance with the formats specified in the "Communiqué on TAS Taxonomy" published by the POA on 15 April 2019 and the Illustrations of Financial Statements and Application Guidance published by the CMB.

The Group prepared its interim condensed consolidated financial statements for the period ended 31 March 2020 in accordance with the TAS 34 "Interim Financial Reporting Standard" within the framework of the Communiqué Serial: XII No. 14.1 and announcements regarding this Communiqué published by CMB.

The Companies are free to prepare their interim financial statements as full or condensed in accordance with TAS 34. In this context, the Group preferred to prepare its interim financial statements as condensed. The Group maintains its books of account and prepares its statutory financial statements in accordance with the principals issued by CMB, the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The consolidated financial statements have been prepared on the basis of historical cost, with the necessary adjustments and classifications reflected in the statutory records in accordance with TFRS.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2020

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Preparation of financial statements in hyperinflationary periods

With the decision numbered 11/367 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 TFRS, the application of inflation accounting is no longer required. Accordingly, the Group has not applied “Financial Reporting in Hyperinflationary Economies” (“TAS 29”) in its financial statements for the accounting periods starting 1 January 2005.

Functional and Presentation Currency

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

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

It remains unclear how the coronavirus pandemic (“COVID-19”) will affect the Company's operations in the upcoming period. Despite this uncertainty, the Company's current assets exceed its current liabilities by TL 13,589,152 as of 31 March 2020, it has cash and cash equivalents amounting to TL 1,256,708 and the Company has made a net profit of TL 123,715 in the interim period ended on 31 March 2020. The Company Management believes that the Company has the necessary liquidity and the principle of going concern is appropriate. Therefore, the financial statements have been prepared on the basis of going concern.

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

Interim condensed consolidated financial statements as of 31 March 2020 have been prepared by applying accounting policies that are consistent with the accounting policies applied in the preparation of the financial statements for the year ended 31 December 2019. Therefore, interim condensed financial statements should be read together with the end-of-year financial statements in order to create coherence.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2020

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Accounting Standards

a) Amendments and interpretations mandatorily effective as of 2020

Amendments to TFRS 3	<i>Definition of Business</i>
Amendments to TAS 1 and TAS 8	<i>Definition of Material</i>
Amendments to TFRS 9, TAS 39 and TFRS 7	<i>Interest Rate Benchmark Reform</i>

Amendments to TFRS 3 *Definition of Business*

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 TFRS 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 TAS 1 and TAS 8 *Definition of Material*

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

Amendments to TFRS 9, TAS 39 and TFRS 7 *Interest Rate Benchmark Reform*

The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

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

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

TFRS 17	<i>Insurance Contracts</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>

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NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Accounting Standards (Continued)

b) New and revised TFRSs in issue but not yet effective (Continued)

TFRS 17 Insurance Contracts

TFRS 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. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2021.

Amendments to TAS 1 Classification of Liabilities as Current or Non-Current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2022 and earlier application is permitted.

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NOTE 4 – CASH AND CASH EQUIVALENTS

	31 March 2020	31 December 2019
Cash on hand	87	73
Banks	1,231,867	514,671
- Demand deposit	93,121	142,686
- Time deposits with maturities less than 3 months	1,138,746	371,985
Other cash and cash equivalents	24,754	32,224
	1,256,708	546,968

Maturities of cash and cash flows are as follows:

	31 March 2020	31 December 2019
Demand	93,121	142,686
Up to 3 month	1,138,746	371,985
Less: Blocked deposits with maturities less than 3 months	(3,323)	(2,880)
	1,228,544	511,791

Average effective annual interest rates on time deposits in TL on the balance sheet date:

	31 March 2020	31 December 2019
	(%)	(%)
	9.89%	9.58%

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

	31 March 2020	31 December 2019
Cash and cash equivalents	1,256,708	546,968
Less: Interest accruals on deposits	(3,469)	(758)
Less: LSRSA project deposits (*)	(84,885)	(117,489)
Less: Blocked deposits with maturities less than 3 months	(1,084)	(929)
Add: the effect of provisions released under TFRS 9	9,953	4,246
	1,177,223	432,038

(*) The contractors' portion of the residential unit sales from the LSRSA projects under construction and which accumulated in the bank accounts opened under the control of the Group is kept in deposits accounts in the name of the related projects under the control of the Group as stated in the agreement. TL 2,239 (31 December 2019: TL 1,951) of the deposits of the project accounts amounting TL 84,885 (31 December 2019: TL 117,489) consists of blocked deposits of the projects.

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NOTE 5 – FINANCIAL INVESTMENTS

Short-term financial investments	31 March 2020	31 December 2019
Blocked deposits with maturities longer than 3 months (**)	4,952	12,316
Special issue government bonds (*)	10,054	10,054
	15,006	22,370

(*) Under the Lar No. 5664, the Group received special issued Government Debt Securities amounting to TL 429,617 on behalf of Republic of Turkey Ministry Undersecretariat of Treasury (“Treasury”) for the payments to Housing Acquisition Support (“HAS”) beneficiaries in 2010. As HAS beneficiaries are determined, the Group amortizes a certain part of GDS early and transfers to the Group accounts for payment (Note: 9). Since GDS received in 2010 were issued by Treasury, and since they are interest-free and not subject to trading in the secondary market, their fair values are their nominal values.

