

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

**CONVENIENCE TRANSLATION OF
THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2019**

(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.
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION AT 30 SEPTEMBER 2019 AND 31 DECEMBER 2018**

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

		<i>Not Audited</i> 30 September 2019	<i>Audited</i> 31 December 2018
	Notes		
ASSETS			
Current assets		20,175,113	20,695,419
Cash and cash equivalents	4	508,123	674,871
Financial investments	5	31,028	54,442
Trade receivables	7	2,400,057	1,622,995
<i>Trade receivables due from related parties</i>	<i>21</i>	<i>480,328</i>	<i>12,621</i>
<i>Trade receivables due from third parties</i>		<i>1,919,729</i>	<i>1,610,374</i>
Other receivables	8	1,094,302	1,163,367
<i>Other receivables due from related parties</i>	<i>21</i>	<i>4,725</i>	<i>5,754</i>
<i>Other receivables due from third parties</i>		<i>1,089,577</i>	<i>1,157,613</i>
Inventories	9	14,268,855	15,407,484
Prepaid expenses	14	1,735,110	1,467,489
Other current assets	13	137,638	301,719
Current tax assets	20	-	3,052
Non-current assets		3,408,365	2,623,851
Trade receivables	7	2,688,114	1,895,829
<i>Trade receivables due from third parties</i>		<i>2,688,114</i>	<i>1,895,829</i>
Other receivables	8	31,754	28,829
<i>Other receivables due from third parties</i>		<i>9,306</i>	<i>9,027</i>
<i>Other receivables due from related parties</i>	<i>21</i>	<i>22,448</i>	<i>19,802</i>
Financial investments		836	836
Investments accounted for using equity method		3,620	7,866
Investment property	10	431,862	390,340
Property, plant and equipment	11	102,017	66,342
Intangible assets		4,596	1,984
Other non-current assets	13	137,055	231,437
Deferred tax assets	20	8,511	388
Total assets		23,583,478	23,319,270

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

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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION AT 30 SEPTEMBER 2019 AND 31 DECEMBER 2018**

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

	Notes	Not Audited 30 September 2019	Audited 31 December 2018
LIABILITIES AND EQUITY			
Current liabilities		8,320,913	8,329,651
Short term borrowings	6	1,449,486	698,663
Current portion of non-current borrowings	6	1,260,231	976,999
Trade payables	7	455,161	978,347
<i>Trade payables due to related parties</i>	21	60,371	69,985
<i>Trade payables due to third parties</i>		394,790	908,362
Other payables	8	574,471	633,686
<i>Other payables to related parties</i>		395	398
<i>Other payables to third parties</i>		574,076	633,288
Deferred income	14	4,442,002	4,904,297
<i>Deferred income from related parties</i>	21	64,732	64,732
<i>Deferred income from third parties</i>		4,377,270	4,839,565
Current provisions		139,562	137,659
<i>Current provisions for employee benefits</i>		9,674	6,125
<i>Other current provisions</i>	12	129,888	131,534
Non-current liabilities		2,085,649	1,906,101
Long term borrowings	6	1,858,744	1,685,943
Trade payables		72,232	77,349
Other payables		75,396	68,792
Deferred income		4,738	3,175
Long term provisions		12,382	8,685
<i>Long term provisions for employee benefits</i>		12,382	8,685
Deferred tax liability		62,157	62,157
Shareholders' equity		13,176,916	13,083,518
Total equity attributable to equity holders of the Company		13,178,433	13,084,984
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		721,385	662,853
Retained earnings		6,362,400	5,271,709
Net profit for the year		212,275	1,268,049
Non-controlling interests		(1,517)	(1,466)
Total liabilities and equity		23,583,478	23,319,270

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

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIODS
ENDED 30 SEPTEMBER 2019 AND 2018**

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

	Notes	<i>Not Audited</i> 1 January- 30 September 2019	<i>Not Audited</i> 1 July- 30 September 2019	<i>Not Audited</i> 1 January- 30 September 2018	<i>Not Audited</i> 1 July- 30 September 2018
Revenue	16	3,576,812	402,681	2,657,515	353,433
Cost of sales (-)	16	(2,990,927)	(309,824)	(1,320,636)	(288,250)
Gross profit		585,885	92,857	1,336,879	65,183
General administrative expenses (-)	17	(204,292)	(82,949)	(158,576)	(53,244)
Marketing expenses (-)	17	(42,745)	(14,687)	(41,706)	(13,828)
Other income from operating activities	18	466,238	85,589	465,948	166,199
Other expenses from operating activities (-) share of profit (loss) from investments accounted for using equity	18	(145,029)	(82,805)	(198,761)	(119,875)
		(4,246)	(29)	-	-
Operating profit		655,811	(2,024)	1,403,784	44,435
Income from investing activities		170	4	202	7
Operating profit before financial income / (expense)		655,981	(2,020)	1,403,986	44,442
Financial income	19	127,803	33,100	65,841	8,516
Financial expenses (-)	19	(579,683)	(186,856)	(370,658)	(84,594)
Profit from continuing operations, before tax		204,101	(155,776)	1,099,169	(31,636)
Tax income from continuing operations		8,123	2,189	-	-
Deferred tax income	20	8,123	2,189	-	-
Profit for the income		212,224	(153,587)	1,099,169	(31,636)
Profit (loss), attributable to					
Non-controlling Interests		(51)	(3)	-	-
Owners of Parent		212,275	(153,584)	1,099,169	(31,636)
Statement of other comprehensive income		-	-	-	-
Total comprehensive income for the period		212,224	(153,587)	1,099,169	(31,636)
Total comprehensive income/(loss) attributable to:					
Non-controlling Interests		(51)	(3)	-	-
Owners of Parent		212,275	(153,584)	1,099,169	(31,636)
Earnings per share (in full TL)	23	0.0006	(0.0004)	0.0030	(0.0001)

