

**CONVENIENCE TRANSLATION OF  
CONSOLIDATED FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**PARK ELEKTRİK ÜRETİM  
MADENCİLİK SANAYİ VE TİCARET A.Ş.**

**1 JANUARY - 31 DECEMBER 2019  
CONSOLIDATED FINANCIAL STATEMENTS  
TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT**



**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR’S REPORT  
ORIGINALLY ISSUED IN TURKISH**

**INDEPENDENT AUDITOR’S REPORT**

To the General Assembly of Park Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş.

**A. Audit of the Consolidated Financial Statements**

**1. Opinion**

We have audited the accompanying consolidated financial statements of Park Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (“TFRS”).

**2. Basis for Opinion**

Our audit was conducted in accordance with the Standards on Independent Auditing (the “SIA”) that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the “POA”). Our responsibilities under these standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the “Ethical Rules”) and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the consolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate 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 consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b><i>Key audit matters</i></b>	<b><i>How our audit addressed the key audit matter</i></b>
<p><b><i>Valuation for the fair value of investment properties</i></b></p> <p>As stated in Notes 2 and 11, the Group recognises its investment properties at their fair values. As of 31 December 2019, investment properties constitute 34% of the Group's aggregate consolidated assets and have a total carrying value of TRY191,995,000.</p> <p>As of 31 December 2019, the fair values of investment properties determined by independent valuation experts ("Valuation Experts") have been evaluated by management, and these values were used as the fair values of the investment properties in the consolidated financial statements.</p> <p>The fair values were determined based on comparison of benchmark prices of comparable real estate closely located to the real estate subject to valuation. The valuation of fair values of real estates are important for our audit due to the significance of these real estates on the consolidated financial statements, the use of estimates and assumptions (nature of assets, intended use, location adjustment, etc.) and involvement of our valuation experts in our assessments of these estimates and assumptions involved in valuation.</p>	<p>The audit procedures performed were the examination of the accounting for such valuation, including the evaluations performed by the management, and the implementation of the audit procedures presented below.</p> <ul style="list-style-type: none"> <li>- Meeting with top management about the intended use of the assets, on whether such assets can be classified as investment property,</li> <li>- Testing the land registry records of relevant assets,</li> <li>- Gaining an understanding of the evaluation and inquiries conducted by the Group management regarding the valuation report prepared by the Valuation Experts assigned by the Group,</li> <li>- Evaluating the capability and licence of the Valuation Experts, as well as their independence, by considering the scope of the work conducted and the provisions of the agreement,</li> <li>- Evaluating, with the support of our valuation experts, the valuation method applied and the estimates and assumptions used on the valuation report prepared by the Group's Valuation Experts,</li> <li>- Testing the compliance and adequacy of the fair value of investment properties with regard to TFRS as disclosed in Notes 2 and 11.</li> </ul> <p>We have no material findings as a result of our audit regarding the valuation work for the fair value of investment properties.</p>

<b>Key audit matters</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Provisions and contingent liabilities (Note 15)</b></p> <p>There are compensation claims regarding the legal cases to which the Group is a party. Important estimations are used regarding the probability on whether economical assets of the Group will be used to meet liabilities when provisions and contingent liabilities concerning the related litigation and compensation claims are assessed.</p> <p>As of 31 December 2019 there are compensation claims related to ongoing litigation against the Group, and we focused on this matter in our audit for the reasons below:</p> <ul style="list-style-type: none"> <li>- The possibility to have a significant effect on the Group's consolidated financial statement as of 31 December 2019,</li> <li>- Group management used significant estimations in the assessment,</li> <li>- Estimations used in provision and contingent liabilities might be affected by possible future changes in the legal process,</li> <li>- The Group management involves legal consultants in the evaluation of the impact of the legal cases on the consolidated financial statements.</li> </ul>	<p>We performed the following audit procedures in relation to provisions and contingent liabilities:</p> <ul style="list-style-type: none"> <li>- We understood the litigation and compensation claims process regarding legal cases and how they are assessed by the Group management,</li> <li>- Legal letters were obtained from the independent external legal counsel and Group internal legal counsel,</li> <li>- Meetings were held with Group management to evaluate their the estimations and the summary case reports prepared by the Group management,</li> <li>- Meetings were held with the Group internal legal counsel about the pending cases. Evaluations of Group management and Group internal legal counsels were also assessed by our legal counsels. The opinions of our legal counsels do not contradict with those of the Group management,</li> </ul> <p>We have no material findings as a result of our audit regarding the recognition of provision and contingent liability reported in the consolidated financial statements as of 31 December 2019 considering the uncertainty of the litigation regarding legal regulations.</p>



