EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF
THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR'S REPORT

**To the General Assembly of
EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards "TAS".

2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Revenue recognition Emlak Konut GYO actualizes sales mostly in the form of turnkey and Land Subject to Revenue Sharing Agreements ("LSRSA") projects. In turnkey projects, it is the Company's responsibility to maintain and complete the project and revenue is recognized when the Company has transferred to the buyer the significant risks and rewards of independents units and the amount of revenue can be measured reliably. In LSRSA projects, the contractor completes the construction. Regarding the project, the Company receives advance payments from the buyer and makes payments to the contractor. Revenue is recognized when admission forms are signed by the Company or the significant risks and rewards of independents units pass to the buyer and the amount of revenue can be measured reliably. As of the balance sheet date, there are cases where the construction has been completed, but the delivery has not been realized for turnkey projects. In LSRSA projects, there are cases where the construction has been completed as of the balance sheet date, but the delivery has not been realized and the admission form has not been signed. Therefore, revenue recognition for those projects in the correct accounting period is a key matter for our audit. Explanations regarding the Company's revenue accounting policies and amounts are given in Note 2.4 and Note 17.	We performed the following procedures in relation to the revenue recognition in turnkey and LSRSA projects: The design and implementation of the controls on the revenue process have been evaluated. The sales and delivery procedures have been analyzed. Terms of delivery and the timing of revenue recognition with respect to contracts made with customers in turnkey projects have been examined. Special emphasis is given to the recording of the advances received from the buyers and the accounting of the cases where the delivery has not occurred as of balance sheet date by substantive procedures . Terms of trade and delivery with the contractors and buyers and the timing of revenue recognition with respect to LSRSA projects have been examined. Special emphasis is given to the recording of the advances received from the buyers and the accounting of the cases where the delivery has not occurred and the admission form has not been signed as of balance sheet date by substantive procedures. In addition, we have assessed the adequacy of the revenue and cost of sales disclosures in Note 17 in accordance with TAS.

4) Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

5) Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the standards on auditing issued by Capital Markets Board and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

5 Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 26 February 2018.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January-31 December 2017 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Koray Öztürk.

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

Koray Ozturk, SMMM
Sorumlu Denetçi

İstanbul, 26 February 2018

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017 AND 2016

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

	Notes	*Audited* **31 December 2017**	*Audited* **31 December 2016**
ASSETS			
Current assets		**18,796,338**	**17,076,882**
Cash and cash equivalents	3	897,501	2,420,030
Financial investments	4	186,274	221,998
Trade receivables	6	1,681,689	682,868
Trade receivables due from related parties	*25*	*8,239*	*21,087*
Trade receivables due from third parties		*1,673,450*	*661,781*
Other receivables	7	1,180,466	838,505
Other receivables due from third parties		*1,180,466*	*838,505*
Inventories	8	13,646,631	12,085,195
Prepaid expenses	15	986,501	543,811
Other current assets	14	217,276	284,475
Non-current assets		**1,827,322**	**1,625,485**
Trade receivables	6	1,686,645	1,466,854
Trade receivables due from third parties		*1,686,645*	*1,466,854*
Other receivables	7	988	1,053
Investment property	9	57,283	38,199
Property, plant and equipment	10	66,858	69,181
Intangible assets	11	2,911	2,605
Other non-current assets	14	12,637	47,593
Total assets		**20,623,660**	**18,702,367**

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

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017 AND 2016

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

	Notes	*Audited* **31 December 2017**	*Audited* **31 December 2016**
LIABILITIES AND EQUITY			
Current liabilities		**6,083,525**	**7,954,280**
Current portion of non-current borrowings	5	482,364	219,490
Trade payables	6	1,266,648	3,824,119
Trade payables due to related parties	*25*	*744,713*	*3,510,865*
Trade payables due to third parties		*521,935*	*313,254*
Other payables	7	554,767	560,576
Deferred income	15	3,728,717	3,215,821
Deferred income from related parties	*25*	*64,732*	*64,732*
Deferred income from third parties		*3,663,985*	*3,151,089*
Current provisions		51,029	134,274
Current provisions for employee benefits		*4,113*	*6,190*
Other current provisions	*13*	*46,916*	*128,084*
Non-current liabilities		**2,074,616**	**17,894**
Long term borrowings	5	1,932,308	-
Trade payables	6	95,666	71
Other payables	7	37,306	9,352
Deferred income	15	3,174	2,963
Long term provisions		6,162	5,508
Long term provisions for employee benefits	*13*	*6,162*	*5,508*
Shareholders' equity		**12,465,519**	**10,730,193**
Paid-in capital	16	3,800,000	3,800,000
Treasury shares (-)		(284,480)	(262,857)
Share premium		2,378,513	2,378,513
Other comprehensive income / expense not to be reclassified to profit or loss		(42)	(897)
- Gain/(loss) on remeasurement of employee benefits		*(42)*	*(897)*
Restricted reserves		511,347	423,295
Retained earnings		4,304,087	2,630,863
Net profit for the year		1,756,094	1,761,276
Total liabilities and equity		**20,623,660**	**18,702,367**

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

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

	Notes	*Audited* **1 January- 31 December 2017**	*Audited* **1 January- 31 December 2016**
Profit or loss			
Revenue	17	3,900,566	3,455,892
Cost of sales (-)	17	(1,788,045)	(1,619,678)
Gross profit		**2,112,521**	**1,836,214**
General administrative expenses (-)	18	(194,131)	(137,483)
Marketing expenses (-)	18	(65,677)	(56,084)
Other income from operating activities	20	434,241	288,987
Other expenses from operating activities (-)	20	(79,141)	(24,120)
Operating profit		**2,207,813**	**1,907,514**
Income from investing activities	21	2,547	13,810
Operating profit before financial income / (expense)		**2,210,360**	**1,921,324**
Financial income	22	80,680	94,312
Financial expenses (-)	22	(534,946)	(254,360)
Profit for the year		**1,756,094**	**1,761,276**
Other comprehensive income / (loss)			
Items that will be reclassified to profit or loss			
Actuarial losses related to employee benefit liabilities	*13*	*855*	*(410)*
Total comprehensive income for the year		**1,756,949**	**1,760,866**
Earnings per share (in full TL)	24	**0.0048**	**0.0048**

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

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

					Other Comprehensive Income and Expense not to be Reclassified to Profit or Loss	Retained Earnings		
	Share capital	**Treasury shares (-)**	**Share premium**	**Restricted reserves**	**Gain/Loss on remeasurement of employee benefits**	**Retained earnings**	**Net income for the year**	**Total equity**
1 January 2016	**3,800,000**	**(262,857)**	**2,366,895**	**357,908**	**(487)**	**2,111,335**	**952,605**	**9,325,399**
Transfers	-	-	-	65,387	-	887,218	(952,605)	-
Dividend payment	-	-	-	-	-	(367,690)	-	(367,690)
Increases / (decreases) related to the acquisition of treasury shares (Note 16)	-	-	11,618	-	-	-	-	11,618
Total comprehensive income	-	-	-	-	(410)	-	1,761,276	1,760,866
31 December 2016	**3,800,000**	**(262,857)**	**2,378,513**	**423,295**	**(897)**	**2,630,863**	**1,761,276**	**10,730,193**
1 January 2017	**3,800,000**	**(262,857)**	**2,378,513**	**423,295**	**(897)**	**2,630,863**	**1,761,276**	**10,730,193**
Transferler	-	-	-	88,052	-	1,673,224	(1,761,276)	-
Increases / (decreases) related to the acquisition of treasury shares (Note 16)	-	(21,623)	-	-	-	-	-	(21,623)
Total comprehensive income	-	-	-	-	855	-	1,756,094	1,756,949
31 December 2017	**3,800,000**	**(284,480)**	**2,378,513**	**511,347**	**(42)**	**4,304,087**	**1,756,094**	**12,465,519**

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

STATEMENTS OF CASH FLOWS AT 31 DECEMBER 2017 AND 2016

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

	Notes	*Audited* 1 January- 31 December 2017	*Audited* 1 January- 31 December 2016
Cash flows from operating activities			
Profit for the year		1,756,094	1,761,276
Adjustments to reconcile net profit			
Depreciation and amortization expenses	9,10,11	8,136	7,086
Adjustments for impairments		3,021	7,434
Adjustments for ımpairment loss (reversal of ımpairment loss) of inventories	*8*	*3,021*	*7,434*
Changes in provisions		(17,096)	(33,950)
Adjustments for (reversal of) provisions related with employee benefits	*13*	*(558)*	*2,812*
Adjustments for (reversal of) lawsuit and/or penalty provisions	*12*	*(16,538)*	*(3,664)*
Adjustments for (reversal of) other provisions		*-*	*(33,098)*
Adjustments for interest (income) expenses		165,126	(90,989)
Adjustments for interest income	*20,21,22*	*(369,380)*	*(344,746)*
Adjustments for interest expense	*22*	*534,506*	*253,757*
Changes in net working capital		**1,915,281**	**1,650,857**
Adjustments for decrease (increase) in trade accounts receivable		(1,218,612)	167,769
Decrease (increase) in trade accounts receivables from related parties	*25*	*12,848*	*183,085*
Decrease (Increase) in trade accounts receivables from third parties	*6*	*(1,231,460)*	*(15,316)*
Adjustments for decrease (increase) in inventories		(800,951)	237,774
Adjustments for increase (decrease) in trade accounts payable		(3,181,336)	(570,661)
Increase (decrease) in trade payables to related parties		*(3,169,206)*	*(498,275)*
Increase (decrease) in trade payables to third parties		*(12,130)*	*(72,386)*
Adjustments for (decrease) in other operating receivables		(600,557)	(827,949)
Adjustments for increase (decrease) in other operating payables		728,708	(691,105)
Other adjustments for other increase (decrease) in working capital		932,030	785,644
Net cash flow from operating activities			
Interest received		67,018	121,257
Payments related with provisions for employee benefits	13	(10)	(137)
Income taxes paid		(202,803)	(44,542)
Cash flows from operating activities		**(2,361,232)**	**828,907**
Purchases of investment properties, tangible and intangible assets	9,10,11	(23,595)	(19,945)
Sales of tangible and intangible assets		-	44
Interest received	21	2,547	13,810
Purchases of financial assets		(40,419)	(125,678)
Returns of financial assets		160,681	128,703
Other inflows (outflows) of cash		(84,539)	(81,203)
Cash flow from investing activities		**14,675**	**(84,269)**
Payments for acquisition of treasury shares		(21,623)	-
Proceeds from borrowings		2,425,000	-
Proceeds from loans	*5*	*2,425,000*	-
Repayments of borrowings, classified as financing activities		(261,692)	(220,000)
Loan repayments	*5*	*(261,692)*	*(220,000)*
Interest paid		(464,130)	(36,351)
Dividends paid		-	(356,072)
Interest received	22	69,202	94,238
Other inflows (outflows) of cash		(434)	(631)
Cash flow from financing activities		**1,746,323**	**(518,816)**
Increase (decrease) in cash and cash equivalents before effect of exchange rate changes before effect of exchange rate changes		**(600,234)**	**225,822**
Effect of exchange rate changes on cash and cash equivalents		-	-
Net Increase (decrease) in cash and cash equivalents		**(600,234)**	**225,822**
Cash and cash equivalents at the beginning of the year	3	985,315	759,493
Cash and cash equivalents at the end of the year	**3**	**385,081**	**985,315**

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

NOTE 1 – ORGANIZATION AND OPERATION OF THE COMPANY

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

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

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

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

The registered address of the Company is as follows:

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

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

The financial statements at 31 December 2017 have been approved by the Board of Directors on 26 February 2018. The General Assembly of the Company has the power to amend these financial statements.