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

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 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	Non-controlling interests	Total equity
						Gain/Loss on rereasurement of employee benefits	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	-	12,465,519
Accounting policy change effect (Note 3)	-	-	-	-	-	(4,142)	-	(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	-	12,461,377
Transfers	-	-	(11,618)	151,506	-	1,616,206	(1,756,094)	-	-	-
Dividend payment	-	-	-	-	-	(644,442)	-	(644,442)	-	(644,442)
Total comprehensive income	-	-	-	-	-	-	1,099,169	1,099,169	-	1,099,169
30 September 2018	3,800,000	(284,480)	2,366,895	662,853	(42)	5,271,709	1,099,169	12,916,104	-	12,916,104
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	-	-	-	58,532	-	1,209,517	(1,268,049)	-	-	-
Dividend payment (Note 15) (*)	-	-	-	-	-	(118,826)	-	(118,826)	-	(118,826)
Total comprehensive income	-	-	-	-	-	-	212,275	212,275	(51)	212,224
30 September 2019	3,800,000	(284,480)	2,366,895	721,385	(42)	6,362,400	212,275	13,178,433	(1,517)	13,176,916

(*) 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 consolidated financial statements.

**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2019 AND 2018**

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

	Notes	1 January- 30 September 2019	1 January- 30 September 2018
Cash flows from operating activities			
Profit for the year		212,224	1,099,169
Adjustments to reconcile net profit			
Depreciation and amortization expenses	17	5,613	4,304
Adjustments for (reversal of) provisions of tax	20	(8,123)	-
Adjustments for impairments		102,416	42,380
<i>Adjustments for impairment loss (reversal of impairment loss) of inventories</i>	9	102,416	17,143
<i>Adjustments for impairment loss (reversal of impairment loss) of investment properties</i>	18	-	25,237
Changes in provisions		7,650	81,033
<i>Adjustments for (reversal of) provisions related with employee benefits</i>		7,246	1,937
<i>Adjustments for (reversal of) lawsuit and/or penalty provisions</i>	12	(1,646)	76,017
<i>Adjustments for (reversal of) possible risks of cash and cash equivalents</i>	18	2,050	3,079
Adjustments for interest (income) expenses		63,646	(82,221)
<i>Adjustments for interest income</i>		(507,309)	(452,592)
<i>Adjustments for interest expense</i>	19	570,955	370,371
Changes in net working capital		383,426	1,144,665
Adjustments for decrease (increase) in trade accounts receivable		(1,283,379)	(461,171)
<i>Decrease (increase) in trade accounts receivables from related parties</i>		(467,707)	(699)
<i>Decrease (Increase) in trade accounts receivables from third parties</i>		(815,672)	(460,472)
Adjustments for decrease (increase) in inventories		982,579	(1,567,757)
Adjustments for increase (decrease) in trade accounts payable		(486,805)	796,647
<i>Increase (decrease) in trade payables to related parties</i>		31,884	70,347
<i>Increase (decrease) in trade payables to third parties</i>		(518,689)	726,300
Adjustments for (decrease) in other operating receivables		(70,460)	(73,962)
Adjustments for increase (decrease) in other operating payables		(348,841)	202,143
Other adjustments for other increase (decrease) in working capital		106,784	(378,653)
Net cash flow from operating activities			
Interest received		86,886	143,430
Income taxes paid		(99,055)	(147,264)
Cash flows from operating activities		-728,865	-341,922
Cash flows from investing activities			
Cash flows used in obtaining control of subsidiaries or other businesses		(47,477)	-
Purchases of investment properties, tangible and intangible assets		(30,903)	(346)
Interest received		170	202
Purchases of financial assets		(10,000)	(7,000)
Returns of financial assets		50	13,116
Other inflows (outflows) of cash		37,608	100,382
Cash flow from investing activities		-50,552	106,354
Cash flows from financing activities			
Proceeds from borrowings		3,745,786	1,052,537
<i>Proceeds from loans</i>		1,967,786	780,000
<i>Proceeds from issue of debt instruments</i>		1,778,000	272,537
Repayments of borrowings, classified as financing activities		(2,566,557)	(212,950)
<i>Loan repayments</i>		(909,557)	(212,950)
<i>Payments of issued debt instruments</i>		(1,657,000)	-
Interest paid		(415,872)	(169,555)
Dividends paid		(118,826)	(644,442)
Interest received		85,405	65,829
Other inflows (outflows) of cash		(9,845)	(159)
Cash flow from financing activities		720,091	91,260
Net Increase (decrease) in cash and cash equivalents		-59,326	-144,308
Cash and cash equivalents at the beginning of the year	4	494,226	385,081
Cash and cash equivalents at the end of the year	4	434,900	240,773

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2019

(Amounts expressed in thousands of 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 “Company”) 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 as follows:

Barbaros Mah. Mor Sümbül Sok. No: 7/2 B (Batı Ataşehir) Ataşehir – İstanbul. As of 30 September 2019, the Group employs 563 workers. (31 December 2018 – 533).

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 condensed consolidated financial statements at 30 September 2019 have been approved by the Board of Directors on 7 November 2019.

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 T.C. Ministry of Environment and Urbanisation.

Emlak Konut GYO, together with its subsidiaries and joint ventures, is referred to as “the Group”.

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

**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2019**

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

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

Subsidiaries

Emlak Konut GYO subsidiaries has been operating in Turkey and the core business lines are listed below:

Subsidiaries	Nature of business
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. (“EPP”)	Real Estate Investments
EPP – Emay Adi Ortaklığı (“EPP-EMAY”)	Construction Activities

	30 September 2019		31 December 2018	
	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 Company's growing strategy, Emlak Planlama İnşaat Proje Yönetimi ve Ticaret A.Ş. All of the Company's shares were purchased from third party contractors and TOKI with the decision of the Board of Directors dated 9 November 2018 and numbered 62/163.