(**) The Group keeps the credit amounts used by customers as blocked deposits at the bank in order to provide low interest rate financing to its customers who want to purchase residentials from the projects that the Group has developed. The relevant amounts are ready for the use of the company at the specified terms. While the contractor portion of blocked deposits in the bank accounts which opened in the name of the related project under the control of the Group and which have maturities more than 3 months is TL 3,355 (31 December 2019: TL 8,331), the Group portion is TL 1,597 (31 December 2019: TL 3,985).

As of 31 December 2019 Group’s long-term investments consist of the investments which are less than 10% in the capitals of Kazakistan Ziraat International Bank, Sınırlı Sorumlu İstanbul Gıda Toptancıları İmalat Sanayi ve Depocuları Toplu İşyeri Yapı Kooperatifi, Cathay-EPP Adi Ortaklığı ve Tobaş Toplu Konut Büyükşehir Belediyesi İnşaat Emlak Mimarlık ve Proje A.Ş.

NOTE 6 – FINANCIAL LIABILITIES

	31 March 2020	31 December 2019
Short-term financial liabilities		
Issued debt instruments	1,068,428	1,065,415
Short-term bank loans	25,000	799,524
Short-term portion of long-term borrowings	957,814	1,310,695
Lease obligation	3,383	2,987
	2,054,625	3,178,621
Long-term financial liabilities	31 March 2020	31 December 2019
Long-term borrowings	3,368,421	1,587,564
Lease obligation	2,824	3,003
	3,371,245	1,590,567

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NOTE 6 – FINANCIAL LIABILITIES (Continued)

Borrowings used as of 31 March 2020 are denominated in TL and the weighted average interest rate is 11.23% (31 December 2019: 17.70%).

The redemption schedules of the borrowings as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
2021	514,542	1,344,827
2022	1,030,671	131,092
2023	707,126	51,759
2024	771,561	59,886
2025	344,522	-
	3,023,900	1,587,564

The maturity distributions of the remaining time of borrowings to repricing are as follows:

	31 March 2020	31 December 2019
Less than 3 months	132,673	790,900
Between 3 - 12 months	850,141	1,319,319
Between 1 - 5 years	3,368,421	1,587,564
	4,351,235	3,697,783

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	31 March 2020	31 December 2019
Receivables from contractors of the lands invoiced under LSRSA invoiced under LSRSA	1,091,098	1,473,299
Receivables from sale of residential and commercial units	596,991	669,109
Receivables from the sale of transferred residential and commercial units (*)	44,958	44,958
Notes of receivables	365	139
Receivables from land sales	280,214	258,411
Receivables from related parties (Note 21)	481,168	479,941
Receivables from lessees	10,490	10,431
Other	13,148	7,683
Unearned finance income	(26,157)	(27,222)
	2,492,275	2,916,749
Doubtful receivables	1,837	1,837
Less: Provision for doubtful receivables	(1,837)	(1,837)
	2,492,275	2,916,749

(*) The Group has transferred a certain portion of its receivables arising from forward sales as "irrevocable". This amount comprises of the receivables from the receivable financing company.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2020

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

	31 March 2020	31 December 2019
Long-term trade receivables		
Receivables from sale of residential and commercial units	3,295,364	3,323,401
Receivables from land sales	131,134	177,940
Unearned finance income	(429,222)	(433,532)
	2,997,276	3,067,809
	31 March 2020	31 December 2019
Short term payables		
Payables to related parties (Note 21)	7,863	20,797
Payables to LSRSA contractors invoiced	199,159	191,691
Trade payables	482,252	278,536
Interest accruals on time deposits of contractors (*)	15,196	14,744
	704,470	505,768

(*) The contractors’ portion of the residential unit sales from the LSRSA projects under construction and which accumulated in the bank accounts opened under the control of the Company is kept in deposits accounts in the name of the related projects under the control of the Company as stated in the agreement. The Company tracks the contractor's share of the interest obtained from the advances accumulated in these accounts in short-term payables.

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

	31 March 2020	31 December 2018
Short-term other receivables		
Advances given to contractor firms	764,672	721,605
HAS related receivables from Turkish Treasury	402,527	402,527
Other receivables from related parties (Note 21)	673	762
Receivables from the authorities	24,375	14,507
Other	412	408
	1,192,659	1,139,809
	31 March 2020	31 December 2018
Long-term other receivables		
Other receivables from related parties (Note 21)	26,798	24,616
Other receivables from third parties	7,114	15,138
Deposits and guarantees given	10,432	2,281
	44,344	42,035

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2020

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

	31 March 2020	31 December 2019
Short-term other payables		
Payables to HAS beneficiaries	402,713	402,713
Payables to contractors (*)	88,752	88,752
Taxes and funds payable	36,290	23,077
Other	98,977	57,164
	626,732	571,706

(*) 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 2019: TL 88,752).

As of 31 March 2020 other long-term payables comprises of deposits and guarantees received.