The ultimate parent and ultimate controlling party of the company is T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (the Housing Development Administration of Turkey, "TOKİ"). TOKİ is a state institution under the control of Republic of Turkey Prime Ministry. Emlak Konut Spor Kulübü Derneği was established on 23 August 2017 by the Company and Company's employees. The centre of Emlak Konut Spor Kulübü Derneği is located in Istanbul.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The principal accounting policies applied in the preparation of these 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 financial statements of the Company have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Accounting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Accounting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority ("POA").

The financial statements of the Company is prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations.

The Company maintains its books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. These financial statements have been prepared under historical cost conventions. The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values. The financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

Accounting for the effects of hyperinflation

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

Functional and presentation currency

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

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

2.1 Basis of Preparation (Continued)

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Going concern

The Company's financial statements are prepared under the going concern assumption.

2.2 Changes in accounting policies, accounting estimates and errors

Significant changes in accounting policies or material errors are corrected, retrospectively; by restating the prior period financial statements.

2.3 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".

2.4 Summary of significant accounting policies

The significant accounting policies followed in the preparation of these financial statements are summarized below;

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months and conversion risk on value at the date of sale is immaterial. For Land Subject to Revenue Sharing Agreements ("LSRSA") projects, advances received from customers by construction entities, are deposited in bank accounts which are under the name of the Company. Since such cash balances are restricted, they are not treated as cash or cash equivalents in the cash flow statement (Note 3).

Related party transactions

Shareholders, key management personnel, Board of Directors, close family members, and companies which are controlled by those are regarded as related party for the purpose of preparation of these financial statements. In accordance with TAS 24 – Related party standards, the description of related parties has been restricted. The Company has also transactions with State owned banks and the Republic of Turkey Prime Ministry Undersecretariat of Treasury (the "Treasury") however quantitative information regarding Turkish State Banks and Treasury is not disclosed in accordance with this exemption. The ultimate parent and ultimate controlling party of the Company is T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (the Housing Development Administration of Turkey, "TOKİ"). TOKİ is a State institution under control of Republic of Turkey Prime Ministry. The transactions made between the Company and TOKİ and its affiliates are presented in Note 25.

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

2.4 Summary of significant accounting policies (Continued)

Foreign currency transactions

The foreign exchange transactions during the year are translated into TL using the prevailing exchange rates on the related transaction dates. Foreign currency denominated monetary assets and liabilities are translated into TL with the exchange rates prevailing on the balance sheet dates. The foreign currency exchange gain and losses that arise by the exchange rate change based on monetary assets and liabilities are presented in the comprehensive income statement.

Financial assets

Classification

The financial assets of the Company consist of government bonds, treasury bills, trade receivables and long term bank deposits. Management determines the classification of its financial assets at initial recognition. Government bonds and treasury bills are classified as held to maturity financial assets except for the special issue long term government bonds obtained for HAS payments.

The special issue long term government bonds have been issued by the Treasury and given to the Company for payment of HAS payables. These bonds are non-negotiable on the secondary market and do not bear any interest. It is puttable on demand by the Company at par back to the Treasury, upon proof of payment to HAS beneficiaries. In order to eliminate an accounting mismatch with the measurement of HAS payables; these bonds are also accounted at par representing its fair value, as the matching liability is also accounted at par.

Receivables are financial assets which have fixed or defined payments. They are not traded in an active market and also they are not derivative instruments. They are classified as current assets if their maturity is less than 12 months, otherwise they are classified as non-current assets.

Trade receivables include receivables from residential unit sales on credit terms, receivables from sale of land and rent receivables from the units are classified to investment properties.

Recognition and measurement

The Company recognizes a financial asset or a financial liability in its statement of financial position when, and only, the entity becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. An entity shall remove a financial liability from its statement of financial position when, and only, the obligation specified in the contract is discharged or cancelled or expires.

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

2.4 Summary of significant accounting policies (Continued)

Recognition and measurement (cont'd)

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Trade receivables and payables

Trade receivables of the Company that are created by way of providing goods are carried at amortized cost using the effective interest rate method. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method, less the unearned financial income. Short term receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant (Note 6).

An impairment provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due in accordance with the original agreement terms. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collaterals, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is reversed through other operating income.

Trade payables consist of payables to suppliers for purchases of goods and services. Trade payables and other liabilities are carried at amortized cost using the effective interest rate method. Trade payables, are measured at amortized cost, using the effective interest rate method. Short term trade payables and other liabilities with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

HAS payables are payables on demand therefore they are measured at their demand values and classified as short-term.

Employment termination benefits

Under Turkish labor law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of 4,732.48 full TL as of 31 December 2017 (31 December 2016: 4,297.21 full TL).

Fair value of employment benefits are calculated based on the assumptions. Actuarial gains/losses will be accounted in the statements of comprehensive income.

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

2.4 Summary of significant accounting policies (Continued)

Employment termination benefits (cont'd)

The employment termination benefit obligation as explained above is considered a defined benefit plan under TFRS. TFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. The liability for this unfunded plan recognized in the balance sheet is the full present value of the defined benefit obligation at the end of the reporting period, calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows from the retirement of its employees using the long-term TL interest rates.

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus the effective discount rate applied represents the expected real interest rate after adjusting for the effects of future inflation. As the maximum liability amount is revised semi-annually by the authorities, the maximum amount of 5,001.76 full TL which is effective from 1 January 2018 has been taken into consideration when calculating the liability (1 January 2017: 4,426.16 full TL) (Note 13).

Financial liabilities

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method in financial statements (Note 5).

Provisions, contingent assets and liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

Contingent assets or contingent obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in financial statements and are treated as contingent assets or liabilities.

Land and Residential Unit Inventory

The company has four types of inventories in its financial statements (Note 8). These are;

1. Vacant land and plots;

Vacant land and plots are carried at lower of cost or net realizable value and represent vacant land and plot of the Company with no ongoing or planned construction project on them. Such land and plots are classified as inventories because the Company uses such land and plots the development of residual and commercial units, as explained below, which are also classified as inventories.

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

2.4 Summary of significant accounting policies (Continued)

Land and Residential Unit Inventory (cont'd)

2. Turnkey Projects

Turnkey projects are valued at lower of cost or net realizable value. Turnkey projects costs consist of construction costs of the semi-finished residential units together with the cost of land on which these projects are developed. Upon completion of residential units costs including the cost of land are classified under completed residential unit inventories.

3. Land Subject to Revenue Sharing Agreements ("LSRSA")

The Company enters into revenue sharing agreements with construction entities to maximize sales proceeds from the sale of its vacant land and plots. Such land and plot sold subject to revenue share agreements to construction entities are accounted at cost until sale is recognized. Sale is recognized when risk and rewards of ownership of land is transferred to the ultimate customers (that is the customers of the construction entities) and when the sales proceeds are reliably determinable.

4. Completed Residential and Commercial Unit Inventories

Completed turnkey and commercial units comprise units build in Turnkey projects and units acquired in return for land in some LSRSA projects. Completed residential and commercial units are received from LSRSA projects in cases where the Company's share have not reached the projected minimum revenue as defined in the agreements, thus unsold units are then transferred at fair value by contractors to the Company.

Completed residential and commercial unit inventories are valued at lower of cost or net realizable value.

The Company takes into consideration independent expert valuation reports for inventory (land, finished and semi-finished residential and commercial units) separately at least once a year to determine the fair value of such projects as required by the CMB regulations for REICs, and uses these reports to assess impairment if any. Impairment charges are recorded in other operating expenses account balance in the comprehensive income statement in the period during which they are incurred. When the related inventory is subsequently sold the reversal of such impairment charges are recorded in other operating income.

Property, plant and equipment

Property and equipment are carried at cost less accumulated depreciation and provision for impairment, if any. Any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement.

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

2.4 Summary of significant accounting policies (Continued)

Property, plant and equipment (cont'd)

Depreciation is calculated over of the cost of property and equipment using the straight-line method based on expected useful lives (Note 10).

The expected useful lives are stated below:

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

Subsequent costs incurred for tangible assets are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statements during the financial period in which they were incurred.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the provision for impairment is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from the sales proceeds. Gains and losses on the disposal of property and equipment are then included in the related income and expense accounts, as appropriate.

Intangible assets and related amortization

Intangible assets comprise expenditure to acquire licenses and computer software. They are initially recognized at acquisition cost and amortized on a straight-line basis over 5 years their estimated useful lives (Note 11).

Whenever there is an indication that the intangible is impaired, the carrying amount of the intangible asset is reduced to its recoverable amount and the impairment loss is recognized as an expense.

Investment properties

Investment properties are defined as land and buildings held to earn rental income or capital appreciation or both, rather than for use in the production of goods or services or for administrative purposes; or sale in the ordinary course of business. The Company uses cost model for all investment properties. Investment properties are presented in the financial statements at cost less accumulated depreciation and less impairment, if any (Note 9).