Investments valued by equity method (Affiliates)

Emlak Konut GYO affiliates has been operating in Turkey and the core business lines are listed below:

Investments valued by equity method (Affiliates)	Nature of business
Bio İstanbul Proje Geliştirme ve Yatırım A.Ş. (“Bio”)	Consultancy ve Construction Services
EPP-Cathay Adi Ortaklığı (“EPP-Cathay”)	Construction Activities

	30 September 2019		31 December 2018	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
Bio	20	20	20	20
EPP-Cathay	7	7	7	7

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2019

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

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

Joint Operations

Emlak Konut GYO joint operation has been operating in Turkey and the core business lines is listed below:

<u>Joint operations</u>	<u>Nature of business</u>
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")	Shopping mall and office management
Büyükaly Tesis Yönetimi A.Ş.	Shopping mall and office management

	<u>30 September 2019</u>		<u>31 December 2018</u>	
	<u>Direct and indirect ownership rate (%)</u>	<u>Effective ownership rate (%)</u>	<u>Direct and indirect ownership rate (%)</u>	<u>Effective ownership rate (%)</u>
İstmarina AVM Adi Ortaklığı (*)	40	40	40	40
Büyükaly Tesis Yönetimi A.Ş.	37	37	-	-

(*)An "Ordinary Partnership" is formed between Dap Yapı İnşaat San. and Tic. A.Ş. 59.7% - Eltes İnşaat Tes. San. Tic. A.Ş. 0.3% and "the Company" which has 40% shares. Within the scope of "Istanbul Kartal LSRSA Project" structure has been established for the sale of a shopping center with an area of 51,000 m2 in the Istmarina project which is completed and ready to be sold after renting and to manage the financial transactions 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 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 consolidated financial statements are presented in accordance with the "Announcement regarding with TAS Taxonomy" issued by the POA on April 15, 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 September 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.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2019**

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

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

2.1 Basis of Preparation (Continued)

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 (“TL”) 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 Group 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 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

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

2.2 Conformity with the Portfolio Limitations

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

NOTE 3 – ACCOUNTING POLICIES

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

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NOTE 3 – ACCOUNTING POLICIES (Continued)

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

a) New and amended IFRS Standards with effect from 2019

IFRS 16	<i>Leases</i>
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	<i>Plan Amendment, Curtailment or Settlement</i>
Annual Improvements to IFRS Standards 2015–2017 Cycle	<i>Amendments to IFRS 3 Business Combinations, 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.

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 statement of the Group.

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.

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NOTE 3 – ACCOUNTING POLICIES (Continued)

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

a) New and amended IFRS Standards with effect from 2019 (Continued)

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.

Other than IFRS 16, these standards, amendments and improvements have no impact on the consolidated financial position and performance of the Group.

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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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NOTE 4 – CASH AND CASH EQUIVALENTS

	30 September 2019	31 December 2018
Cash on hand	53	26
Banks	478,084	674,845
- <i>Demand deposit</i>	118,676	132,738
- <i>Time deposits up to 3 months maturity</i>	359,408	542,107
Other cash and cash equivalents	29,986	-
	508,123	674,871

Maturities of cash and cash equivalents are as follows:

	30 September 2019	31 December 2018
Demand	118,676	132,738
Up to 3 month	359,408	542,107
Less: Blocked deposits with maturities less than 3 months	(10,022)	(29,990)
	468,062	644,855

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

	30 September 2019	31 December 2018
	(%)	(%)
	14.78%	18.47%

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

	30 September 2019	31 December 2018
Cash and cash equivalents	508,123	674,871
Less: Interest accruals	(712)	(1,132)
Less: LSRSA project deposits (*)	(73,036)	(169,609)
Less: Blocked deposits	(3,331)	(11,710)
Add: TFRS 9 impact	3,856	1,806
	434,900	494,226

(*) 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 Group has the authority to control these accounts TL 73,036 (31 December 2018: TL 169,609) part of the total project amount deposits TL 6,691 (31 December 2018: TL 18,280) comprises of blocked deposits.

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NOTE 5 - FINANCIAL INVESTMENTS

Short-term financial investments	30 September 2019	31 December 2018
Blocked deposits more than 3 months maturity (**)	9,011	42,375
Special issue government bonds (*)	22,017	12,067
	31,028	54,442

(*) The Republic of Turkey, Undersecretaries of Treasury (“Turkish Treasury”) issues special Domestic Government Debt securities in the name of the Group 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 Group. The Bonds are redeemed partially and early readapted and the amount is transferred to the Group’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 group, 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 group 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 6,092 (31 December 2018: TL 17,591) while the group portion of the blocked shares is TL 2,919 (31 December 2018: TL 24,784).

As of 30 September 2019, the long-term investments of the Group are as follows: Kazakhstan Ziraat International Bank and Tobaş Toplu Konut Büyükşehir Belediyesi İnşaat Emlak Mümarlık ve Proje A.Ş. The company's investments consist of less than 1% of the capital of the companies.

NOTE 6 - FINANCIAL LIABILITIES

Short-term financial liabilities	30 September 2019	31 December 2018
Issued debt instruments (*)	810,097	587,526
Short-term bank borrowings	639,389	111,137
Short-term portion of long-term borrowings	1,260,231	976,999
	2,709,717	1,675,662

(*) On 25 June 2019, the Company had issued a rent certificates amounting TL 188,000 that have maturity date of date of 22 October 2019 with an interest rate of 23.90% ,amounting TL 200,000 that have maturity date of date of 19 November 2019 with an interest rate of 19.50% on 30 July 2019 , amounting TL 150,000 that have maturity date of date of 24 December 2019 with an interest rate of 16.75% on 3 September 2019, amounting TL 150,000 that have maturity date of date of 28 January 2020 with an interest rate of 18.50% on 6 August 2019. 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.

Long-term financial liabilities	30 September 2019	31 December 2018
Long-term borrowings	1,858,744	1,685,943
	1,858,744	1,685,943

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

The all borrowings are received as TL currency and the interest rate of the borrowing as at 30 September 2019 is 16.58% (31 December 2018: 17.62 %).