The movements of HAS payments transferred from Group’s shareholder’s equity and HAS receivables and payables related to Treasury Support for the periods 31 March 2020 and 2019 are as follows:

	1 January 2020	Additions within the period	Disposals	31 March 2020
Treasury support				
Receivables from Treasury	402,527	-	-	402,527
Special issue Government Debt Securities	10,054	-	-	10,054
Cash generated from government bond redemption	(9,868)	-	-	(9,868)
Total consideration received or receivable from Treasury	402,713			402,713
Payables to HAS beneficiaries	(402,713)			(402,713)

	1 January 2019	Additions within the period	Disposals	31 March 2019
Treasury support				
Receivables from Treasury	390,768	-	-	390,768
Special issue Government Debt Securities	12,067	-	(50)	12,017
Cash generated from government bond redemption	(25)	12	-	(13)
Total consideration received or receivable from Treasury	402,810			402,772
Payables to HAS beneficiaries	(402,810)			(402,772)

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NOTE 9 – INVENTORIES

	31 March 2020	31 December 2019
Lands	4,156,303	4,085,357
<i>Cost</i>	4,250,836	4,167,413
<i>Impairment</i>	(94,533)	(82,056)
Planned land by LSRSA	4,869,422	4,989,643
Planned land by turnkey project	3,036,774	3,022,541
Residential and commercial units ready for sale	2,040,753	1,685,237
<i>Cost</i>	2,329,211	1,895,068
<i>Impairment</i>	(288,458)	(209,831)
	14,103,252	13,782,778

As of 31 December 2019, the valuation reports prepared by Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Reel Gayrimenkul Değerleme A.Ş. have taken into consideration in the valuation of assets classified as “Inventories” and in the calculation on impairment, if any.

The movements of impairment on inventories are as follows:

	2020	2019
Opening balance at 1 January	291,887	182,354
Impairment charge for the period	108,671	20,915
Reversal of impairment	(17,567)	(1,795)
Closing balance at 31 March	382,991	201,474

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NOTE 9 – INVENTORIES (Continued)

As of 31 March 2020 and 31 December 2019 the details of land and residential inventories of the Group are as follows:

Lands	31 March 2020	31 December 2019
İstanbul Küçükçekmece Lands	1,912,109	1,942,494
İstanbul Başakşehir Lands	624,837	627,674
İstanbul Bakırköy Lands	330,000	364,227
İstanbul Florya Lands	262,556	262,556
İstanbul Beşiktaş Lands	256,965	256,965
İstanbul Arnavutköy Lands	170,581	170,581
İstanbul Zekeriyaköy Lands	146,527	677
Samsun Canik Lands	111,916	111,916
İstanbul Kartal Lands	97,061	109,183
Ankara Çankaya Lands	51,098	45,644
İstanbul Esenyurt Lands	50,577	50,577
İstanbul Ataşehir Lands	40,542	40,642
İstanbul Resneli Lands	20,333	20,333
İstanbul Tuzla Lands	20,016	20,016
İstanbul Avcılar Lands	19,307	19,307
İzmir Konak Umurbey Lands	12,258	12,258
İstanbul İstinye Lands	7,004	7,734
Sakarya-Sapanca Lands	7,027	7,027
Tekirdağ Çorlu Lands	6,153	6,153
Maltepe Küçükyalı Lands	3,010	3,010
Tekirdağ Kapaklı Lands	1,665	1,665
İstanbul Umraniye Lands	1,844	1,844
Kocaeli Gebze Lands	1,347	729
Tuzla Orhanlı Project	540	540
Other	987	1,605
	4,156,303	4,085,357

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NOTE 9 - INVENTORIES (Continued)

Planned lands by LSRSA	31 March 2020	31 December 2019
Nidapark İstinye Project	993,433	993,780
Nidapark Kucukyali Project	677,661	678,852
Merkez Ankara Project	642,054	642,054
Nişantaşı Project	589,483	571,037
Beykoz Riva Project	386,397	386,193
İstanbul Çekmeköy Taşdelen Project	317,914	312,972
Büyükyali Project	264,197	263,492
Yalova Armutlu Project	242,069	211,633
Validebağ Konakları Project	153,682	154,929
Avangart İstanbul Project	124,836	120,391
Cer İstanbul Project	67,403	67,403
Evora Denizli Project	63,628	63,618
Ebruli Ispartakule Project	57,640	58,200
Avrupark Hayat Project	54,057	54,057
Temaşehir Konya Project	39,022	87,489
Tual Bahçekent Project	38,954	39,779
Nidapark Kayasehir Project	35,761	35,367
Ofis Karat Bakırköy Project	30,826	30,955
Ispartakule 6. Etap Project	31,288	31,641
Tual Adalar Project	12,330	11,828
Köy Project	11,387	153,054
Şile Çavuş Project	9,839	9,813
Ankara Saraçoğlu Project	7,187	-
İstanbul Finans Merkezi Project	3,356	-
Karat 34 Project	5,673	5,673
Koordinat Çayyolu Project	2,194	2,257
Evvel İstanbul Project	612	612
Semt Bahçekent Project	341	341
Zeytinburnu Beşelsiz Project	107	107
Other	6,091	2,116
	4,869,422	4,989,643

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NOTE 9 - INVENTORIES (Continued)

Residential and commercial units completed	31 March 2020	31 December 2019
Gebze Emlak Konutları	515,342	590,245
Maslak 1453 Project	474,710	491,323
Kuzey Yakası Project	460,216	-
Sarphan Finanspark Project	178,507	179,190
Büyükyalı Projesi	74,606	74,606
Tual Adalar Project	57,243	-
İstmarina Project	52,831	52,831
Niğde Emlak Konutları	39,544	57,351
Koordinat Çayyolu Projesi	34,138	35,410
Göl Panorama Projesi	23,726	33,478
Nidakule Ataşehir Project	24,052	24,052
Evora Denizli Project	17,472	-
Kocaeli Körfezkent Emlak Konutları	16,686	16,686
Ispartakule Emlak Konutları	14,822	19,919
Unikonut Project	13,878	6,890
Batışehir Project	4,176	14,268
Batışehir Project	1,817	11,730
Bahçekent Flora Evleri	1,777	1,777
Bulvar İstanbul Project	1,704	2,424
Bahçekent Emlak Konutları	818	3,578
Metropol İstanbul Project	736	3,444
Başakşehir Emlak Konutları	-	9,123
Avrupa Konutları Başakşehir Project	-	1,178
Esenler Emlak Konutları	-	1,096
Başakşehir Ayazma Emlak Konutları	-	8,745
Nevşehir Emlak Konutları	-	3,459
Other	31,952	42,434
	2,040,753	1,685,237