Impairment of assets

The Company reviews all assets subject to amortization at each balance sheet date in order to see if there is a sign of impairment on the stated asset. If there is such a sign, carrying amount of the stated asset is projected. Impairment exists if the carrying value of an asset is greater than its net realizable value. Net recoverable value is the higher of the net sales value or value in use. Value in use is the present value of cash flows generated from the use of the asset and the disposal of the asset after its useful life. Impairment losses are recorded in the comprehensive income statement.

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

2.4 Summary of significant accounting policies (Continued)

Impairment of assets (cont'd)

Impairment loss for an asset is reversed, if an increase in recoverable amount is related to a subsequent event following the booking of impairment by not exceeding the amount reserved for impairment. The Company takes the valuation reports for each property separately into consideration over investment property at least once a year to compare carrying value of assets with its net recoverable value and calculate the impairment if any.

Segment reporting

Operating segments shall be reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. Because the Company operates in only one geographical segment (Turkey) and only in the development of residential projects on its vacant land and plot inventories, the Company does not prepare a segment report.

Chief operating decision maker of the Company is its Board of Directors ("BOD"), and the BOD of the Company uses quarterly financial statements of the Company prepared in accordance with the TAS.

Revenue recognition

Revenue is recognized when it is probable that future economic benefits associated with the sales transaction will flow to the Company and revenue from the sales transaction can be measured reliably. Revenue is recognized when the following criteria are met;

1. Sale of vacant land and plots

Revenue is recognised, when all the significant risks and rewards of the vacant land and plots are transferred to the buyer and the amount of revenue can be measured reliably.

2. Sale of residential units produced by Turnkey projects

Revenue is recognised when all significant risks and rewards regarding the completed residential units are transferred to the customers and the amount of revenue is measured reliably.

3. Sale of land and plots by way of LSRSA

The Company recognizes the revenue for the sale of land by way of LSRSA when the transfer of title deed, which means the legal ownership of land, is transferred to the buyer, the construction company, which in return passes the ownership of such land to the buyers of the residential and commercial units sold. When the title deed is not transferred, the Company follows-up its revenue share in the deferred revenue (Note 15) and the share of the construction entity as a liability to contractors under LSRSA (Note 6). The Company's share in the Total Sales Revenue ("TSR") is recorded as revenue from sale of land and the related cost of land is recognised as cost of land sold in the comprehensive income statement (Note 17).

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

2.4 Summary of significant accounting policies (Continued)

Interest income and expense

Interest income and expense are recognised on an accrual basis within 'finance income' and 'finance expense' using the effective interest rate method. Interest income comprises mostly interest income from time deposits and interest income from credit sales of residences (Note 20-22).

Paid-in capital

Ordinary shares are classified as equity. Proceeds from issuing new equity instruments are recorded net of transaction costs.

Share premium

Share premiums (share premiums) represent the difference between the fair value of the shares held by the Company at a price higher than the nominal value of the Company or the difference between the fair value and the fair value of the shares of the Company that the Company has acquired. Expenses that are directly attributable to the secondary public offering, in which the shares are re-issued and provide cash inflows to the Company, are deducted from the premiums on issue of share sales.

Treasury shares

The shares of the Company which are taken from the Stock Exchange Istanbul (BİST) are called treasury shares and are recorded at cost values in shareholders' equity.Purchases / sales of treasury shares are not recognized directly in the statement of comprehensive income, but are recognized directly in equity

Earnings per share

Earnings per share are determined by dividing net comprehensive income by the weighted average number of shares that have been outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro rata distribution of their shares ("Bonus Shares") to existing shareholders funded from retained earnings or other reserves. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares for all periods presented and accordingly the weighted average number of shares used in earnings per share computations in prior periods is adjusted retroactively for the effects of these shares, issued without receiving cash or another consideration from shareholders. In case of increase in issued stock after balance sheet date but before the date that financial statement is prepared due to the bonus share distribution, earning per share calculation is performed taking account of total new share amount.

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

2.4 Summary of significant accounting policies (Continued)

Payments for Housing Acquisition Support ("HAS")

HAS was a compulsory of saving fund, established by the state to be used by fund participants in the future for acquisition of affordable housing. All employees have paid compulsory contributions to this fund by way of deductions from their salaries between the years 1987 and 1995. This system aimed to collect the deducted amounts in a single account, apply interest to the savings and provide the employees with these contributions at the time they wish to acquire a house/residential unit in the future. However, this project was suspended in 1996 and as per decree law No. 588, issued in 1999, the decision was taken to terminate the HAS accounts. With this decree law, real estate corresponding to the monetary value of the HAS deductions which were held by Emlak Bankası was transferred to the Company as paid in Capital.

Within the scope of Law No. 5664, dated 30 May 2007, and the regulation issued on 14 August 2007, the decision was taken to pay back these savings, which were still held as capital in kind in the accounts of the Company, to the HAS beneficiaries. Accordingly, the shares of HAS beneficiaries were removed from the Company's equity capital and comprehensive income for the current period based on the ratios specified in the law and recognized as debts to HAS beneficiaries under other payables. The amount payable was determined as the share in the net asset value of the Company at 28 February 2008. The payable amount does not bear any interest or does not change with subsequent changes in the net asset value in subsequent periods and is payable on demand any date after 28 February 2008. The Company has borrowed funds from the Republic of Turkey Prime Ministry Undersecretariat of Treasury (the "Treasury") to make such payments.

Dividends

Dividends payable are recognized as an appropriation of the profit in the period in which they are declared.

Statement of cash flows

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows of the Company generated from its main activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Company (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Company and the repayments of these funds.

Cash and cash equivalents comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months.

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

2.4 Summary of significant accounting policies (Continued)

Subsequent events

Subsequent events cover any events that arise between the reporting date and the balance sheet date, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Company adjusts its financial statements if such subsequent events arise which require an adjustment to the financial statements (Note 29).

2.5 Critical accounting estimates, assumptions and judgments

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

Net realizable value of lands and home inventories

The estimated net realizable value of land and commercial units is less than the cost value, the allowance is recognized to reduce the value of inventories to their estimated net realizable value. To determine the estimated net realizable value, the fair value of the Company's land and commercial units as at 31 December 2017 has been arrived at on the basis of a valuation carried out on by Atak Gayrimenkul Değerleme A.Ş. and Nova Taşınmaz Değerleme ve Danışmanlık A.Ş.

Legal Provision

As of 31 December 2017, a total of TL 329,958 lawsuits have been filed against the Company. For those cases in which there is a high probability of potential outflow of potential resources from these cases, a provision amounting to TL 46,916 has been provided by taking the opinion of the lawyers (Note:12). According to the legal judgment of the lawyers, there is no risk of any outflow of resources from the company.

2.6 Adoption of New and Revised Financial Reporting Standards

a) Amendments to IFRSs that are mandatorily effective for the current year

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Company's financial statements.

Amendments to IAS 7 *Disclosure Inıtiative*

This amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Company's liabilities arising from financing activities consist of borrowings and certain other financial liabilities . A reconciliation between the opening and closing balances of these items is provided in note.

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

2.6 Adoption of New and Revised Financial Reporting Standards (Continued)

a) Amendments to IFRSs that are mandatorily effective for the current year (Continued)

Amendments to IAS 7 *Disclosure Inıtiative* (Continued)

Consistent with the transition provisions of the amendments, the Company has disclosed comparative information for the prior period. Apart from the additional disclosure in note, the application of these amendments has had no impact on the Company's financial statements.

Annual Improvements to IFRS Standards 2014–2016 Cycle

IFRS 12: IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal the Company that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Company's financial statements as none of the Company's interests in these entities are classified, or included in a disposal the Company that is classified, as held for sale.

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

The Company has not yet implemented the following amendments and interpretations to the existing standards that have not yet entered into force:

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting.

Key requirements of IFRS 9:

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

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

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

2.6 Adoption of New and Revised Financial Reporting Standards (Continued)

b) New and revised IFRSs in issue but not yet effective**:** (Continued)

IFRS 9 *Financial Instruments* (Continued)

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Company's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the management of the Company have assessed the impact of IFRS 9 to the Company's financial statements as follows:

Classification and measurement

Bills of exchange and debentures classified as held-to-maturity investments and loans carried at amortized cost. These are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortized cost upon the application of IFRS 9. All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment

Financial assets measured at amortized cost, listed redeemable notes that will be carried at FVTOCI under IFRS 9.

The Company expects to apply the simplified approach to recognize lifetime expected credit losses for its trade receivables as required or permitted by IFRS 9.

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

2.6 Adoption of New and Revised Financial Reporting Standards (Continued)

b) New and revised IFRSs in issue but not yet effective**:** (Continued)

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued *Clarifications to IFRS 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The sales-related warranties cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Company will continue to account for the warranty in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with its current accounting treatment.

Apart from providing more extensive disclosures on the Company's revenue transactions, the management do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Company.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

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

The amendments clarify the estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

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

2.6 Adoption of New and Revised Financial Reporting Standards (Continued)

b) New and revised IFRSs in issue but not yet effective**:** (Continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

Annual Improvements to IFRS Standards 2014–2016 Cycle

The Annual Improvements include amendments to a number of IFRSs, which have been summarised below. The package also includes amendments to IFRS 12 Disclosure of Interests in Other Entities, which is effective for annual periods beginning on or after 1 January 2017 (see section 1A above for details).

- **IFRS 1:** The amendments delete certain short-term exemptions in IFRS 1 because the reporting period to which the exemptions applied have already passed. As such, these exemptions are no longer applicable.

- **IAS 28:** The amendments clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture.

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

2.6 Adoption of New and Revised Financial Reporting Standards (Continued)

b) New and revised IFRSs in issue but not yet effective**:** (Continued)

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.

The management of the Company do not evaluating impacts of the amendments in the future will have an impact on the Company's financial statements.