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

	30 September 2019	31 December 2018
2020	308,308	999,507
2021	1,502,745	638,745
2022	47,691	47,691
	1,858,744	1,685,943

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

	30 September 2019	31 December 2018
Less than 3 months	249,203	202,373
Between 3 - 12 months	1,650,417	885,763
Between 1 - 5 years	1,858,744	1,685,943
	3,758,364	2,774,079

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	30 September 2019	31 December 2018
Receivables from LSRSA contractors invoiced	1,054,452	851,820
Receivables from sale of residential and commercial units	455,547	651,294
Assigned receivables from sale of residential and commercial units (*)	44,958	44,958
Notes of receivables	164	43,668
Receivables from land sales	373,894	24,754
Receivables from related parties (Note 21)	480,328	12,621
Rent receivables	9,296	9,082
Other	7,724	2,369
Unearned finance income	(26,306)	(17,571)
	2,400,057	1,622,995
Doubtful receivables	1,837	1,837
Less: Provision for doubtful receivables	(1,837)	(1,837)
	2,400,057	1,622,995

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

Long-term trade receivables	30 September 2019	31 December 2018
Receivables from sale of residential and commercial units	2,789,496	2,178,500
Receivables from land sales	234,017	-
Unearned finance income	(335,399)	(282,671)
	2,688,114	1,895,829

Short term payables	30 September 2019	31 December 2018
Payables to related parties (Note 21)	60,371	69,985
Payables to LSRSA contractors invoiced	132,150	361,559
Trade payables	247,279	527,061
Time deposit interest accruals from LSRSA contractors invoiced (*)	15,361	19,742
	455,161	978,347

(*) 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 Group within the related LSRSA projects. The Group tracks the contractor's share of the interest earned from the advances accumulated in these short term debts accounts.

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NOTE 8 - OTHER RECEIVABLES AND PAYABLES

	30 September 2019	31 December 2018
Short-term other receivables		
Receivables from contractors	685,797	758,851
HAS related receivables from Turkish Treasury	390,768	390,768
Other receivables from related parties (Note 21)	4,725	5,754
Receivables from the authorities	12,171	6,909
Other	841	1,085
	1,094,302	1,163,367

	30 September 2019	31 December 2018
Long-term other receivables		
Other receivables from related parties (Note 21)	22,448	19,802
Other receivables	8,013	8,012
Deposits and guarantees given	1,293	1,015
	31,754	28,829

	30 September 2019	31 December 2018
Short term other payables		
Payable to HAS beneficiaries	402,963	402,810
Payable to contractors (*)	88,752	88,752
Note payable	-	47,477
Taxes and funds payable	12,764	23,908
Other	69,992	70,739
	574,471	633,686

(*) 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 September 2019, other long-term payables comprises of deposits and guarantees received.

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NOTE 8 - OTHER RECEIVABLES AND PAYABLES (Continued)

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

	1 January 2019	Additions within the period	Disposals	30 September 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	(9,809)	(9,822)
Total consideration received or receivable from Treasury	402,810			402,963
Payable to HAS beneficiaries	(402,810)			(402,963)

	1 January 2018	Additions within the period	Disposals	30 September 2018
Treasury support share				
Receivable from Treasury	390,771	-	(3)	390,768
Special purpose government bond	12,267	-	(263)	12,004
Cash generated from government bond redemption	(25)	252	(144)	83
Total consideration received or receivable from Treasury	403,013			402,855
Payable to HAS beneficiaries	(403,013)			(402,855)

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NOTE 9 -INVENTORIES

	30 September 2019	31 December 2018
Lands	4,072,588	3,307,234
<i>Cost</i>	4,199,305	3,455,715
<i>Impairment</i>	(126,717)	(148,481)
Planned land by LSRSA	5,440,156	7,158,373
Planned land by turnkey project	3,116,466	3,689,638
Residential and commercial units ready for sale	1,639,645	1,252,239
<i>Cost</i>	1,797,698	1,286,112
<i>Impairment</i>	(158,053)	(33,873)
	14,268,855	15,407,484

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

The 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 (Note 18)	133,172	62,588
Reversal of impairment (Note 18)	(30,756)	(45,445)
Balance at 30 September	284,770	38,972

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NOTE 9 - INVENTORIES (Continued)

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

Lands	30 September 2019	31 December 2018
İstanbul Küçükçekmece Lands	1,927,396	1,420,469
İstanbul Başakşehir Lands	591,530	438,912
İstanbul Florya Lands	377,633	-
İstanbul Bakırköy Lands	350,673	350,673
İstanbul Tuzla Lands	205,917	205,917
İstanbul Arnavutköy Lands	170,189	166,655
Samsun Canik Lands	111,916	94,265
İstanbul Kartal Lands	109,183	109,183
İstanbul Esenyurt Lands	58,546	39,178
Ankara Çankaya Lands	45,644	17,695
İstanbul Ataşehir Lands	40,642	40,536
İstanbul Resneli Lands	20,333	20,333
İstanbul Avcılar Lands	19,364	-
İzmir Konak Umurbey Lands	12,258	12,258
İstanbul İstinye Lands	7,734	7,734
Sakarya-Sapanca Lands	7,027	6,302
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 Tütüncüiftliği Lands	618	618
Tuzla Orhanlı Project	540	540
İstanbul Beşiktaş Lands	-	360,002
İstanbul Kagıthane Lands	-	703
Other	1,170	986
	4,072,588	3,307,234

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NOTE 9 - INVENTORIES (Continued)