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NOTE 9 – INVENTORIES (Continued)

Planned lands by turnkey project	31 March 2020	31 December 2019
Başkent Emlak Konutları Project	991,087	922,882
IGTOD Rami Gıda Toptancıları Project	723,345	703,235
Ankara Başkent Project	363,950	358,729
Halkalı Emlak Konutları Project	341,689	259,306
Zekeriyaköy Emlak Konutları Project	238,403	-
Hoşdere 6.Etap Project	151,752	101,356
Yeniköy Konakları	174,109	114,736
Hoşdere Hayat Parkı Project	36,342	30,059
Gebze Emlak Konutları	10,416	10,416
Ankara Saraçoğlu Project	5,192	5,192
Ispartakule 1. Etap 2. Kısım Project	489	-
Kuzey Yakası Project	-	516,630
	3,036,774	3,022,541

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NOTE 10 – INVESTMENT PROPERTIES

Lease income is obtained from investment properties and the expertise used in the calculation of impairment is made through sample comparison and income deduction methods.

The movements of investment properties as of 31 March 2020 and 2019 are as follows:

	Lands, residential and commercial units	Atasehir general management building A block	Total
Cost Value			
Opening balance as of 1 January 2020	461,551	40,922	502,473
Closing balance as of 31 March 2020	461,551	40,922	502,473
Accumulated Depreciation			
Opening balance as of 1 January 2020	19,289	3,039	22,328
Charge for the year	15,160	317	15,477
Closing balance as of 31 March 2020	34,449	3,356	37,805
Carrying value as of 31 December 2019	427,102	37,566	464,668

	Lands, residential and commercial units	Atasehir general management building A block	Total
Cost Value			
Opening balance as of 1 January 2019	352,140	40,922	393,062
Transfers from residential and commercial unit inventories	11,551	-	11,551
Closing balance as of 31 March 2019	363,691	40,922	404,613
Accumulated Depreciation			
Opening balance as of 1 January 2019	-	2,722	2,722
Charge for the year	-	317	317
Closing balance as of 31 March 2019	-	3,039	3,039
Carrying value as of 31 March 2019	363,691	37,883	401,574

(*) Comprises independent commercial units purchased by the Company in 2018 in order to earn lease income from Istmarina shopping center which was completed within the scope of "Revenue Sharing Work for Istanbul Kartal Land Sale".

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2020

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NOTE 10 – INVESTMENT PROPERTIES (Continued)

Reports prepared by Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Reel Gayrimenkul Değerleme A.Ş., valuation firms authorized by CMB, have been taken into consideration when determining the fair values of investment properties as of 31 December 2019. The fair values of the investment property determined by independent valuation experts are as follows:

	31 March 2020	31 December 2019
Lands, residential and commercial units	218,291	218,291
Atasehir general management building A block	98,000	98,000
Independent commercial units of Istmarina AVM	272,515	272,515
	588,806	588,806

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

31 March 2020	Buildings	Motor vehicles	Furniture, equipment and fixtures	Construction in progress	Total
Net carrying value as of 1 January 2020	100,597	192	5,027	97	105,913
Additions	-	-	2,421	-	2,421
Depreciation expense(-)	(779)	(127)	(878)	-	(1,784)
Net carrying value 31 March 2020	99,818	65	6,570	97	106,550
Cost	109,880	2,160	24,920	97	137,057
Accumulated depreciation (-)	(10,062)	(2,095)	(18,350)	-	(30,507)
Net carrying value 31 March 2020	99,818	65	6,570	97	106,550

31 March 2019	Buildings	Motor vehicles	Furniture, equipment and fixtures	Construction in progress	Total
Net carrying value as of 1 January 2019	58,803	550	6,892	97	66,342
Additions	-	-	18	-	18
Depreciation expense(-)	(752)	(76)	(450)	-	(1,278)
Net carrying value 31 March 2019	58,051	474	6,460	97	65,082
Cost	63,426	2,160	20,228	97	85,911
Accumulated depreciation (-)	(5,375)	(1,686)	(13,768)	-	(20,829)
Net carrying value 31 March 2019	58,051	474	6,460	97	65,082

All of the depreciation expenses are included in the general administrative expenses.

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NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 March 2020	31 December 2019
Provisions		
Provision for lawsuits	114,365	110,241
	114,365	110,241

According to the opinions of the Group’s lawyers, provisions amounting to TL 114,365 have been made as of 31 March 2020 (31 December 2019: TL 110,241). As of 31 March 2020, there are 37 cases of defect, 5 cases of loss of rent, 14 cases of cancellation of title deeds and registration, 2 cases of business and 49 other cases. The amount of risk arising from the total possible cash outflow is TL 114,365 and the lawsuits are still pending. The movements of provision for lawsuits as of 31 March 2020 and 2019 are as follows:

	2020	2019
Balance at 1 January	110,241	131,534
Provision released within the current period (Note 18)	-	(21,014)
Provision added within the current period (Note 18)	4,124	-
Closing balance at 31 March	114,365	110,520

12.1 Continuing Lawsuits and Provisions

12.1.1 The LSRSA Project Agreement dated 21 December 2005 regarding 750 units in İzmir Mavisehir Upper North Area 2. Phase was 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 was transferred to the Group and the remaining part of the project was 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 Group as in Turnkey projects.