2.7 Comparative information and revision of prior period financial statements

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

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

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

NOTE 3 – CASH AND CASH EQUIVALENTS

	31 December 2017	**31 December 2016**
Cash on hand	-	2
Banks	897,501	2,420,028
- Demand deposit	*191,479*	*52,545*
- Time deposits up to 3 months maturity	*706,022*	*2,367,483*
	897,501	**2,420,030**

Maturities of cash and cash equivalents are as follows:

	31 December 2017	**31 December 2016**
Demand	191,479	52,547
Up to 3 month	706,022	2,367,483
Less: Blocked deposits with maturities less than 3 months	(30,977)	(6,991)
	866,524	**2,413,039**

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

	31 December 2017	**31 December 2016**
	(%)	**(%)**
	10.41%	7.94%

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

	31 December 2017	**31 December 2016**
Cash and cash equivalents	897,501	2,420,030
Less: Interest accruals	(2,707)	(8,074)
Less: LSRSA project deposits (*)	(237,198)	(313,266)
Less: TOKİ deposits (**)	(255,176)	(1,111,138)
Less: Blocked deposits	(17,339)	(2,237)
	385,081	**985,315**

(*) The contractors' portion of the residential unit sales in accordance with the related agreements, realized from the ongoing LSRSA projects is deposited in time deposit bank accounts that are opened for the related LSRSA projects. The Company has the authority to control these accounts TL 237,198 (31 December 2016: TL 313,266) part of the total project amount deposits TL 13,638 (31 December 2016: TL 4,754) comprises of blocked deposits.

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

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

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

The breakdown of foreign currency denominated cash equivalents in terms of TL is as follows:

	31 December 2017	31 December 2016
US Dollars	92	538
	92	**538**

NOTE 4 - FINANCIAL INVESTMENTS

Financial investments	31 December 2017	31 December 2016
Blocked deposits more than 3 months maturity (**)	165,741	81,203
Bond	8,266	128,278
Special issue government bonds (*)	12,267	12,517
	186,274	**221,998**

(*) The Republic of Turkey, Undersecretaries of Treasury ("Turkish Treasury") issues special Domestic Government Debt securities in the name of the Company to make the HAS payments on behalf of Turkish Treasury. In 2010, special Domestic Government Debt securities amounted to TL 429,617 has been issued to the Company. The Bonds are redeemed partially and early readapted and the amount is transferred to the Company's accounts when the HAS lists are specified (Note 7). These government bonds are non-interest bearing and are not subject to sale on secondary market therefore the fair values are also their nominal values.

(**) In order to provide low interest rate financing to customers who want to buy home from the projects developed by the company, the aim is to keep the loan amounts used by the customers as blocked deposits in the bank. The relevant amounts are ready for the use of the company in the specified period. The contractor portion of blocked deposits in the bank accounts which opened in the name of the related project and more than 3 months maturity, is TL 80,748 (31 December 2016: TL 55,015) while the company portion of the blocked shares is TL 84,993 (December 31, 2016: TL 26,188).

The Company acquired bonds amounting to 8,266 TL as of 31 December 2017 (31 December 2016: 128,278 TL) from free market. These bonds are measured at fair value. The fair value of these bonds are calculated by using the effective interest rates quarterly. Average effective interest rate of financial assets at 31 December 2017 is 12.92 % (31 December 2016: 8.95%). As of 31 December 2017, average term of the treasure bills changes between three and six months (31 December 2016: changes between three and six months).

NOTE 5 - FINANCIAL LIABILITIES

	31 December 2017	31 December 2016
Short-term financial liabilities		
Short-term portion of long-term borrowings	482,364	219,490
	482,364	**219,490**

Long-term financial liabilities	31 December 2017	31 December 2016
Long-term borrowings	1,932,308	-
	1,932,308	**-**

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

NOTE 5 - FINANCIAL LIABILITIES (Continued)

The weighted average interest rate of the borrowing as at 31 December 2017 is 14.75% (31 December 2016: 9.75 %).

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

	31 December 2017	31 December 2016
2018	746,154	-
2019	746,154	-
2020	440,000	-
	2,678,462	**-**

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

	31 December 2017	31 December 2016
Less than 3 months	47,692	115,490
Between 3 - 12 months	434,672	104,000
Between 1 - 5 years	1,932,308	-
	2,414,672	**219,490**

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

Reconciliation of net financial borrowings as of 31 December 2017 and 31 December 2016 is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Openning balance	219,490	444,657
Interest expenses	181,082	31,184
Interest paid	(149,208)	(36,351)
Cash inflow from loans	2,425,000	-
Cash outflow from loan repayments	(261,692)	(220,000)
Closing balance	**2,414,672**	**219,490**

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	31 December 2017	31 December 2016
Receivables from LSRSA contractors invoiced	951,881	237,016
Receivables from sale of residential and commercial units	721,531	418,768
Receivables from related parties (Note 25)	8,239	21,087
Receivables from land sales	11,289	6,514
Rent receivables	1,572	1,449
Other	2,429	978
Unearned finance income	(15,252)	(2,944)
	1,681,689	**682,868**
Doubtful receivables	1,837	1,866
Less: Provision for doubtful receivables	(1,837)	(1,866)
	1,681,689	**682,868**

Long-term trade receivables	31 December 2017	31 December 2016
Receivables from sale of residential and commercial units	1,944,998	1,539,837
Unearned finance income	(258,353)	(72,983)
	1,686,645	**1,466,854**

Movements of provision for doubtful receivables at 31 December 2017 and 2016 are as follows:

	2017	2016
Balance at 1 January	**1,866**	**1,965**
Provision released within current period	(29)	(99)
Balance at 31 December	**1,837**	**1,866**

Short-term trade payables	31 December 2017	31 December 2016
Payables to related parties (Note 25)	744,713	3,510,865
Payables to LSRSA contractors invoiced	314,001	279,154
Trade payables	195,211	16,931
Time deposit interest accruals from LSRSA contractors invoiced (*)	12,723	17,169
	1,266,648	**3,824,119**

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

As of 31 December 2017, long-term trade payables comprises of accrued expenses related to the social facilities of the projects.

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

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

	31 December 2017	31 December 2016
Short-term other receivables		
Receivables from contractors	783,205	441,771
Housing Acquisition Support ("HAS") related receivables from Turkish Treasury	390,771	390,780
Receivables from the authorities	6,360	5,826
Other	130	128
	1,180,466	**838,505**

	31 December 2017	31 December 2016
Long-term other receivables		
Deposits and guarantees given	988	1,053
	988	**1,053**

	31 December 2017	31 December 2016
Short term other payables		
Payable to HAS beneficiaries	403,013	403,447
Payable to contractors (*)	88,752	88,752
Taxes and funds payable	10,187	14,447
Other	52,815	53,930
	554,767	**560,576**

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

The movements of the payments either from Company's shareholder's equity to HAS beneficiaries and the detail of HAS payments and HAS receivables and payables related to Treasury Support as of for 31 December 2017 and 2016 are shown below:

	1 January 2017	Additions within the period	Disposals	31 December 2017
Treasury support share				
Receivable from Treasury	390,780	10	(19)	390,771
Special purpose government Bond (Note 4)	12,517	-	(250)	12,267
Cash generated from government bond redemption	150	264	(439)	(25)
Total consideration received or receivable from Treasury	**403,447**			**403,013**
Payable to HAS beneficiaries	**(403,447)**			**(403,013)**

As of 31 December 2017, other long-term payables comprises of deposits and guarantees received.

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

NOTE 7 - OTHER RECEIVABLES AND PAYABLES (Continued)

	1 January 2016	Additions within the period	Disposals	31 December 2016
Treasury support share				
Receivable from Treasury	390,750	54	(24)	390,780
Special purpose government Bond (Note 4)	13,267	-	(750)	12,517
Cash generated from government bond redemption	62	876	(788)	150
Total consideration received or receivable from Treasury	**404,079**			**403,447**
Payable to HAS beneficiaries	**(404,079)**			**(403,447)**

NOTE 8 -INVENTORIES

	31 December 2017	31 December 2016
Lands	4,022,623	4,293,729
Cost	*4,033,188*	*4,305,099*
Impairment	*(10,565)*	*(11,370)*
Planned land by LSRSA	6,362,982	5,664,474
Planned land by turnkey project	2,433,661	1,841,251
Residential and commercial units ready for sale	827,365	285,741
Cost	*838,629*	*293,179*
Impairment	*(11,264)*	*(7,438)*
	13,646,631	**12,085,195**

As of 31 December 2017, independent valuation reports prepared by Atak Gayrimenkul Değerleme A.Ş. ve Nova Taşınmaz Değerleme ve Danışmanlık A.Ş. are taken into consideration in order to calculate the fair value and impairment loss, if any, on land units and commercial units ready for sale.

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

	2017	2016
Balance at 1 January	**18,808**	**11,374**
Impairment charge for the period	36,967	10,206
Reversal of impairment	(33,946)	(2,772)
Balance at 31 December	**21,829**	**18,808**

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

NOTE 8 - INVENTORIES (Continued)

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

Lands	**31 December 2017**	**31 December 2016**
İstanbul Küçükçekmece Lands	1,341,392	1,822,839
İstanbul Bakırköy Lands	685,406	-
İstanbul Şişli Lands	455,122	455,122
İstanbul Başakşehir Lands	352,243	299,141
İstanbul Arnavutköy Lands	333,309	317,309
İstanbul Çekmeköy Lands	247,830	-
İstanbul Tuzla Lands	207,511	225,933
İstanbul Kartal Lands	132,283	132,283
Samsun Canik Lands	94,265	-
Ankara Çankaya Lands	46,042	15,358
İstanbul Ataşehir Lands	41,980	41,979
İstanbul Esenyurt Lands	36,654	36,181
Kocaeli Gebze Lands	7,839	2,999
İstanbul İstinye Lands	7,734	-
Tekirdağ Kapaklı Lands	6,210	8,248
Tekirdağ Çorlu Lands	6,153	6,153
Maltepe Küçükyalı Lands	3,010	2,753
İstanbul Şile Lands	2,441	10,213
Kocaeli Tütünçiftliği Lands	1,528	3,417
İstanbul Zekeriyaköy Lands	677	677
İzmir Urla Lands	-	10,166
İstanbul Zeytinburnu Lands	-	400,045
Ankara Yeni Mahalle Lands	-	272,783
Yalova Lands	-	178,340
Bursa Osmangazi Lands	-	27,336
Other	12,994	24,454
	4,022,623	**4,293,729**

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

NOTE 8 - INVENTORIES (Continued)