Planned lands by LSRSA	30 September 2019	31 December 2018
Nidapark İstinye Project	993,780	993,433
Nidapark Kucukyali Project	678,852	677,715
Büyükyali Project	625,012	656,805
Merkez Ankara Project	637,619	630,115
Nişantaşı Project	561,954	498,095
Beykoz Riva Project	378,965	366,646
İstanbul Çekmeköy Taşdelen Project	302,939	271,109
Validebağ Konakları Project	153,910	153,764
Köy Project	152,978	153,352
Yalova Armutlu Project	152,689	58,276
Avangart İstanbul Project	121,112	120,077
Temaşehir Konya Project	88,365	96,074
Evora Denizli Project	77,170	76,256
Karat 34 Project	68,275	67,480
Cer İstanbul Project	67,480	67,520
Ebruli İspartakule Project	58,200	58,105
Avrupark Hayat Project	54,057	54,289
Yeniköy Konakları İstanbul Project	45,366	45,368
Tual Bahçekent Project	38,995	118,929
Nidapark Kayasehir Project	35,505	199,373
Semt Bahçekent Project	35,427	50,154
Ofis Karat Bakırköy Project	30,955	30,605
İspartakule 6. Etap Project	29,375	48,682
Tuzla İçmeler Project	20,016	20,016
Tual Adalar Project	14,071	90,842
Şile Çavuş Project	9,813	9,813
Ankara Saraçoğlu Project	3,714	2,442
Koordinat Çayyolu Project	-	97,164
Evvel İstanbul Project	-	128
Florya Şenlik Mahallesi Project	-	370,512
Bizim Mahalle 2. Etap Project	-	476,638
Zeytinburnu Bestelsiz Project	-	408,029
İstanbul Finans Merkezi Project	-	22,444
İstmarina Project	-	29,170
Kocaeli Derince Project	-	70,360
Maslak 1453 Project	-	35,422
Çankaya Oran Project	-	33,079
Other	3,562	92
	5,440,156	7,158,373

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NOTE 9 - INVENTORIES (Continued)

Planned lands by turnkey project	30 September 2019	31 December 2018
Başkent Emlak Konutları Project	817,972	557,844
Gebze Emlak Konutları	528,722	618,036
IGTOD Rami Gıda Toptancıları Project	682,987	571,009
Kuzey Yakası Project	608,804	349,753
Ankara Başkent Project	358,729	255,532
Kocaeli Körfezkent Commercial Units	63,481	40,918
Halkalı Emlak Konutları Project	34,138	-
Hoşdere Hayat Parkı Project	20,512	-
Ankara Mühye Emlak Konutları Project	-	-
Ayazma Emlak Konutları Project	-	1,916
Ispartakule 1. Etap 1. Kısım Project	-	458,732
Ispartakule 1. Etap 2. Kısım Project	-	408,117
Nevşehir Emlak Konutları Project	-	225,771
Niğde Emlak Konutları	-	162,387
Başakşehir Ayazma 2. Etap Project	1,121	39,623
	3,116,466	3,689,638

Completed units	30 September 2019	31 December 2018
Maslak 1453 Project	625,345	654,276
Gebze Emlak Konutları	300,282	-
Sarphan Finanspark Project	179,145	225,534
Niğde Emlak Konutları	81,338	-
Büyükyalı Project	78,130	-
Başakşehir Ayazma Emlak Konutları	64,219	115,630
İstmarina Project	64,119	51,728
Ispartakule Emlak Konutları	26,407	-
Göl Panorama Project	35,123	-
Koordinat Çayyolu Project	35,410	-
Nidakule Ataşehir Project	24,052	24,052
Nevşehir Emlak Konutları	16,462	-
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	8,575	6,895
Unikonut Project	9,842	9,411
Bahçekent Emlak Konutları	8,292	8,445
Avrupa Konutları Başakşehir Project	7,097	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	7,932	16,451
	1,639,645	1,252,239

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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 September 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	352,140	40,922	393,062
Transfers from completed units and land inventories	13,934	-	13,934
Purchases	27,905	-	27,905
Ending balance as of 30 September 2019	393,979	40,922	434,901
Accumulated Depreciation			
Opening balance as of 1 January 2019	-	2,722	2,722
Charge for the year	-	317	317
Ending balance as of 30 September 2019	-	3,039	3,039
Carrying value as of 30 September 2019	393,979	37,883	431,862
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 September 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 September 2018	-	1,738	1,738
Carrying value as of 30 September 2018	264,738	39,184	303,922

(*)The Group is made up of independent 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 September 2019, the rent income from investment properties is TL 8,846 (1 January – 30 September 2018: TL 5,826).

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NOTE 10 - INVESTMENT PROPERTIES (Continued)

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

	30 September 2019	31 December 2018
Lands and completed units	171,679	132,223
Atasehir General Management Office A Block	83,524	83,524
Independent commercial units of Istmarina AVM	272,179	272,179
	527,382	487,926

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

30 September 2019	Buildings	Motor vehicles	Furniture, equipment and fix assets	Construction in progress	Total
Net book value as of 1 January 2019	58,803	550	6,892	97	66,342
Additions	335	-	51	-	386
Transfers from trading units	40,017	-	-	-	40,017
Depreciation expense(-)	(1,716)	(280)	(2,732)	-	(4,728)
Net book value 30 September 2019	97,439	270	4,211	97	102,017
Cost	103,778	2,160	20,276	97	126,311
Accumulated depreciation (-)	(6,339)	(1,890)	(16,065)	-	(24,294)
Net book value 30 September 2019	97,439	270	4,211	97	102,017

30 September 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 September 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 September 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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NOTE 12 –PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

30 September 2019 31 December 2018

Provisions		
Provision for lawsuits	129,888	131,534
	129,888	131,534

According to the opinions of the Company's lawyers, provision amount to TL 129,888 has been made as of 30 September 2019 (31 December 2018: TL 131,503). As of 30 September 2019, there are 123 cases of defect, 35 cases of loss of rent, 22 cases of cancellation of title deeds and registration, 23 cases of business and 75 other cases. The amount of the risk arising from cash outflow is 129,888 and the lawsuits are ongoing.