#### **4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

#### **5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

Our aim is 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 independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated 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.
- Assess the 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 Group'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 Group'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 consolidated 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 independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also 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 consolidated 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. Other Responsibilities Arising From Regulatory Requirements**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Company’s bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Company’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor’s report on the early risk identification system and committee was submitted to the Company’s Board of Directors on 5 March 2020.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Çağlar Sürücü, SMMM  
Partner

İstanbul, 5 March 2020

**TABLE OF CONTENTS**

**PAGE**

<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....</b>	<b>1 - 2</b>
<b>CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....</b>	<b>3</b>
<b>CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY.....</b>	<b>4</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS .....</b>	<b>5</b>
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....</b>	<b>6 - 51</b>



# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	Current period Audited 31 December 2019	Prior period Audited 31 December 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	6,214,119	176,191
Trade receivables	7	5,294,840	102,573
<i>Trade receivables from related parties</i>	24	2,213,763	91,617
<i>Trade receivables from third parties</i>		3,081,077	10,956
Other receivables	9	46,857,213	20,794,246
<i>Other receivables from related parties</i>	24	43,261,995	20,783,756
<i>Other receivables from third parties</i>		3,595,218	10,490
Inventories	10	938,990	1,287,727
Prepaid expenses	8	249,448	137,324
Current income tax assets		-	7,551,472
Other current assets	16	7,006	806,395
<b>Total current assets</b>		<b>59,561,616</b>	<b>30,855,928</b>
<b>Non-current assets</b>			
Financial investments	5	13,842,856	11,405,300
Other receivables	9	198,679,420	225,280,880
<i>Other receivables from related parties</i>	24	198,447,905	225,130,996
<i>Other receivables from third parties</i>		231,515	149,884
Investment properties	11	191,995,000	202,082,841
Property, plant and equipment	12	7,052,984	4,130,374
Intangible assets	13	86,323,493	49,749,708
Prepaid expenses	8	-	201,844
Other non current assets	16	7,350,528	1,425,382
<b>Total non-current assets</b>		<b>505,244,281</b>	<b>494,276,329</b>
<b>TOTAL ASSETS</b>		<b>564,805,897</b>	<b>525,132,257</b>

The consolidated financial statements for the period 1 January - 31 December 2019 have been approved by the Board of Directors on 5 March 2020 and management is authorized for issue.

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

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	Current period Audited 31 December 2019	Prior period Audited 31 December 2018
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short-term borrowings	6	588	955,790
Trade payables	7	11,081,736	1,035,775
<i>Trade payables to related parties</i>	24	343,862	187,525
<i>Trade payables to third parties</i>		10,737,874	848,250
Payables related to the employee benefits	14	343,096	682,674
Other payables	9	566,383	1,385,122
<i>Other payables to related parties</i>	24	5,634	2,803
<i>Other payables to third parties</i>		560,749	1,382,319
Deferred income	8	114,002	75,606
Current income tax liability	22	2,869,969	-
Short-term provisions	15	35,869,200	16,062,251
<i>Short-term provisions for employee benefits</i>		731,496	498,586
<i>Other provisions</i>		35,137,704	15,563,665
Other current liabilities	16	2,044,763	740,618
<b>Total current liabilities</b>		<b>52,889,737</b>	<b>20,937,836</b>
<b>Non-current liabilities</b>			
Other payables	9	2,620,970	-
<i>Other payables to third parties</i>		2,620,970	-
Long-term provisions	15	6,977,430	3,262,505
<i>Long-term provisions for employee benefits</i>		3,657,145	3,262,505
<i>Other provisions</i>	13,15	3,320,285	-
Deferred tax liabilities	22	12,929,745	17,734,926
Other long term liabilities	16	-	116,693
<b>Total non-current liabilities</b>		<b>22,528,145</b>	<b>21,114,124</b>
<b>Total liabilities</b>		<b>75,417,882</b>	<b>42,051,960</b>
<b>EQUITY</b>			
Paid-in Share capital	17	148,867,243	148,867,243
Effects of business combinations under common control		(486,737,853)	(486,737,853)
Adjustments to share capital		16,377,423	16,377,423
Share premium		6,307,642	6,307,642
Repurchased shares (-)		(1,573,261)	(1,573,261)
Other comprehensive income or expenses that will not be reclassified to profit or loss		100,617,738	98,365,495
<i>Gain on revaluation of property</i>		96,328,884	96,328,884
<i>Gain on remeasurement of defined benefit plans</i>		648,183	699,430
<i>Gain on financial assets measured at fair value through other comprehensive income</i>		3,640,671	1,337,181
Restricted reserves appropriated from profit		303,430,035	303,430,035
Retained earnings		398,043,573	358,931,734
Net profit for the period		4,055,475	39,111,839
<b>Total equity</b>		<b>489,388,015</b>	<b>483,080,297</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>564,805,897</b>	<b>525,132,257</b>