Planned lands by LSRSA	31 December 2017	31 December 2016
Sarıyer Istinye Project	993,780	1,006,171
Nidapark Kucukyalı Project	678,836	677,675
Büyükyalı Project	659,790	656,808
Ankara Yenimahalle İstasyon Project	639,672	634,574
Bizim Mahalle Project	486,288	-
Zeytinburnu Beştelsiz Project	404,745	-
Köy Project	225,564	225,241
Antalya Muratpaşa Project	194,435	-
İstmarina Project	189,796	186,635
Kayabaşı 5. Etap Project	174,730	117,552
Validebağ Konakları Project	153,775	108,107
Kayabaşı 6. Etap Project	131,771	113,982
Hoşdere 3. Etap Projesi	146,303	159,150
Avangart Istanbul Project	117,568	118,273
Hoşdere 4. Etap Project	107,614	104,977
Park Mavera Project	94,236	116,866
Tual Adalar Project	92,472	106,405
Temaşehir Konya Project	90,122	86,704
Evora Denizli Project	77,921	76,268
Kocaeli Derince Project	70,360	70,001
Karat 34 Project	68,112	68,063
Fatih Yedikule Projesi	65,617	121,491
Isparta Kule 5.Etap Project	57,818	58,105
Hoşdere 2. Etap Project	48,665	47,628
Yenikoy Konakları Istanbul Project	45,475	30,130
Maslak 1453 Project	35,469	230,386
Koordinat Çayyolu Project	23,159	37,299
Ataşehir Finans Merkezi Project	20,081	17,587
Göl Panorama Project	13,719	79,722
Metropol İstanbul Project	-	182,046
Other	255,089	226,628
	6,362,982	**5,664,474**

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

NOTE 9 - INVENTORIES (Continued)

Planned lands by turnkey project	**31 December 2017**	**31 December 2016**
Başkent Emlak Konutları	470,380	336,250
Ayazma Emlak Konutları Project	431,551	224,918
Ispartakule 1. Etap 1. Kısım Project	265,455	156,515
Kayabası Recreation Project	227,941	143,298
Gebze Project	211,815	68,682
Ispartakule 1. Etap 2. Kısım Project	223,584	130,396
Nevşehir Emlak Konutları Project	163,996	97,816
Körfezkent 4. Etap Project	126,008	73,926
Emlak Konut Başakşehir Evleri 2. Kısım Project	128,922	66,922
Başakşehir Ayazma 2. Etap Project	108,261	44,112
Nigde Project	64,486	24,419
Kocaeli Körfezkent Quran Course Construction Project	11,262	-
Bursa Kentsel Dönüşüm Project	-	424
İstanbul Esenler Kentsel Dönüşüm Project	-	472,911
Kocaeli Gebze Kirazpinar Kentsel Dönüşüm Project	-	662
	2,433,661	**1,841,251**

Completed units	**31 December 2017**	**31 December 2016**
Sarphan Finanspark Project	231,042	28,440
Maslak 1453 Project	168,335	-
Metropol İstanbul Project	141,096	-
Esenler Emlak Konutları	138,828	-
Batışehir Project	41,631	136,932
Nidakule Ataşehir Project	30,862	26,210
Unikonut Project	23,435	31,572
Dumankaya Miks Project	24,866	16,911
Hoşdere Emlak Konutları	11,616	28,330
Başakşehir Emlak Konutları	4,345	5,287
Bulvar İstanbul Evleri	3,917	3,138
Kayabaşı Emlak Konutları	2,418	1,654
Park Yaşam Mavişehir Evleri	1,739	1,486
Kocaeli Körfez Kent Emlak Konutları	1,089	1,238
Spradon Vadi Evleri	599	2,195
Evora 2. Etap Project	-	303
Other	1,547	2,045
	827,365	**285,741**

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

NOTE 9 - 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 31 December 2017 and 2016 are as follows:

Cost Value	**Land**	**Atasehir General Management Office A Block**	**Total**
Opening balance as of 1 January 2017	16,000	22,652	38,652
Purchases	-	18,270	18,270
Transfers from unprojectized lands	17,608	-	17,608
Transfers to unprojectized lands	(16,000)	-	(16,000)
Ending balance as of 31 December 2017	17,608	40,922	58,530
Accumulated Depreciation			
Opening balance as of 1 January 2017	-	453	453
Charge for the year	-	794	794
Ending balance as of 31 December 2017	-	1,247	1,247
Carrying value as of 31 December 2017	17,608	39,675	57,283

Cost Value	**Land**	**Atasehir General Management Office A Block**	**Total**
Opening balance as of 1 January 2016	16,000	-	16,000
Transfers	-	22,652	22,652
Ending balance as of 31 December 2016	16,000	22,652	38,652
Accumulated Depreciation			
Opening balance as of 1 January 2016	-	-	-
Charge for the year	-	453	453
Ending balance as of 31 December 2016	-	453	453
Carrying value as of 31 December 2016	16,000	22,199	38,199

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

NOTE 9 - INVESTMENT PROPERTIES (Continued)

Regarding the measurement of fair values of investment properties at 31 December 2017, the valuation reports are taken from independent valuation CMB authorised firms Atak Gayrimenkul Değerleme A.Ş. (31 December 2016: Yetkin Gayrimenkul Değerleme ve Danışmanlık A.Ş.). The fair values of the investment property determined by independent valuation experts are as follows:

	31 December 2017	**31 December 2016**
Lands	23,744	34,942
Atasehir General Management Office A Block	198,675	82,032
	222,419	116,974

Details of the Company's freehold land and buildings and information about the fair value hierarchy as at 31 December 2017 and 2016 are as follows:

		Fair value as at 31 December 2017		
		Level 1	Level 2	Level 3
	31 December 2017	TL	TL	TL
Lands	23,744	-	-	23,744
Atasehir General Management Office A Block	198,675	-	-	198,675

		Fair value as at 31 December 2016		
		Level 1	Level 2	Level 3
	31 December 2016	TL	TL	TL
Lands	34,942	-	-	34,942
Atasehir General Management Office A Block	82,032	-	-	82,032

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

31 December 2017	Buildings	Motor vehicles	Furniture, eqipment and fix assets	Construction in progress	Total
Net book value as of 1 January 2017	59,327	1,226	8,599	29	69,181
Additions	1,673	-	1,845	65	3,583
Depreciation expense(-)	(2,496)	(393)	(3,017)	-	(5,906)
Net book value 31 December 2017	**58,504**	**833**	**7,427**	**94**	**66,858**
Cost	62,129	2,160	17,861	94	82,244
Accumulated depreciation (-)	(3,625)	(1,327)	(10,434)	-	(15,386)
Net book value 31 December 2017	**58,504**	**833**	**7,427**	**94**	**66,858**

31 December 2016	Buildings	Motor vehicles	Furniture, eqipment and fix assets	Construction in progress	Total
Net book value as of 1 January 2016	9,584	737	4,650	63,750	78,721
Additions	9,730	886	6,712	29	17,357
Disposal, net (-)	-	-	(44)	-	(44)
Transfers from constructions in progress, (net)	63,750	-	-	(63,750)	-
Transfers from investment property (net)	(22,199)	-	-	-	(22,199)
Depreciation expense(-)	(2,113)	(397)	(2,719)	-	(5,229)
Impairment (-)	575	-	-	-	575
Net book value 31 December 2016	**59,327**	**1,226**	**8,599**	**29**	**69,181**
Cost	61,251	2,436	16,023	29	79,739
Accumulated depreciation (-)	(1,924)	(1,210)	(7,424)	-	(10,558)
Net book value 31 December 2016	**59,327**	**1,226**	**8,599**	**29**	**69,181**

All depreciation expenses are included to general and administrative expenses.

NOTE 11 – INTANGIBLE ASSETS

31 December 2017	Licenses	Computer software	Total
Net book value, 1 January 2017	2,081	524	2,605
Additions	1,457	285	1,742
Depreciation expense (-)	(1,104)	(332)	(1,436)
Net book value 31 December 2017	**2,434**	**477**	**2,911**
Cost	6,230	2,977	9,207
Accumulated Depreciation (-)	(3,796)	(2,500)	(6,296)
Net book value 31 December 2017	**2,434**	**477**	**2,911**

31 December 2016	Licenses	Computer software	Total
Net book value, 1 January 2016	740	1,134	1,874
Additions	2,474	114	2,588
Depreciation expense (-)	(1,133)	(724)	(1,857)
Net book value 31 December 2016	**2,081**	**524**	**2,605**
Cost	4,773	2,692	7,465
Accumulated Depreciation (-)	(2,692)	(2,168)	(4,860)
Net book value 31 December 2016	**2,081**	**524**	**2,605**

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

NOTE 12 –PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2017	31 December 2016
Provisions		
Provision for lawsuits	46,916	73,238
Provision for cost accruals	-	54,846
	46,916	**128,084**

As of December 31, 2017, the Company has filed 679 lawsuits filed against the Company. 207 of these cases are set aside based on the opinions of the Company's Management and lawyers and the details of the important cases are explained below.The movements of provision for lawsuits as of 31 December 2017 and 2016 are as follows:

	2017	2016
Balance at 1 January	**73,238**	**78,088**
Provision released within the current period (Note 20)	(53,033)	(6,277)
Provision charged for the period (Note 20)	36,495	2,613
Provision paid in the period	(9,743)	-
Provision used in the period	(41)	(1,186)
Balance at 31 December	**46,916**	**73,238**

12.1 Continued and Contingency Cases

12.1.1 Contractor firm filed a lawsuit against the Company claiming compensation because of damage caused by our company in the agreement of The LSRSA Project regarding İstanbul Bakırköy, 51/4 section 257 zone 33 & 38 parcels. the requested case has been concluding against the Company by the local court and the judgment of the Court of Cassation is dismissed in favor of the Company and the decision of the local court is expected. The Company made provision amounting to TL 19,546 from the related case.

12.1.2 Plaintiff contractor firm filed a lawsuit against the Company claiming compensation because of receivables, cancellation of title deed, registration. The decision of the contractor to unjustly terminate the contract has been finalized. Lawsuits filed by the company, amounting to TL 6.681, have been partially accepted and the trial has been appealed The Company made provision amounting to TL 6,681 from the related case.

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

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

12.2 Contingent Liabilities of Emlak Konut GYO

In the financial statements prepared as of December 31, 2017, the ongoing litigation liabilities were evaluated in the following matters. According to the opinion of the Company Management and its lawyers, no provision has been made in the financial statements prepared as of December 31, 2017 on the grounds that it is not probable that the outflow of resources with economic benefits will be realized in 472 cases filed against the Company in order to fulfill its obligation.