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

	2019	2018
Balance at 1 January	131,534	46,916
Provision released within the current period (Note 18)	(1,646)	-
Provision charged for the period (Note 18)	-	76,017
Balance at 30 September	129,888	122,933

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 Group and the remaining part of the project has been completed by another construction group 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 prior 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. 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. The additional report is completed. The court decided to apply secondary expert report as a result of additional report examination on 11 June 2014. The Group 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 Group made provision amounting to TL 75,840 from the related case as of 30 September 2019.

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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 Group claiming compensation because of damage caused by our group 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 Group by the local court and the judgment of the Court of Cassation is dismissed in favor of the Group and the decision of the local court is expected. The Group made provision amounting to TL 20,521 from the related case as of 30 September 2019.

12.1.3 Plaintiff contractor firm filed a lawsuit against the Group 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 group, amounting to TL 6,681, have been partially accepted and the trial has been appealed The Group made provision amounting to TL 6,860 from the related case as of 30 September 2019.

12.2 Contingent Liabilities of Group

In accordance with the protocol signed between the Company and Galatasaray Sports Club Association on 29 June 2016, 3 properties with an appraised value of TL 508,729 (present value: TL 495,180) have been transferred to the ownership of the Company. These properties are recognized under inventories in the financial statements. As a result of the protocol, Galatasaray Sports Club Association assigned its receivable expected from the projects tendered and as of 30 September 2019, the Company made a total payment of TL 254,365. As of 30 September 2019, the nominal value of Company's liability is TL 254,364 and the carrying value of the liability is TL 240,815 in accordance with the protocol. The Company terminated the protocol on 27 September 2019 due to Galatasaray Sports Club Association's non-compliance with the protocol requirements and the necessary notification was made to the Galatasaray Sports Club Association. As of the date of this financial statements, there has been no feedback regarding the notification made to Galatasaray Sports Club Association.

In the financial statements prepared as of 30 September 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 30 September 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 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 Group 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 Group's revenue portion is TL 67,515 plus VAT calculated as TL 175,000 plus VAT total project revenue times 38.58% Group's revenue portion. The Contractor wants all the properties and related land portion to be valued by an independent valuation group as of the date of the lawsuit and that 38.58% of the total value to be appropriated to the Group and the remaining 61.42% of the total value to be appropriated to the Contractor.

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.

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

12.2 Contingent Liabilities of Group (Continued)

12.2.2 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 Group’s lawyer, it is not expected to arise any liability that put the Group under obligation as a result of related case.

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

12.3 Contingent Assets of Group

12.3.1 As of 30 September 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 September 2019	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	829,441	868,216	1,697,657
2 year	550,102	530,401	1,080,503
3 year	459,958	332,068	792,026
4 year	351,850	231,264	583,114
5 year and above	1,661,603	569,847	2,231,450
	3,852,954	2,531,796	6,384,750

31 December 2018	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	651,294	1,078,613	1,729,907
2 year	397,839	913,186	1,311,025
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
	2,829,794	4,444,993	7,274,787

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NOTE 13 - OTHER ASSETS AND LIABILITIES

30 September 2019 31 December 2018

Other current assets

Progress payments given to contractors	76,697	160,128
Accrued income	6,276	114,049
Receivables from tax office	14,670	17,703
Deferred VAT	32,801	9,219
Deposits and guarantees	-	130
Other	7,194	490
	137,638	301,719

30 September 2019 31 December 2018

Other non-current assets

Deferred VAT	137,055	231,222
Deposits and guarantees	-	215
	137,055	231,437

NOTE 14 - DEFERRED INCOME AND PREPAID EXPENSES

Short-term deferred income

30 September 2019 31 December 2018

Deferred income from LSRSA projects (*)	1,772,638	2,142,368
Advances taken from LSRSA contractors (**)	738,832	688,925
Advances taken from turnkey project sales	1,015,915	1,074,907
Alienable deferred incomes (***)	239,333	336,000
Deferred income from sales of completed units	610,552	597,365
Advances taken from related parties (Note 21)	64,732	64,732
	4,442,002	4,904,297

(*) 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 Group collects a certain portion of the total Group revenue from the project before signing the agreement with the contractor

(***)The Group 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 September 2019 31 December 2018

Prepaid expenses

Advances given for inventory (*)	1,733,409	1,466,470
Prepaid expenses	1,701	1,019
	1,735,110	1,467,489

(*) A protocol has been signed between the Group 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 Group has provided an advance of stock amounting to TL 467,825. The Group has also provided a stock advance of 1,056,371 TL to the contractors for the houses and commercial units they have received from Ankara Yenimahalle Station, Nidapark Küçükyalı and Büyükyalı projects.

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NOTE 15 - SHAREHOLDERS' EQUITY

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

Shareholders	30 September 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 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 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 Group 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). Shares average purchase price is TL 2.60 and as a result of the purchases, between 23 December 2013 and 17 November 2017 the ratio of the shares that have been bought back to the total shares lot is 3.38%.

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NOTE 16 - REVENUE AND COST OF SALES

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
Sales income				
Land sales	2,095,289	216,843	1,950,066	14,605
<i>Income from sale of land and plots by way of LSRSA</i>	<i>884,794</i>	<i>74,821</i>	<i>1,483,878</i>	<i>6,675</i>
<i>Land sales income</i>	<i>1,210,495</i>	<i>142,022</i>	<i>466,188</i>	<i>7,930</i>
Residential and commercial units sales	1,461,865	176,371	706,536	337,611
Other Income	26,111	11,360	4,492	1,464
	3,583,265	404,574	2,661,094	353,680
Sales returns	(6,453)	(1,893)	(2,043)	(202)
Sales discounts	-	-	(1,536)	(45)
Net sales income	3,576,812	402,681	2,657,515	353,433
Cost of sales				
Cost of land sales	(1,513,340)	(108,402)	(754,796)	(15,123)
<i>Cost of land and plots sold by way of LSRSA</i>	<i>(493,737)</i>	<i>(37,002)</i>	<i>(544,174)</i>	<i>(3,823)</i>
<i>Cost of land sales</i>	<i>(1,019,603)</i>	<i>(71,400)</i>	<i>(210,622)</i>	<i>(11,300)</i>
Cost of residential and commercial units sales	(1,477,587)	(201,422)	(565,840)	(273,127)
	(2,990,927)	(309,824)	(1,320,636)	(288,250)
Gross profit	585,885	92,857	1,336,879	65,183