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

**PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.**

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDING  
31 DECEMBER 2019**

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	Current period Audited 1 January - 31 December 2019	Prior period Audited 1 January - 31 December 2018
Revenue	18	10,447,779	439,589
Cost of sales (-)	18	(2,541,903)	(200,230)
<b>Gross profit</b>		<b>7,905,876</b>	<b>239,359</b>
General administrative expenses (-)	19	(10,832,673)	(11,314,557)
Income from other operating activities	19	1,164,711	1,700,232
Expenses from other operating activities (-)	19	(22,847,499)	(5,887,276)
<b>Operating loss</b>		<b>(24,609,585)</b>	<b>(15,262,242)</b>
Income from investing activities	20	906,417	1,823,965
Loss on investing activities (-)	20	(10,087,841)	(20,392,179)
<b>Operating loss before financial income and expense</b>		<b>(33,791,009)</b>	<b>(33,830,456)</b>
Financial income	21	41,192,641	88,451,297
Financial expenses (-)	21	(299,165)	(1,071,030)
<b>Profit before tax</b>		<b>7,102,467</b>	<b>53,549,811</b>
<b>Tax expense</b>		<b>(3,046,992)</b>	<b>(14,437,972)</b>
Taxes on income	22	(7,973,426)	(16,642,060)
Deferred tax income	22	4,926,434	2,204,088
<b>Net profit from continued operations</b>		<b>4,055,475</b>	<b>39,111,839</b>
<b>Earnings per share from continued operations</b>	<b>23</b>	<b>0,00027</b>	<b>0,00263</b>
<b>Other comprehensive income</b>			
<b>Items not to be reclassified to profit or loss</b>		<b>2,252,243</b>	<b>(5,387,017)</b>
Gains/(losses) on remeasurement of defined benefit plans		(51,247)	44,752
Fair value gains/(losses) of financial assets reflected to other comprehensive income		2,303,490	(5,431,769)
<b>Other comprehensive income/(expense)</b>		<b>2,252,243</b>	<b>(5,387,017)</b>
<b>Total comprehensive income</b>		<b>6,307,718</b>	<b>33,724,822</b>

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

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Paid-in Share capital	Repurchased capital	Adjustments to share capital	Share premium	Gain on revaluation of property	Other comprehensive income/(expense) not reclassified to profit or loss	Gain on remeasurement of defined benefit plans	Restricted reserves	Business combinations under common control	Retained earnings		
						Gain/(loss) on financial assets measured at fair value through other comprehensive income				Retained earnings	Net income/(loss)	Total equity
<b>1 January 2018</b>	<b>148,867,243</b>	<b>(1,573,261)</b>	<b>16,377,423</b>	<b>6,307,642</b>	<b>96,328,884</b>	<b>-</b>	<b>654,678</b>	<b>55,705,714</b>	<b>(486,737,853)</b>	<b>119,289,102</b>	<b>487,366,953</b>	<b>442,586,525</b>
<b>Amendments to mandatory changes in accounting standards (Note 2)</b>												
TFRS 9 adoption effect, net	-	-	-	-	-	6,768,950	-	-	-	-	-	<b>6,768,950</b>
<b>Balance after amendment</b>	<b>148,867,243</b>	<b>(1,573,261)</b>	<b>16,377,423</b>	<b>6,307,642</b>	<b>96,328,884</b>	<b>6,768,950</b>	<b>654,678</b>	<b>55,705,714</b>	<b>(486,737,853)</b>	<b>119,289,102</b>	<b>487,366,953</b>	<b>449,355,475</b>
Transfers	-	-	-	-	-	-	-	247,724,321	-	239,642,632	(487,366,953)	-
Total comprehensive income	-	-	-	-	-	(5,431,769)	44,752	-	-	-	39,111,839	33,724,822
<b>31 December 2018</b>	<b>148,867,243</b>	<b>(1,573,261)</b>	<b>16,377,423</b>	<b>6,307,642</b>	<b>96,328,884</b>	<b>1,337,181</b>	<b>699,430</b>	<b>303,430,035</b>	<b>(486,737,853)</b>	<b>358,931,734</b>	<b>39,111,839</b>	<b>483,080,297</b>
<b>1 January 2019</b>	<b>148,867,243</b>	<b>(1,573,261)</b>	<b>16,377,423</b>	<b>6,307,642</b>	<b>96,328,884</b>	<b>1,337,181</b>	<b>699,430</b>	<b>303,430,035</b>	<b>(486,737,853)</b>	<b>358,931,734</b>	<b>39,111,839</b>	<b>483,080,297</b>
Transfers	-	-	-	-	-	-	-	-	-	39,111,839	(39,111,839)	-
Total comprehensive income	-	-	-	-	-	2,303,490	(51,247)	-	-	-	4,055,475	6,307,718
<b>31 December 2019</b>	<b>148,867,243</b>	<b>(1,573,261)</b>	<b>16,377,423</b>	<b>6,307,642</b>	<b>96,328,884</b>	<b>3,640,671</b>	<b>648,183</b>	<b>303,430,035</b>	<b>(486,737,853)</b>	<b>398,043,573</b>	<b>4,055,475</b>	<b>489,388,015</b>