The contractor filed a lawsuit against the Group 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 and determine that the level of work was at around 83%, and that the legal relationship of the parties were not related to construction right in return of the flat. The Group 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. As a result of the examination of the additional report at the hearing on 11 June 2014, the second expert committee was examined however, since the expert report was not received, the date of the case was not finalized. The Group filed an extra lawsuit of TL 34,100 on 7 July 2011, requesting the collection, without prejudice to surplus rights.

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

12.1 Continuing Lawsuits and Provisions (Continued)

- 12.1.1** According to the various expert reports submitted to the file, the complainant increased the lawsuit cost by TL 65,596 with the claim that the lawsuit was terminated unfairly by Emlak Konut during the prosecution process of the compensation lawsuit filed by the contractor for the detection of invalidity of termination on condition that the surplus rights are reserved. The Group made provision amounting to TL 75,840 as of 31 December 2019.
- 12.1.2** Contractor firm filed a lawsuit against the Group claiming compensation because of damage caused by the company in the agreement of The LSRSA Project regarding İstanbul Bakırköy, 51/4 section 257 zone 33 & 38 parcels. In the related case, Bakırköy 2nd Commercial Court of First Instance decided against the Group and the Supreme Court of Appeals overturned the decision in favor of the Group. The decision of the local court is expected. As of 31 December 2019, a provision amounting to TL 20,521 has been made.
- 12.1.3** The filed by the contractor firm is action of debt, deed cancellation and registration case. The decision of the contractor's contract was terminated unfairly, passing through degrees. Lawsuits filed by the company and amounting to TL 6,681 have been partially accepted and the decision was appealed by the parties, the trial is ongoing at the İstanbul 16th Commercial Court of First Instance. As of 31 December 2019 a provision amounting to TL 6,860 has been made.

12.2 Contingent Liabilities of Emlak Konuta GYO

In the financial statements prepared as of 31 December 2019, the ongoing litigation liabilities were evaluated in the following matters. According to the opinion of the Group Management and its lawyers, no provision has been made in the financial statements prepared as of 31 December 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 Group in order to fulfill its obligation.

- 12.2.1** The LSRSA project agreement regarding İzmir Mavisehir Upper North Area 3. Phase was 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 Group claiming that the agreement conditions should be revised considering the changing conditions. The contractor firm filed the case for the stay of definition of the provision concerning the income rate of Group share amounting to “TL 67,515 + VAT” which corresponds to 38.58% of total sales amounting to “TL 175,000 + VAT” and the cancellation of provisions except for “Income Rate of Company Share corresponding to 38.58% of total income” to be paid to the other party, determining the value of the immovable as a result of the appraisal assessment of all immovable properties including the land share as of the lawsuit date, distribution of 38.58% and 61.42% of the determined value to the Group and the contractor, respectively.
- 12.2.2** Concerning the İzmir Mavisehir Upper North Area 2. Phase LSRSA project, a lawsuit was filed based on the assignments given by the contractor in favor of the complainant. The case is proceeding. According to the opinion of the Group lawyer, no liability is expected to born as a result of the related lawsuit.
- 12.2.3** İstanbul Ümraniye 1.Phase is the action of debt filed by the contractor with the claim that TL 34,134 remaining from the transfer of the receivable amounting to TL 46,000 which derived or will be derived before the contractor of LSRA to the bank, has not been paid unfairly to him by the bank. At the same time, the complainant requested to put as much mortgage as the amount of the lawsuit on a part of the immovable within the scope of the project in order to guarantee the receivable subject to the case. The case is proceeding. According to the opinion of the Group 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)

12.3 Contingent Assets of Emlak Konut GYO

12.3.1 31 March 2020 and 31 December 2019 breakdown of nominal commercial receivables from residential and commercial unit sales by maturities and based on the residential and commercial units that are under construction or completed but not yet delivered within the scope of the sales promise contract that is not yet included in the balance sheet as it does not meet the TFRS 15 criteria, expected collection times of nominal installments that are not due or collected by maturities are as follows:

31 March 2020	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	877,205	716,973	1,594,178
2 year	593,431	352,295	945,726
3 year	521,643	318,912	840,555
4 year	438,214	213,435	651,649
5 year and above	1,873,210	442,931	2,316,141
	4,303,703	2,044,546	6,348,249

31 December 2019	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	927,520	868,216	1,795,736
2 year	527,251	530,401	1,057,652
3 year	467,415	332,068	799,483
4 year	395,261	231,264	626,525
5 year and above	2,111,414	569,847	2,681,261
	4,428,861	2,531,796	6,960,657

NOTE 13 – OTHER ASSETS AND LIABILITIES

	31 March 2020	31 December 2019
Other current assets		
Progress payments to contractors	140,926	115,896
Income accruals	86,983	68,349
Receivables from tax office	13,372	42,526
Deferred VAT	38,136	568
Other	5,358	3,595
	284,775	230,934
	31 March 2020	31 December 2019
Other non-current assets		
Deferred VAT	135,547	75,958
	135,547	75,958

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NOTE 14 – DEFERRED INCOME AND PREPAID EXPENSES

Short-term deferred income	31 March 2020	31 December 2019
Deferred income from LSRSA projects (*)	1,710,893	1,698,186
Advances taken from LSRSA contractors (**)	397,868	570,237
Advances taken from turnkey project sales	1,333,594	1,379,687
Transferred deferred incomes (***)	138,942	239,333
Deferred income related to sales of completed units	369,492	392,391
Advances received from related parties (Note 21)	64,732	64,732
	4,015,521	4,344,566

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

(**) Before the contract is signed with the contractor companies in the ASKGP projects, the Company collects the first payment of the total income corresponding to the share of the company from the total sales income in advance at the determined rates.