NOTE 17 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
General administrative expenses				
Personnel expenses	(77,779)	(27,200)	(53,664)	(24,642)
Consultancy expenses	(27,927)	(12,482)	(15,909)	(6,232)
Taxes, duties and fees	(26,835)	(9,349)	(29,063)	(7,990)
Donations	(16,339)	(15,300)	(18,753)	(35)
Due and contribution expenses	(9,751)	(2,632)	(3,247)	(1,323)
Information technology expenses	(6,690)	(1,475)	(5,200)	(869)
Travel expenses	(6,231)	(2,636)	(4,476)	(1,605)
Depreciation and amortisation	(5,613)	(1,895)	(4,304)	(1,132)
Lawsuit and notary expenses	(1,871)	(1,030)	(2,956)	(361)
Maintenance	(1,753)	(560)	(2,705)	(711)
Insurance expenses	(1,263)	(635)	(557)	(40)
Communication expenses	(731)	(219)	(412)	(119)
Other	(21,509)	(7,536)	(17,330)	(8,185)
	(204,292)	(82,949)	(158,576)	(53,244)

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

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
Marketing, sales and distribution expenses				
Advertising expenses	(35,528)	(13,916)	(32,641)	(9,471)
Personnel expenses	(5,880)	(1,945)	(6,180)	(3,156)
Office expenses	(11)	(2)	(407)	(219)
Notary expenses	(41)	(15)	(140)	(90)
Other	(1,285)	1,191	(2,338)	(892)
	(42,745)	(14,687)	(41,706)	(13,828)

NOTE 18 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
Other income from operating activities				
Finance income from credit sales	294,201	44,478	303,513	118,862
Released lawsuit provisions (Note 12)	1,646	(20,792)	-	-
Delay penalty interest from project contractors	87,056	42,536	83,048	18,669
Recirculate commission income	19,756	4,420	18,512	5,950
Gas and due expenses	10,342	3,345	2,434	1,150
Impairment provision reversals (Note 9)	30,756	7,304	45,445	18,130
Income from tender contract sales	984	984	151	-
Other	21,497	3,314	12,845	3,438
	466,238	85,589	465,948	166,199

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
Other expenses from operating activities				
Reversal of due date differences, net	-	-	(27,652)	(27,652)
Home and land inventories impairment provision expenses (Note 9)	(133,172)	(76,375)	(62,588)	(19,731)
Cash and cash equivalents impairment provision expenses	(2,050)	(1,637)	(3,079)	2,429
Lawsuit provision charge for the period (Note 12)	-	-	(76,017)	(74,623)
Investment properties impairment provision expenses	-	-	(25,237)	-
Other	(9,807)	(4,793)	(4,188)	(298)
	(145,029)	(82,805)	(198,761)	(119,875)

NOTE 19 - FINANCIAL INCOME / EXPENSES

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
Financial expenses				
Loan and sukuk interest expense	(443,499)	(170,275)	(212,292)	(50,550)
Interest discount on pay off debt	(127,456)	(13,836)	(31,383)	(2,198)
Assigned receivables and commission expense	(7,874)	(2,272)	(59,182)	(31,806)
Interest expense on payable to TOKI	-	-	(67,514)	-
Foreign exchange loss	(854)	(473)	(287)	(40)
	(579,683)	(186,856)	(370,658)	(84,594)

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NOTE 19 - FINANCIAL INCOME / EXPENSES (Continued)

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
Financial income				
Interest income from time deposits	84,384	33,060	65,829	8,516
Interest income from TOKI	41,498	-	-	-
Foreign exchange income	1,921	40	12	-
	127,803	33,100	65,841	8,516

NOTE 20 – TAXATION ON INCOME (DEFERRED TAX AND LIABILITIES INCLUDED)

	30 September 2019	31 December 2018
Current tax assets		
Prepaid taxes and funds	-	3,052
	-	3,052

Corporate Tax

The Company is exempt from corporate income tax in accordance with paragraph 4-d of Article 8 of the Corporate Income Tax Law after the Real Estate Investment Group ("REIC") conversion on 22 June 2002 and in accordance with paragraph 6-a of Article 94 of the Income Tax Law, the earnings of the REICs are subject to withholding taxes. According to the Council of Ministers Decision, No: 93/5148, the withholding tax rate is determined as "0". The Company's subsidiaries, associates and joint operations are 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 investment incentives utilized.

The effective tax rate in 2019 is 22% (2018: 22%) for the Group.

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 between its 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

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**NOTE 20 – TAXATION ON INCOME (DEFERRED TAX AND LIABILITIES INCLUDED)
(Continued)**

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 consolidated 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>30 September 2019</u>	<u>31 December 2018</u>
Fair value adjustment to inventories due to purchase	62,157	62,157
Carry forward tax loss effect	(7,325)	-
Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets	(361)	(160)
Provision for employment termination benefits	(825)	(222)
Provision for lawsuits	-	(6)
	<u>53,646</u>	<u>61,769</u>

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**NOTE 20 – TAXATION ON INCOME (DEFERRED TAX AND LIABILITIES INCLUDED)
(Continued)**

Movement of deferred tax (assets)/liabilities for years ended 30 September 2019 and 2018 are as follows:

	1 January- 30 September 2019	1 January- 30 September 2018
<u>Movement of deferred tax (assets)/liabilities:</u>		
Opening balance as of 1 January	(61,769)	-
Charged to income	8,123	-
Closing balance at 30 September	<u>(53,646)</u>	<u>-</u>