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

The prior contractor filed a lawsuit against the Company claiming that the completion percentage of the project was significantly high and that the agreement between the parties was based on construction right in return for flat. The Company and the contractor filed counter lawsuits in the following period and an additional report was decided to be issued. The additional report is about the final receivables and payables of the parties considering all the claims. The additional report is completed. The court decided to apply secondary expert report as a result of additional report examination on 11 June 2014.

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

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

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

12.2.2 The LSRSA project agreement regarding İzmir Mavisehir Upper North Area 3. Phase has been signed on 19 December 2005 and following almost all the contractual obligations have been performed by the parties, the Contractor filed a lawsuit against the Company claiming that the agreement conditions should be revised considering the changing conditions. The Contractor wants all the agreement provisions to be cancelled except for the provisions where the Company's revenue portion is TL 67,515 plus VAT calculated as TL 175,000 plus VAT total project revenue times 38.58% Company's revenue portion.

The Contractor wants all the properties and related land portion to be valued by an independent valuation company as of the date of the lawsuit and that 38.58% of the total value to be appropriated to the Company and the remaining 61.42% of the total value to be appropriated to the Contractor.

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

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

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

12.2 Contingent Liabilities of Emlak Konut GYO (Continued)

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

12.2.3 Contractor firm filed a lawsuit against the Company claiming compensation amounting to 21.421 TL.The court decided to accept the case. The decision of the local court was corrupted by the Court of Cassation in favor of Emlak Konut GYO. The correctness of the decision is expected. According to comments received from the Company's lawyer, it is not expected to arise any liability that put the Company under obligation as a result of related case.

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

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

12.3 Contingent Assets of Emlak Konut GYO

12.3.1 The total number of lawsuits filed by the Company as the plaintiff is 1,324.

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

	Ticari Receivables	**Off-balance sheet deferred revenue**	**Total**
2018	721,531	755,373	1,476,904
2019	480,164	564,401	1,044,565
2020	343,526	488,004	831,530
2021	217,240	345,673	562,913
2022	195,767	289,508	485,275
2023	171,798	200,906	372,704
Between 2024-2028 years	364,850	848,613	1,213,463
Between 2029-2033 years	92,116	189,402	281,518
Between 2034-2039 years	79,537	93,792	173,329
	2,666,529	**3,775,672**	**6,442,201**

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

NOTE 13 - EMPLOYEE BENEFITS

	31 December 2017	31 December 2016
Short-term provisions		
Unused vacation provision	4,113	6,190
	4,113	**6,190**

Long-term provisions		
Provision for employment termination benefit	6,162	5,508
	6,162	**5,508**

TAS 19 foresees that actuarial valuation method should be in use in order to estimate the certain liabilities for defined benefit obligations of the Company. Accordingly, in the calculation of these liabilities, the following actuarial assumptions are used:

	31 December 2017	31 December 2016
Discount Rate (%)	3.74	3.26
Turnover rate to estimate probability of retirement(%)	1.65	1.15

The basic assumption is that the determined value for every working year increases proportional to inflation. Using this assumption, the existing discount ratio shows the real ratio, unaffected by inflation.

If the discount rate would have been 1% lower, provision for employee termination benefits would increase by TL 667.

If the anticipated turnover rate would have been 1% higher while all other variables were held constant, provision for employee termination benefits would increase by TL 218.

Movement of the provision for employment termination benefits as of 31 December 2017 and 2016 are as follows:

	2017	2016
Balance at 1 January	**5,508**	**3,986**
Service cost	841	1,118
Interest cost	678	131
Payment within the period	(10)	(137)
Actuarial loss	(855)	410
Balance at 31 December	**6,162**	**5,508**

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

NOTE 14 - OTHER ASSETS AND LIABILITIES

	31 December 2017	31 December 2016
Other current assets		
Accrued income	111,557	122,946
Progress payments given to contractors	83,020	118,700
Receivables from tax office	20,187	34,066
Deferred VAT	2,512	8,500
Other	-	263
	217,276	**284,475**

	31 December 2017	31 December 2016
Other non-current assets		
Deferred VAT	12,637	47,593
	12,637	**47,593**

NOTE 15 - DEFERRED INCOME AND PREPAID EXPENSES

	31 December 2017	31 December 2016
Short-term deferred income		
Deferred income from LSRSA projects (*)	2,069,084	1,727,759
Advances taken from LSRSA contractors (**)	850,342	976,954
Advances taken from turnkey project sales	582,153	371,128
Deferred income from sales of completed units	162,406	75,248
Advances taken from related parties (Note 25)	64,732	64,732
	3,728,717	**3,215,821**

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

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

	31 December 2017	31 December 2016
Long-term deferred income		
Other advances taken	3,174	2,963
	3,174	**2,963**

	31 December 2017	31 December 2016
Prepaid expenses		
Advances given for inventory (*)	986,501	542,674
Prepaid expenses	-	1,137
	986,501	**543,811**

(*) A protocol has been signed between the Company and the Tariş Cooperative Associations to develop revenue sharing project on a total of 143,366-m2 land, which is belonging to the Tariş Cooperative Unions, located within the boundaries of Kurukay / Umurbey, Konak district of İzmir. The Company has provided an advance of stock amounting to TL 392,355. The Company has also provided a stock advance of 533.170 TL to the contractors for the 175 houses and commercial units they have received from Ankara Yeninahalle Station and Büyükyalı projects.

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

NOTE 16 - SHAREHOLDERS’ EQUITY

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

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

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

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

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

- if the difference is arising from the valuation of “Paid-in Capital” and not yet been transferred to capital should be classified under the “Inflation Adjustment to Share Capital”;

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

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

The Company paid dividend to its shareholders amounting to TL 367,888 according to the decision in general assembly meeting on 14 April 2016. The dividend amounting to TL 11,618 which correspond to its treasury shares has been accounted in share premium account in equity.

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

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

NOTE 17 - REVENUE AND COST OF SALES

	1 January- 31 December 2017	1 January- 31 December 2016
Sales income		
Land sales	3,216,003	1,808,322
Income from sale of land and plots by way of LSRSA	*2,520,918*	*1,743,896*
Land sales income	*695,085*	*64,426*
Residential and commercial units sales	769,519	1,651,644
Other Income	3,066	808
	3,988,588	**3,460,774**
Sales returns	(87,919)	(4,210)
Sales discounts	(103)	(672)
Net sales income	**3,900,566**	**3,455,892**
Cost of sales		
Cost of land sales	(1,205,300)	(407,456)
Cost of land and plots sold by way of LSRSA	*(728,175)*	*(395,711)*
Cost of land sales	*(477,125)*	*(11,745)*
Cost of residential and commercial units sales	(582,745)	(1,212,222)
	(1,788,045)	**(1,619,678)**
Gross profit	**2,112,521**	**1,836,214**

NOTE 18 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January- 31 December 2017	1 January- 31 December 2016
General administrative expenses		
Personnel expenses	(59,096)	(53,418)
Taxes, duties and fees	(50,201)	(24,296)
Consultancy expenses	(17,866)	(9,956)
Donations	(15,000)	(15,217)
Subcontracting service expenses	(12,402)	(8,885)
Depreciation and amortisation	(8,136)	(7,086)
Due and contribution expenses	(5,018)	(2,929)
Office expenses	(4,362)	(1,543)
Travel expenses	(4,320)	(2,996)
Maintenance	(2,368)	(773)
Insurance expenses	(1,922)	(597)
Lawsuit and notary expenses	(1,882)	(4,039)
Communication	(566)	(609)
Other	(10,992)	(5,139)
	(194,131)	**(137,483)**

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

NOTE 18 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES (Continued)

	1 January- 31 December 2017	1 January- 31 December 2016
Marketing, sales and distribution expenses		
Advertising expenses	(57,940)	(49,790)
Personnel expenses	(5,678)	(4,863)
Office expenses	(541)	(135)
Notary expenses	(166)	(270)
Other	(1,352)	(1,026)
	(65,677)	**(56,084)**

NOTE 19 - EXPENSES BY NATURE

	1 January - 31 December 2017	1 January - 31 December 2016
Cost of land sales	1,205,300	407,456
Cost of residential and commercial units sales	582,745	1,212,222
Staff costs	64,774	58,281
Advertisement	57,940	49,790
Taxes,duties and fees	50,201	24,296
Consultancy expenses	17,866	9,956
Donations	15,000	15,217
Subcontracting service expenses	12,402	8,885
Depreciation and amortisation	8,136	7,086
Membership fees	5,018	2,929
Office expenses	4,362	1,543
Legal and notary	2,048	4,174
Insurance	1,922	597
Communication	566	609
Other	19,573	10,204
	2,047,853	**1,813,245**

NOTE 20- OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January- 31 December 2017	1 January- 31 December 2016
Other income from operating activities		
Finance income from credit sales	223,797	173,250
Delay penalty interest from project contractors	62,567	52,495
Impairment provision reversals (Note 8-10)	33,946	3,347
Released lawsuit provisions (Note 12)	53,033	6,277
Recirculate commission income	16,451	26,256
Fee returns from land offices	1,968	1,696
Income from guarantees	1,800	220
Income from tender contract sales	590	611
Not realized finance income	13	10,953
Insurance income	-	21
Other	40,076	13,861
	434,241	**288,987**

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

NOTE 20 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES (Continued)

Other expenses from operating activities	1 January-31 December 2017	1 January-31 December 2016
Impairment provision expenses (Note 10)	(36,967)	(10,206)
Lawsuit provision charge for the period (Note 12)	(36,495)	(2,613)
Reversal of due date differences	(63)	(1,905)
Other	(5,616)	(9,396)
	(79,141)	**(24,120)**

NOTE 21 - INCOME FROM INVESTING ACTIVITIES

	1 January-31 December 2017	1 January-31 December 2016
Interest income from bonds	2,547	13,810
	2,547	**13,810**

NOTE 22 - FINANCIAL INCOME / EXPENSES

Financial income	1 January-31 December 2017	1 January-31 December 2016
Interest income from time deposits	69,202	94,238
Interest income from TOKI	11,267	-
Foreign exchange income	122	74
Other	89	-
	80,680	**94,312**

Financial expenses	1 January-31 December 2017	1 January-31 December 2016
Interest expense on payable to TOKI (*)	(225,689)	(127,362)
Loan interest expense	(170,252)	-
Interest discount on pay off debt	(127,735)	(95,211)
Interest expense on Turkish Treasury borrowings	(10,830)	(31,184)
Foreign exchange loss	(440)	(603)
	(534,946)	**(254,360)**

(*) This amount comprises of the interest expense accrued as of 31 December 2017 for the debts arising from payments of land received from the Toplu Konut İdaresi

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

NOTE 23 - TAX ASSETS AND LIABILITIES

"Corporate Tax Law" No. 5520 was taken into effect after being published in the Official Gazette No. 26205, dated 21 June 2006. Many clauses of the "New Tax Law" are effective from 1 January 2006. According to Tax Law, No. 5520, the corporate tax rate in Turkey is payable at the rate of 20% as of 1 January 2006. The corporate tax rate is calculated on the total income of the Company after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations, are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

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 Company ("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 corporate income for 2018, 2019 and 2020 will be taxed as a rate of 22% according to the "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061 published in the Official Gazette dated December 5, 2017 and numbered 30261.