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

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

STATEMENT OF CASH FLOWS	Notes	Current Period Audited 31 December 2019	Prior Period Audited 31 December 2018
<b>A. Cash flows from operating activities</b>		<b>(4,829,708)</b>	<b>(38,254,571)</b>
Net profit for the period		4,055,475	39,111,839
Adjustments to reconcile profit for the period		(1,601,980)	(47,113,495)
Adjustments for (gains) arising from sale of tangible and intangible assets		(116,101)	(734,979)
Adjustments for amortization and depreciation	12,13	3,160,224	1,659,034
Adjustments for fair value losses/(gains)	11	10,087,841	20,362,758
Adjustments for provisions related with employee benefits	15	703,556	206,333
Adjustments for lawsuit and/or penalty provisions	15	22,530,874	4,619,846
Adjustments for tax expense/(income)	22	3,046,992	14,437,972
Adjustments for interest income		(11,696,987)	(18,349,776)
Adjustments for currency translation differences		(29,318,379)	(69,314,683)
<b>Adjustments for working capital</b>		<b>(4,186,304)</b>	<b>(3,140,911)</b>
Adjustments for decrease/(increase) in inventories	10	348,737	200,230
Adjustments for decrease/(increase) in trade receivables		(5,185,639)	1,169,826
Adjustments for decrease/(increase) in other receivables		(1,218,344)	977,578
Adjustments for increase/(decrease) in trade payables		4,154,111	(1,962,891)
Adjustments for decrease in other payables from operations		1,864,600	(517,962)
Adjustments for increase in payables related to the employee benefits	14	(339,578)	(106,080)
Adjustments for (increase)/decrease in prepaid expenses	8	89,720	(176,484)
Adjustments for (increase)/decrease in other current assets	17	(5,125,757)	(902,101)
Adjustments for decrease in other liabilities from operations		1,187,452	(1,853,612)
Adjustments for increase/(decrease) in deferred income	8	38,394	30,585
<b>Cash generated from operations</b>		<b>(1,732,809)</b>	<b>(11,142,567)</b>
Payments made related to provisions for employee benefits	16	(140,064)	(516,542)
Payments made related to other provisions	16	(2,956,835)	(636,419)
Tax returns/(payments)		-	(24,972,683)
Other cash outflows		-	(986,360)
<b>B. Cash flows from investing activities</b>		<b>11,920,208</b>	<b>39,458,059</b>
Cash outflows of acquisitions of fixed assets		(33,411,188)	(2,249,063)
Proceeds from sales of fixed assets		116,101	1,293,453
Cash outflows of acquisitions of investment properties	11	-	(3,599)
Cash inflows of advance and receivables from related parties		45,215,295	40,417,268
<b>C. Cash flows from financing activities</b>		<b>(1,052,572)</b>	<b>(1,104,102)</b>
Cash outflows from financial leasing liabilities		(1,025,288)	(1,021,737)
Interest paid	21	(27,284)	(82,365)
<b>Increase/(decrease) in cash and cash equivalents, net (A+B+C)</b>		<b>6,037,928</b>	<b>99,386</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4</b>	<b>176,191</b>	<b>76,805</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4</b>	<b>6,214,119</b>	<b>176,191</b>

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

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 1 - ORGANIZATION AND OPERATIONS OF THE COMPANY

Park Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş. ("Park Elektrik" or "The Company") was established in 1994 and the field of activity of the Company is to search, extract, process and operate all kinds of minerals, ore and their derivatives, to produce all kinds of materials used in the industry and for this purpose, searching mine sites, acquiring operating licenses and operating privileges, operating or having them operated, processing, purifying, refining, and establishing cogeneration power plants to meet the need for electricity, energy and steam, establishing all kinds of facilities in order to operate them, to sell surplus of the energy produced, to produce all kinds of fiber from glass mines and mineral derivatives and to produce all kinds of products from these fibers, establishing and processing plants for the electric energy production and also engages in the acquisition, performing leasing transactions and energy sale of electric energy produced to companies with wholesale and retail licenses as well as regular customers through bilateral agreements.