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

	1 January- 30 September 2019	1 January- 30 September 2018
<u>Reconciliation of tax provision</u>		
Profit from continuing operations	204,101	-
Profit from operations before tax	<u>204,101</u>	<u>-</u>
Tax at the domestic income tax rate 2019: 22% (2018: 22%)	44,902	-
Tax effects of:		
- revenue that is exempt from taxation	(44,649)	-
- previously unrecognised and unused tax losses and tax offsets now recognised deferred tax assets	7,325	-
- other	545	-
Income tax expense recognised in profit or loss	<u>8,123</u>	<u>-</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 control of T.C. Ministry of Environment and Urbanisation. Related parties of the Group are as listed below:

1. T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)
2. GEDAŞ (Gayrimenkul Değerleme A.Ş.) (an affiliate of TOKİ)
3. TOBAŞ (Toplu Konut - Büyükşehir Bel. İnş. Emlak ve Proje A.Ş.) (an affiliate of TOKİ)
4. Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (an affiliate of TOKİ)
5. Vakıf İnşaat Restorasyon ve Ticaret A.Ş. (an affiliate of TOKİ)
6. Emlak-Toplu Konut İdaresi Spor Kulübü
7. Emlak Planlama İnşaat Proje Yönetimi ve Tic. A.Ş. - Emlak Basın Yayın A.Ş. Ortak Girişimi
8. Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş Ortak Girişimi
9. Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. Ortak Girişimi
10. Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay Ortak Girişimi
11. Emlak Konut Spor Kulübü Derneği
12. Bio İstanbul Proje Geliştirme ve Yatırım A.Ş.
13. Emlak Pazarlama Fideltus Öztaş 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 Group 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 Group mostly deposits its cash in State Banks in compliance with its related statute. The bank balances with state banks amounted to TL 310,231 as of 30 September 2019 (31 December 2018: TL 219,689) Average effective interest rates of time deposits of the Group as of 30 September 2019 are explained in Note 4.

	30 September 2019	31 December 2018
Trade receivables from related parties		
T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü (*)	469,097	-
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	2,547	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 O.G.	1,338	1,337
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	1,769	1,002
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	-	805
Gedaş Gayrimenkul Değerleme A.Ş.	-	103
	480,328	12,621

(*) According to the protocol signed with T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü on 28 June 2019, the amount of receivables arising from the transfer of 3 lands.

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NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

	30 September 2019	31 December 2018
Short-term other receivables from related parties		
Emlak Pazarlama Fidelus Öztaş Adi Ortaklığı	4,132	5,161
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay O.G.	145	145
Gedaş Gayrimenkul Değerleme A.Ş.	448	448
	4,725	5,754
Long-term other receivables from related parties		
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	22,448	19,802
	22,448	19,802
Trade payables to related parties		
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	59,071	68,661
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	1,300	1,324
	60,371	69,985
Advances received from related parties		
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fidelus İnş-Öztaş O.G. (*)	64,732	64,732
	64,732	64,732

(*) 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.

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
Purchases from related parties				
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	280,902	-	407,032	394,974
Emlak Planlama İnş. Prj. Yön. A.Ş. - Emlak Basın Yayın A.Ş.	-	-	887	310
	280,902	-	407,919	395,284
Finance expense from related parties				
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	-	-	67,514	45,758
Türkiye Emlak Katılım Bankası A.Ş.	8,905	-	-	-
	8,905	-	67,514	45,758
Finance income from related parties				
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	41,498	-	-	-
	41,498	-	-	-

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.

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NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

Sales to related parties	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	71,448	-	7,929	-
İller Bankası A.Ş.	115,640	-	-	-
T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü	470,867	-	-	-
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş.- Fideltus İnş. - Öztaş İnş. O.G.	3	-	-	-
Gedaş Gayrimenkul Değerleme A.Ş.	27	-	-	-
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	333	-	-	-
	658,318	-	7,929	-

In the Group, 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 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
Salaries and other short-term employee benefits	6,389	1,738	4,316	1,334
	6,389	1,738	4,316	1,334

NOTE 22 - COMMITMENTS

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

	30 September 2019	31 December 2018
Guarantees received (*)	2,250,943	3,086,456
Mortgages received (**)	58,564	78,342
	2,309,507	3,164,798

(*) 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.

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NOTE 22 - COMMITMENTS (Continued)

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

	30 September 2019	31 December 2018
A. CPM given on behalf of the Company's legal personality	90,889	61,802
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	-	-
	90,889	61,802

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 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
Net income attributable to equity holders of the parent in full TL	212,224	(153,587)	1,099,169	(31,636)
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	0.0006	(0.0004)	0.0030	(0.0001)

NOTE 24 - EVENTS AFTER THE REPORTING PERIOD

None.

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**ADDITIONAL NOTE - CONTROL OF COMPLIANCE WITH THE PORTFOLIO
LIMITATIONS**

	Non-Consolidated (Individual) Financial Statements Main Account Items	Related Regulation	Current Period 30 September 2019 (TL)	Prior Period 31 December 2018 (TL)
A	Money and Capital Market Instruments	Series:III-No:48, Art,24/(b)	429,176	437,372
B	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)	13,903,968	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		8,183,327	6,767,401
D	Total Assets	Series:III-No:48, Art,3/(k)	22,804,508	22,659,394
E	Financial Liabilities	Series:III-No:48, Art,31	4,568,461	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	13,170,868	13,086,742
	Other Resources		5,065,179	6,109,206
D	Total Resources	Series:III-No:48, Art,3/(k)	22,804,508	22,659,394
	Non-Consolidated (Individual) Financial Statements Other Account Items	Related Regulation	Current Period 30 September 2019 (TL)	Prior Period 31 December 2018 (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)	429,176	437,372
A2	Term/ Demand/ Currency	Series:III-No:48, Art,24/(b)	431,172	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)	708,373	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	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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**ADDITIONAL NOTE - CONTROL OF COMPLIANCE WITH THE PORTFOLIO
LIMITATIONS (Continued)**

	Portfolio restrictions	Related regulation	30 September 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	35	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 Group" published in official gazette no 28660 on 28 May 2013.

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