NOTE 24 – 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.

	2017	2016
Net income attributable to equity holders of the parent in full TL	1,756,094	1,761,276
Weighted average number of ordinary shares	3,663,584,506	3,685,803,920
Earnings per share in full TL	**0.0048**	**0.0048**

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

NOTE 25 - RELATED PARTY DISCLOSURES

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

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

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

- Balances and transactions with respect to Turkish Treasury are detailed in Note 3, 4 and 8.
- The Company mostly deposits its cash in State Banks in compliance with its related statute. The bank balances with state banks amounted to TL 508,974 as of 31 December 2017 (31 December 2016: TL 2,178,178) Regarding these bank balances, the Company also generated interest income from the related State banks amounted to TL 129,212 in as of 31 December 2017 (31 December 2016: TL 226,889). Average effective interest rates of time deposits of the Company as of 31December 2017 are explained in Note 3.

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

	31 December 2017	31 December 2016
Trade receivables from related parties		
Emlak Planl. İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd. Şti.	1,353	14,178
Emlak Planl. İnş. Prj. Yön. A.Ş. - Fideltus İnş-Öztaş İnş O.G.	5,576	5,567
Emlak Planl. İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	1,310	1,342
	8,239	**21,087**

Trade payables to related parties	31 December 2017	31 December 2016
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı ("TOKİ") (*)	743,388	3,509,541
Ege Yapı Ltd. Şti.-Emlak Pazarlama O.G.	1,325	1,324
	744,713	**3,510,865**

(*) The Company has purchased various lands from its ultimate parent company (TOKİ). The remaining payable from this purchases to TOKİ is amounting to TL 489,380 (31 December 2016: TL 3,080,088) and accrued interest is TL 38,200 (31 December 2016: TL 429,453).

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

NOTE 25 - RELATED PARTY DISCLOSURES (Continued)

Advances received from related parties	**31 December 2017**	**31 December 2016**
Emlak Planl. İnş. Prj. Yön. A.Ş. - Fideltus İnş.- Öztaş İnş. O.G. (*)	64,732	64,732
	64,732	**64,732**

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

Purchases from related parties	**1 January-31 December 2017**	**1 January-31 December 2016**
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı ("TOKİ")	1,274,500	2,314,030
Emlak Planlama İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd Şti.	2,497	152,191
Emlak Planlama İnş. Prj. Yön. A.Ş. - Emlak Basın Yayın A.Ş.	985	864
Emlak Konut Spor Kulübü Derneği - Sponsorship cost	600	-
	1,278,582	**2,467,085**

Finance expense from related parties	**1 January-31 December 2017**	**1 January-31 December 2016**
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı ("TOKİ")	225,689	127,362
	225,689	**127,362**

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

Sales to related parties	**1 January-31 December 2017**	**1 January-31 December 2016**
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı ("TOKİ")	27,309	66,626
Emlak Planlama İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd. Şti.	88	-
Emlak Planlama İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	-	58
	27,397	**66,684**

In the Company, the president of the Board of Directors, members of Board of Directors, Audit Committee members, General Manager, Assistant General Managers and General Manager consultant and other decision makers who are in charge to manage the operations are assumed as Key management. Short-term benefits given to Key management are stated below:

Remuneration of key management	**1 January-31 December 2017**	**1 January-31 December 2016**
Salaries and other short-term employee benefits	5,876	3,096
	5,876	**3,096**

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

Liquidity Risk

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity.

The Company manages its liquidity risk by using special analyses regarding its ability to meet the Company's financial and trade liabilities using the expected undiscounted cash out-flows.

Regarding the liquidity risk arising from the financial liability for HAS beneficiaries, which is a demand-liability, the Company uses the funds made available by the Treasury to meet the payment obligations for this liability. For other financial liabilities, the majority of which comprise of trade liabilities, the Company mainly uses its cash balances and proceeds from sales and advances received.

The Company aims to maintain flexibility in funding by maintaining the availability of committed credit lines. The Company has no derivative financial instruments. The tables have been prepared based on the contractual undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

The maturity distribution of financial liabilities of the Company as of 31 December 2017 and 2016 is as follows:

31 December 2017	**Carrying value**	**Constractual cash flows**	**Up to 3 months**	**3 months to 1 year**	**1 year- to 5 years**
Short-term financial liabilities (Non-Derivative):					
Financial liabilities	482,364	793,073	127,909	665,164	-
Trade payables	1,266,648	1,299,282	-	1,299,282	-
Other liabilities	554,767	554,767	63,002	491,765	-
	2,303,779	**2,647,122**	**190,911**	**2,456,211**	**-**
Long-term financial liabilities (Non-Derivative):					
Financial liabilities	1,932,308	2,364,838	-	-	2,364,838
Trade payables	95,666	95,666	-	-	95,666
Other liabilities	37,306	37,306	-	-	37,306
	2,065,280	**2,497,810**	**-**	**-**	**2,497,810**

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk (Continued)

31 December 2016	**Carrying value**	**Constractual cash flows**	**Up to 3 months**	**3 months to 1 year**	**1 year- to 5 years**
Short-term financial liabilities (Non-Derivative):					
Financial liabilities	219,490	220,169	61,160	159,009	-
Trade payables	3,824,119	3,967,801	1,267,894	2,699,907	-
Other liabilities	560,576	560,576	68,377	492,199	-
	4,604,185	**4,748,546**	**1,397,431**	**3,351,115**	**-**
Long-term financial liabilities (Non-Derivative):					
Trade payables	71	71	-	-	71
Other liabilities	9,352	9,352	-	-	9,352
	9,423	**9,423**	**-**	**-**	**9,423**

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by offsetting interest rate sensitive assets and liabilities. In this context, matching of not only maturities of receivables and payables but also contractual reprising dates is crucial.

The Company is exposed to interest rate risk as the Company borrow funds from Republic of Turkey Prime Ministry Undersecretariat of Treasury at floating interest rates.

Average effective annual interest rates of balance sheet items as of 31 December 2017 and 2016 are as follows:

	31 December 2017 (%)	**31 December 2016 (%)**
Current assets		
Cash and cash equivalents	10.41%	7.94%
Trade receivables	9.75%	7.00%
Current liabilities		
Financial liabilities	14.75%	9.75%
Non-current liabilities		
Financial liabilities	14.75%	10.14%

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Interest rate risk (Continued)

The Company's financial instruments that are sensitive to interest rates are as follows:

	31 December 2017	31 December 2016
Financial instruments with fixed interest rate		
Time deposits	706,022	2,367,483
Financial liabilities	2,414,672	-
Financial instruments wiht floating interest rate		
Financial liabilities	-	219,490

The profit before tax of the Company will increase / decrease by TL 0 as of 31 December 2017 (31 December 2016: TL 2,194) and in case of a 1% decrease/increase in TL market interest rates with all other factors remaining constant as of 31 December 2017.

C***redit risk***

The Company is subject to credit risk arising from trade receivables related to credit sales and deposits at banks.

The Company manages credit risk of bank deposits by working mainly with state banks established in Turkey and having long standing relations with the Company. Majority of bank deposits in this regard are with the state owned retail banks.

Credit risk of receivables from third parties is managed by securing receivables with collaterals covering receivables at the highest possible proportion. Methods used are as follows:

- Bank guarantees (letter of guarantee, etc.),
- Mortgage on real estate
- Retain the legal title to the goods solely to protect the collectability of the amount due.

In credit risk control, the credit quality of each customer is assessed; taking into account its financial position, past experience and other factors, individual risk limits are set in accordance and the utilisation of credit limits is regularly monitored.

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

C***redit risk (Continued)***

Credit risk of financial instruments as of 31 December 2017 is as follows:

		Trade receivables		Other receivables			
	31 December 2017	**Related party**	**Other party**	**Related party**	**Other party**	**Deposits in Banks**	**Blocked deposits more than 3 months maturity**
	Maximum exposed credit risk as of reporting date	**8,239**	**3,360,095**	**-**	**1,181,454**	**897,501**	**165,741**
	Secured portion of the maximum credit risk by guarantees,etc,	8,239	3,281,425	-	1,181,454	897,501	165,741
A.	Net book value of financial assets either not due or not impaired	8,239	3,281,425	-	1,181,454	897,501	165,741
	Secured portion by guarantees,etc,	8,239	3,281,425	-	1,181,454	-	-
B.	Financial assets with renegotiated condition						
	Secured portion by guarantees,etc,	-	-	-	-	-	-
C.	Net book value of the expired but not impaired financial assets	-	78,670	-	-	-	-
	Secured portion by guarantees,etc,	-	78,670	-	-	-	-
D.	Net book value of the impaired assets	-	-	-	-	-	-
	Overdue(Gross book value)	-	1,837	-	-	-	-
	Impairment(-)	-	(1,837)	-	-	-	-
	Secured portion of the net value by guarantees,etc,	-	-	-	-	-	-

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

C***redit risk (Continued)***

Credit risk of financial instruments as of 31 December 2016 is as follows:

		Trade receivables		Other receivables			
	31 December 2016	**Related party**	**Other party**	**Related party**	**Other party**	**Deposits in Banks**	**Blocked deposits more than 3 months maturity**
	Maximum exposed credit risk as of reporting date	**21,087**	**2,128,635**	**-**	**839,558**	**2,420,028**	**81,203**
	Secured portion of the maximum credit risk by guarantees,etc,	21,087	2,775,237	-	839,551	2,420,028	81,203
A.	Net book value of financial assets either not due or not impaired	21,087	2,775,237	-	839,551	2,420,028	81,203
	Secured portion by guarantees,etc,	21,087	2,775,237	-	839,551	-	-
B.	Financial assets with renegotiated condition						
	Secured portion by guarantees,etc,	-	-	-	-	-	-
C.	Net book value of the expired but not impaired financial assets		60,938	-	7	-	-
	Secured portion by guarantees,etc,	-	60,938	-	7	-	-
D.	Net book value of the impaired assets	-	-	-	-	-	-
	Overdue(Gross book value)		1,866				
	Impairment(-)	-	(1,866)	-	-	-	-
	Secured portion of the net value by guarantees,etc,	-	-	-	-	-	-

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

Amounts showing the maximum credit risk exposed as of balance sheet date by excluding guarantees in hand and other factors that increase the credit quality. There is no any impairment on the Company's asset that subject to credit risk of financial activities. In addition, there is no any overdue receivables off-balance sheet item.