(***) The balance is comprised of cash collected by the Company as “irrevocable” by transferring a portion of off-balance sheet receivables arising from forward sales.

	31 March 2020	31 December 2019
Prepaid expenses		
Advances given for inventory (*)	1,770,249	1,747,573
Prepaid expenses	191	2,655
	1,770,440	1,750,228

(*) A protocol has been signed between the Group and the Tarıř Cooperatives Union to develop revenue sharing project on a total of 143,366-m2 land, which belongs to the Tarıř Cooperatives Union, located within the borders of Kuruçay/Umurbey, Konak district of İzmir and an inventory advance amounting to TL 498,580 has been made. The Group has also provided an inventory advance amounting to TL 1,106,238 to the contractors for the residential and commercial units which it will acquire based on preliminary sales contract from ongoing Ankara Yeninahalle Station, Nidapark Küçükalyalı and Büyükalyalı projects.

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NOTE 15 – SHAREHOLDERS' EQUITY

The Group's authorized capital amount is TL 3,800,000 (31 December 2019: TL 3,800,000) and consists of 380,000,000,000 (31 December 2019: 380,000,000,000) authorized number of shares with a nominal value of TL 0,01 each.

The Group's shareholders and their shareholding percentages as of 31 March 2020 and 31 December 2019 is as follows:

Shareholders	31 March 2020		31 December 2019	
	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 Group'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 Appropriated 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 Appropriated from Profit" and "Share Premium" and the amount has not been subject to dividend distribution or capital increase, it shall be classified under "Prior Years' Profit/Loss". Other equity items should be revaluated in accordance with the CMB standards.

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

The Company repurchased 10,500,000 of shares with nominal value between full TL 1.11 and full TL 1.12 (full TL) and with the transaction cost amounting to TL 11,751 thousand on 20 March 2020. The ratio of total shares acquired as a result of the purchase transactions was 3.65%.

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NOTE 16 – REVENUE AND COST OF SALES

	1 January- 31 March 2020	1 January- 31 March 2019
Sales income		
Land sales	338,358	209,150
<i>Sales of planned lands by way of LSRSA</i>	107,789	66,777
<i>Land sales income</i>	230,569	142,373
Residential and commercial units sales	340,318	1,026,445
Other income	18,474	5,050
	697,150	1,240,645
Sales returns	(463)	(483)
Sales discounts	(98)	0
Net sales income	696,589	1,240,162
Cost of sales		
Cost of lands	(103,687)	(200,653)
<i>Cost of lands planned by way of LSRSA</i>	(49,211)	(59,665)
<i>Cost of lands sold</i>	(54,476)	(140,988)
Cost of residential and commercial units sold	(308,090)	(983,986)
	(411,777)	(1,184,639)
Gross Profit	284,812	55,523

NOTE 17 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January- 31 March 2020	1 January- 31 March 2019
General administrative expenses		
Personnel expenses	(28,560)	(26,010)
Consultancy expenses	(3,304)	(4,373)
Depreciation and amortisation	(6,702)	(1,889)
Taxes, duties and fees	(5,502)	(11,032)
Due and contribution expenses	(2,809)	(3,731)
Travel expenses	(1,911)	(1,851)
Lawsuit and notary expenses	(1,754)	(228)
Information technologies expenses	(1,568)	(3,064)
Maintenance and repair expenses	(674)	(508)
Communication expenses	(650)	(170)
Insurance expenses	(509)	(204)
Other	(3,986)	(7,023)
	(57,929)	(60,083)

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

	1 January- 31 March 2020	1 January- 31 March 2019
Marketing and sales expenses		
Advertising expenses	(10,182)	(11,037)
Personnel expenses	(580)	(2,011)
Office expenses	(10)	(1)
Lawsuit and notary expenses	(6)	(26)
Other	(1,241)	(2,094)
	(12,019)	(15,169)

NOTE 18 – OTHER INCOME / EXPENSES FROM OPERATING ACTIVITIES

	1 January- 31 March 2020	1 January- 31 March 2019
Other income from operating activities		
Financial income from forward sales	75,588	91,815
Default interest income from projects	19,649	19,042
Impairment provisions released (Note 9)	17,567	1,795
Income from transfer commissions	4,435	8,983
Lawsuit provisions released (Note 12)	-	21,014
Income from natural gas and contribution expenses	3,751	3,548
Other	28,512	35,037
	149,502	181,234
Other expenses from operating activities		
Provision for impairment of land and residential inventories (Note 9)	(108,671)	(20,915)
Investment properties amortisation expenses	(15,477)	-
Provisions released reversed for possible risks	(2,412)	-
Provision for lawsuits (Note 12)	-	4,124
Other	(151)	(5,091)
	(130,835)	(26,006)

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NOTE 19 – FINANCIAL INCOME / EXPENSES