Foreign exchange risk

The Company is subject to the foreign currency risk due to the foreign currency deposits in the bank deposit account. The Company does not use foreign currency in its main operations; the foreign currency risk is only originated from deposits of the Company.

Foreign currency position

Foreign currency denominated assets, liabilities and off-balance sheet accounts give rise to foreign exchange exposure.

The Company has no any financial instruments for the foreign exchange position of the assets and liabilities as of 31 December 2017.

The table below summarizes the Company's foreign currency position of the Company as of 31 December 2017 and 2016. TL equivalent of foreign exchange denominated financial assets and liabilities as follows;

	31 December 2017	
	TL Amount (Functional Currency)	**US Dollar**
1a. Monetary Finacial Assets	92	24
2.CURRENT ASSETS	92	24
3. TOTAL ASSETS	92	24
4a. Monetary Other Liabilities	3,232	857
5. CURRENT LIABILITIES	3,232	857
6.TOTAL LIABILITIES	3,232	857
7.Net Foreign Currency Assets/Liabilities Position	(3,140)	(833)
8.Monetary Items Net Foreign Currency Assets / Liabilities (1a-4a)	(3,140)	(833)

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign exchange risk (Continued)

	31 December 2016	
	TL Amount (Functional Currency)	**US Dollar**
1a. Monetary Finacial Assets	538	153
2.CURRENT ASSETS	538	153
3. TOTAL ASSETS	538	153
4a. Monetary Other Liabilities	3,016	857
5. CURRENT LIABILITIES	3,016	857
6.TOTAL LIABILITIES	3,016	857
7.Net Foreign Currency Assets/Liabilities Position	(2,478)	(704)
8.Monetary Items Net Foreign Currency Assets / Liabilities (1a-4a)	(2,478)	(704)

Capital risk management

The Company attempts to manage its capital by minimizing the investment risk with portfolio diversification. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Gearing ratios as of 31 December 2017 and 2016 are as follows:

	31 December 2017	**31 December 2016**
Total liabilities	2,414,672	219,490
Less:Cash and cash equivalents	(897,501)	(2,420,030)
Net Liabilities	1,517,171	(2,200,540)
Total shareholder's equity	12,465,519	10,730,193
Invested Capital	13,982,690	8,529,653
Net Liabilities (Asset)/ Invested Capital Ratio	**11%**	**(26%)**

NOTE 27 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

Accordingly, the estimates presented herein may differ from the amounts the Company could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Financial assets:

The fair values of cash and due from banks are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables, which are measured at amortized cost, along with the related allowances for uncollectability are assumed to approximate their fair values.

The fair values of balances denominated in foreign currencies, which are translated at year-end official exchange rates announced by the Central Bank of Turkey, are considered to approximate their carrying value.

The special issue long term government bond has been issued by the Treasury and given to the Company for payment of HAS payables, is non-negotiable on the secondary market and does not bear interest. It is puttable on demand by the Company at par back to the Treasury, and is also accounted at par representing its fair value.

Financial liabilities:

The Company's borrowing from the Turkish Treasury for financing it's HAS payment liability has a floating interest rate defined as the weighted average of the compound rate of discounted Government bonds issued by Turkish Treasury before each payment period. Therefore it is considered that fair values of the borrowing's fair value are approximate carrying value which is amortized cost.

Short term trade payables and other liabilities with no stated interest rate are measured at original invoice amount and are payables on demand therefore they are measured at their demand values and classified as short-term. They are considered to approximate their respective carrying values due to their short-term nature.

It is anticipated that there is no significant difference between the cost values and fair values of the borrowings with floating interest rates including its accruals for the regarding period.

Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined as follows:

- Level 1: Financial assets and financial liabilities with standard terms and conditions are valued with quoted market prices which are determined on active liquid markets.

- Level 2: Financial assets and financial liabilities are valued by directly or indirectly observable market prices rather than the quoted market prices mentioned in first level of the regarding assets or liabilities.

- Level 3: Financial assets and financial liabilities are valued by the inputs where there is no observable market data of the fair value of the regarding assets and liabilities

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

NOTE 27 - FINANCIAL INSTRUMENTS (Continued)

Financial liabilities (Continued)

Classifications of the assets and liabilities which are measured by fair values are as follows:

	31 December 2017 Fair value levels		
Financial assets	**1. Level TL**	**2.Level TL**	**3.Level TL**
Bond	**8,266**	**-**	**-**
Special issue government bonds	**12,267**	**-**	**-**

	31 December 2016 Fair value levels		
Financial assets	**1.Level TL**	**2.Level TL**	**3.Level TL**
Bond	**128,278**	**-**	**-**
Special issue government bonds	**12,517**	**-**	**-**

NOTE 28 - COMMITMENTS

The mortgage and guarantees received of the Company as of 31 December 2017 and 2016 are explained below;

	31 December 2017	**31 December 2016**
Guarantees received (*)	3,606,210	3,027,085
Mortgages received (**)	57,685	45,878
	3,663,895	**3,072,964**

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

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

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

NOTE 28 - COMMITMENTS (Continued)

The collaterals, pledges and mortgages ("CPM") of the Company as of 31 December 2017 and 2016 are explained below;

	31 December 2017	31 December 2016
A. CPM given on behalf of the Company's legal personality	56,397	65,511
B. CPM given on behalf of fully consolidated subsidiaries	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM	-	
i) Total amount of CPM given on behalf of majority shareholder	-	-
ii) Total amount of CPM given on behalf of other companies which are not in scope of B and C	-	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C	-	-
	56,397	**65,511**

NOTE 29 - EVENTS AFTER THE REPORTING PERIOD

1- Emlak Konut GYO has allocated TL 470,980 of its off balance sheets receivables arising from its sales contracts as a "non-recourse" and collected TL 350,000 in cash. The receivables indexed to TÜFE in the amount of TL 470,980 will not be subject to the transfer of the TUFE difference income and will be collected by the company in the course of the transaction.

2- The Company has borrowed TL 200,000 credit from Ziraat Bank. Credit terms used: No principal payment for the first year, interest payment every 3 months; after the grace period, the principal + interest must be paid every 3 months for 4 years

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

ADDITIONAL NOTE - CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS

	Non-Consolidated (Individual) Financial Statements Main Account Items	**Related Regulation**	**Current Period 31 December 2017 (TL)**	**Prior Period 31 December 2016 (TL)**
A	Money and Capital Market Instruments	Series:III-No:48, Art,24/(b)	591,401	2,405,012
B	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)	13,802,092	12,204,919
C	Affiliates	Series:III-No:48, Art,24/(b)	-	-
	Due from related parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
	Other Assets		6,134,501	4,092,436
D	**Total Assets**	**Series:III-No:48, Art,3/(k)**	**20,527,994**	**18,702,367**
E	Financial Liabilities	Series:III-No:48, Art,31	2,414,672	219,561
F	Other Financial Liabilities	Series:III-No:48, Art,31	-	-
G	Due from Financial Leases	Series:III-No:48, Art,31	-	-
H	Due to Related Parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
I	Shareholders' equity	Series:III-No:48, Art,31	12,465,519	10,730,193
	Other Resources		5,647,803	7,752,613
D	**Total Resources**	**Series:III-No:48, Art,3/(k)**	**20,527,994**	**18,702,367**
	Non-Consolidated (Individual) Financial Statements Other Account Items	**Related Regulation**	**Current Period 31 December 2017 (TL)**	**Prior Period 31 December 2016 (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)	591,401	956,203
A2	Term/ Demand/ Currency	Series:III-No:48, Art,24/(b)	385,081	956,203
A3	Foreign Capital Market Instruments	Series:III-No:48, Art,24/(d)	-	-
B1	Foreign Properties, Projects based on properties and Rights based on Properties	Series:III-No:48, Art,24/(d)	-	-
B2	Idle Lands	Series:III-No:48, Art,24/(c)	330,670	425,220
C1	Foreign Affiliates	Series:III-No:48, Art,24/(d)	-	
C2	Affiliates for Operating Company	Series:III-No:48, Art,28	-	-
J	Non-cash Loans	Series:III-No:48, Art,31	56,397	65,511
K	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-

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

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

	Portfolio restrictions	Related regulation	31 December 2017 (%)	31 December 2016 (%)	Minimum/ Maximum Rate
1	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-	<10%
2	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)(b)	70	70	>50%
3	Money and Capital Market Instruments and Affiliates	Series:III-No:48, Art,24/(b)	-	8	<50%
4	Foreign Properties, Projects based on Properties, Rights based on Properties, Affiliates, Capital Market Instruments	Series:III-No:48, Art,24/(d)	-	-	<49%
5	Idle Lands	Series:III-No:48, Art,24/(c)	2	2	<20%
6	Affiliates to the Operating Company	Series:III-No:48, Art,28	-	-	<10%
7	Borrowing Limit	Series:III-No:48, Art,31	20	3	<500%
8	TL and Foreign Currency Time and Demand Deposits	Series:III-No:48, Art,22/(e)	-	-	<10%

The information in the table of control of compliance with the portfolio limitations', in accordance with Capital Markets Board's Communiqué Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1 "Real Estate Investment Company" published in official gazette no 28660 on 28 May 2013.

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