	1 January- 31 March 2020	1 January- 31 March 2019
Financial expenses		
Borrowings and sukuk interest expense	(131,018)	(102,559)
Interest discount on pay off debt	(4,670)	(35,426)
Assigned receivables and commission expense	(1,684)	(2,941)
Foreign exchange losses	(79)	(43)
Interest expense on lease liabilities	(950)	-
	(138,401)	(140,969)
	1 January- 31 March 2020	1 January- 31 March 2019
Financial income		
Interest income from time deposits	29,494	16,726
Interest income from TOKI	-	41,498
Foreign exchange gains	15	12
Interest income related to leases	1,016	-
	30,525	58,236

NOTE 20 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 March 2020	31 December 2019
Current tax assets		
Prepaid taxes and funds	-	2,993
	-	2,993

Corporate Tax

The Group is exempt from Corporate Tax in accordance with the paragraph 4-d of Article 8 of the Corporate Tax Law. According to the paragraph 6-a of Article 94 of the Income Tax Law the earnings of real estate investment companies are subject to withholding and withholding tax rate is determined as "0" according to the Council of Ministers Decision, No: 93/5148. The Group's subsidiaries, associates and joint operations are is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and other incentives (prior year's losses if any and investment incentives used if preferred) utilized.

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NOTE 20 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Corporate Tax (continued)

The effective tax rate in 2020 is 22% (2019: 22%).

The Law numbered 7061 on "Amendment of Certain Taxes and Laws and Other Acts" was published on the Official Gazette dated 5 December 2017 and numbered 30261. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50%. This regulation has been effective from 5 December 2017.

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising from the differences between its consolidated financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

Tax rate used in the calculation of deferred tax assets and liabilities was 22% over temporary timing differences expected to be reversed in 2019 and 2020, and 20% over temporary timing differences expected to be reversed in 2021 and the following years.

In Turkey, the companies cannot declare a tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

<u>Deferred tax (assets)/liabilities:</u>	<u>31 March 2020</u>	<u>31 December 2019</u>
Fair value adjustment to inventories due to purchase accounting	62,157	62,157
Carry forward tax loss effect	(6,604)	(6,604)
Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets	(401)	(361)
Provision for employment termination benefits	(1,096)	(489)
Provision for lawsuits	-	-
	<u>54,056</u>	<u>54,703</u>

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NOTE 20 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

The movements of deferred tax (assets)/ liabilities for the periods ended 31 December 2019 and 2018 are as follows:

	1 January- 31 March 2020	1 January- 31 March 2019
<u>Movement of deferred tax (assets)/liabilities:</u>		
Opening balance as of 1 January	(54,703)	-
Charged to income	647	-
Closing balance at 31 December	<u>(54,056)</u>	<u>-</u>

Total charge for the period can be reconciled to the accounting profit as follows:

	1 January- 31 March 2020	1 January- 31 March 2019
<u>Reconciliation of tax provision</u>		
Profit from continuing operations	124,709	47,570
Profit from operations before tax	<u>124,709</u>	<u>47,570</u>
Tax at the domestic income tax rate 2019: 22% (2018: 22%)	27,436	10,465
Tax effects of:		
- revenue that is exempt from taxation	(28,561)	(10,533)
- previously unrecognised and unused tax losses and tax offsets now recognised deferred tax assets	-	5,984
- other	1,772	438
Income tax expense recognised in profit or loss	<u>647</u>	<u>6,354</u>

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NOTE 21 – RELATED PARTY DISCLOSURES

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

1. T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")
2. Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. 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 made to the related party disclosures of state institutions and organizations. The Group has transactions with state banks (T.C.Ziraat Bankası A.Ş., Türkiye Vakıflar Bankası T.A.O., Türkiye Halk Bankası A.Ş.) and Republic of Turkey Undersecretariat of Treasury.

- Balances and transactions with respect to the Treasury are detailed in Note 3, 4 and 7.
- The Group keeps its deposits predominantly in state banks in accordance with the relevant provisions. As of 31 March 2020, the Group has deposits amounting to TL 687,420 in state banks (31 December 2019: TL 484,216). Average effective interest rates of time deposits of the Group as of 31 March 2020 are explained in Note 4.

The transactions between the Group and the related parties are as follows:

	31 March 2020	31 December 2019
Trade receivables from related parties		
T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü (*)	470,866	-
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	1,237	2,160
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş O.G.	5,958	5,577
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay O.G.	1,338	1,338
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	1,769	1,769
	481,168	10,844

(*) Represents the amount of receivables arising from the transfer of 3 lands according to the protocol signed with General Directorate of Republic of Turkey Ministry of Environment and Urbanization on 28 June 2019.

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NOTE 21 – RELATED PARTY DISCLOSURES (Continued)

	31 March 2020	31 December 2019
Borrowings to related parties		
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	6,208	5,991
	6,208	5,991
	31 March 2020	31 December 2019
Short-term other receivables from related parties		
Emlak Pazarlama Fideltus Öztaş Adi Ortaklığı	169	169
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay O.G.	145	145
Gedaş Gayrimenkul Değerleme A.Ş.	359	448
	673	762
	31 March 2020	31 December 2019
Long-term other receivables from related parties		
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	26,798	24,616
	26,798	24,616
	31 March 2020	31 December 2019
Trade payables to related parties		
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	6,563	24,504
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	1,300	1,299
	7,863	25,803
	31 March 2020	31 December 2019
Advances received from related parties		
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş O.G. (*)	64,732	64,732
	64,732	64,732
	1 January- 31 March 2020	1 January- 31 March 2019
Purchases from related parties		
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	-	280,902
Emlak Planlama İnş. Prj. Yön. A.Ş. - Emlak Basın Yayın A.Ş.	317	-
	317	280,902
	1 January- 31 March 2020	1 January- 31 March 2019
Finance expense from related parties		
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	648	-
	648	-

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2020

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

NOTE 21 – RELATED PARTY DISCLOSURES (Continued)

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 amounts on time deposits of TOKİ arising from these transactions are netted off from time deposit interest income in the financial statements. All of this accumulated interest income on time deposits will be paid to TOKİ.

	1 January- 31 March 2020	1 January- 31 March 2019
Sales to related parties		
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	1,027	70,360
	1,027	70,360

Key management personnel are those who have the authority and responsibility to plan, manage and control the activities (administrative or other) directly or indirectly of the Group including any manager. Salaries and other short-term benefits provided to the key management personnel, General Manager of the Board of Directors, Assistant General Managers and General Manager Consultant, are as follows:

	1 January- 31 March 2020	1 January- 31 March 2019
Compensation to key management		
Salaries and other short-term benefits	2,474	1,436
	2,474	1,436

NOTE 22 - COMMITMENTS

Group’s mortgage and guarantees received as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Guarantees received (*)	2,737,308	3,375,478
Mortgages received (**)	58,564	58,564
	2,795,872	3,434,042

(*) Guarantees received consist of letters of guarantee given by contractors for construction projects and temporary guarantee letters received during the tender process.

(**) Mortgages received consist of mortgaged independent sections and lands sold but not yet collected.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2020

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

NOTE 22 – COMMITMENTS (Continued)

The collaterals, pledges and mortgages (“CPM”) of the Group as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
A. CPM given on behalf of the Company's legal personality	93,211	93,065
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	-	-
	93,211	93,065

NOTE 23 – EVENTS AFTER THE REPORTING PERIOD

Concerning the government statements and measures for Covid-19 which has rapidly spread across Turkey and the world, Republic of Turkey Ministry of Health has declared a curfew for citizens under 20 and over 65, as well as those with chronic illness. Public announcements has made in order for the remaining population to remain at home, except in compulsory situations. In addition, many prohibitions and travel restrictions have been implemented across the country. As a result of the measures taken, a decrease in daily deaths and new cases has been observed and these positive developments have led to the normalization process throughout the country. During the normalization process, the citizens under the age of 20 and over 65 have been able to go out at certain times of the week, shopping malls and barber shops have opened and travel restrictions have been removed for some cities. Although this situation is expected to be temporary, there is uncertainty about the duration and possible impacts will be carefully evaluated through an increasing number of economic and sectoral measures as stated by the government and the institutions it is affiliated with. Considering the problems that may be experienced in the cash flow of customers purchasing independent units during this period, the Group has decided to postpone the April and May installments until 30 April 2020 and add the deferred installments to the installments starting from July until the end of the year. Although developments in the global and local markets may differ from expectations due to this pandemic, the possible monetary effects of the pandemic on the Group cannot be measured as of the reporting date.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2020

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

ADDITIONAL NOTE – CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS

	Non-Consolidated (Individual) Financial Statements Main Account Items	Related Regulation	Current Period 31 March 2020 (TL)	Prior Period 31 December 2019 (TL)
A	Money and Capital Market Instruments	Series:III-No:48, Art,24/(b)	1,167,381	415,030
B	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)	13,695,513	13,437,248
C	Affiliates	Series:III-No:48, Art,24/(b)	373,037	-
	Due from related parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
	Other Assets		8,849,559	9,186,182
D	Total Assets	Series:III-No:48, Art,3/(k)	24,085,490	23,411,497
E	Financial Liabilities	Series:III-No:48, Art,31	5,394,662	4,763,197
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	13,866,495	13,748,422
	Other Resources		4,824,333	4,899,878
D	Total Resources	Series:III-No:48, Art,3/(k)	24,085,490	23,411,497
	Non-Consolidated (Individual) Financial Statements Other Account Items	Related Regulation	Current Period 31 March 2020 (TL)	Prior Period 31 December 2019 (TL)
A1	The portion of Money and Capital Market Instruments held for Payables of Properties for the following 3 Years	Series:III-No:48, Art,24/(b)	1,167,381	415,030
A2	Term/ Demand/ Currency	Series:III-No:48, Art,24/(b)	1,209,130	475,042
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)	1,126,802	929,935
C1	Foreign Affiliates	Series:III-No:48, Art,24/(d)	-	-
C2	Affiliates for Operating Company	Series:III-No:48, Art,28	373,000	-
J	Non-cash Loans	Series:III-No:48, Art,31	53,011	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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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2020

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

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

	Portfolio restrictions	Related regulation	31 March 2020 (%)	31 December 2019 (%)	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)	62	69	>50%
3	Money and Capital Market Instruments and Affiliates	Series:III-No:48, Art,24/(b)	1,55	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)	5	3	<20%
6	Affiliates to the Operating Company	Series:III-No:48, Art,28	0,02	0,01	<10%
7	Borrowing Limit	Series:III-No:48, Art,31	39	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 is condensed information derived from financial statements as per Article 16 of Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets” and is prepared within the frame of provisions related to compliance to portfolio limitations stated in the Communiqué Serial III No 48.1 “Principles Regarding Real Estate Investment Trusts” published in the Official Gazette No. 28660 on 28 May 2013.

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