On 17 November 2016, a landslide happened in the Madenköy copper mine field of the company located in Siirt, Şirvan and the production was suspended. Assets related to the concentrated copper production were sold on 17 March 2017. With this transaction, copper production operations of the company is ceased.

The Company changed its operations following the sale of the copper production activity and purchased 100% of the shares of Konya İlgin Elektrik Üretim Sanayi ve Ticaret A.Ş. ("Konya İlgin") owned by the main shareholder of the company, Park Holding A.Ş. and Turgay Ciner for USD150,000,000. The purchase was approved at the General Assembly meeting held on 10 May 2017. This was followed by the subsequent transfer of shares.

The affiliate Konya İlgin has the right to operate in related fields with the aim of production of lignite coal within the framework of its mining license and royalty contracts and has a license for electricity generation and its sale. It is planned to establish a thermal power plant in the İlgin District of Konya with fluid bed boiler technology that will have an installed capacity of 500 MW. In the field under the royalty agreement, of which Konya İlgin is a party, stripping works have started for the start of lignite coal production from the open pit as preparation for the period that power plant will operate and started coal production in the last quarter of this year. The company will be named as the "Group" together with its subsidiary Konya İlgin.

The Company has also signed a royalty contract for the purpose of operation at bauxite site in Islahiye district of Gaziantep, which it has an operating license, and started to earn royalty income as of the third quarter of this year. Related income is calculated over the production amount and included in the consolidated financial statements.

The Company's legal headquarter is located at Paşalimanı Caddesi No: 41 Üsküdar / İstanbul.

As of 31 December 2019, the Company has 40 employees (31 December 2018: 27).

Shares of The Company is listed on Borsa Istanbul since 1997.

The Company's shareholding structure is presented as below:

Shareholders	31 December 2019		31 December 2018	
	Shareholding Ratio	Amount	Shareholding Ratio	Amount
Park Holding A.Ş.	61.24	91,168,622	61.24	91,168,622
Turgay Ciner	6.76	10,065,983	6.76	10,065,983
Other	32.00	47,632,638	32.00	47,632,638
<b>Total</b>	<b>100.00</b>	<b>148,867,243</b>	<b>100.00</b>	<b>148,867,243</b>

The Company's main shareholder Park Holding A.Ş., is ultimately controlled by Turgay Ciner.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

### NOTE 1 - ORGANIZATION AND OPERATIONS OF THE COMPANY (Continued)

#### The company included in consolidation:

##### Subsidiaries:

The Group has included the following subsidiary in the accompanying consolidated financial statements in accordance with the principles of consolidation.

Company title	Operations	Country
Konya İlgin	Electricity generation and sales	Turkey

#### Approval of Financial Statements

These consolidated financial statements were approved by the Board of Directors on 5 March 2020 and authorized for issue. The Company’s General Assembly has the authority to alter consolidated financial statements.

### NOTE 2 - BASIS OF THE FINANCIAL STATEMENTS

#### 2.1 Basis of Presentation

##### Statement of Compliance

The consolidated accompanying financial statements and disclosures 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”) on 13 June 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the Communiqué, companies should apply Turkish Financial Reporting Standards (“TFRS”) and interpretations regarding these standards as published by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”). The consolidated financial statements are presented in accordance with announcement regarding with TFRS taxonomy which was published by POA and the format and mandatory information recommended by CMB.

The Group maintain their books of account in accordance with rules and principles defined by Turkish Commercial Code (“TCC”) and tax legislation.

The consolidated financial statements are prepared in Turkish Lira based on the historical cost except for investment properties and financial assets and liabilities which are presented in fair values.

##### Functional Currency

Consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position are expressed in Turkish Lira (“TRY”), which is the functional and presentation currency of the Group.

##### Restatement of Financial Statements in Hyperinflationary Periods

With the decision taken on 17 March 2005, the CMB 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, TAS 29, “Financial Reporting in Hyperinflationary Economies”, issued by the TASB, has not been applied in the financial statements for the accounting periods starting 1 January 2005.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

---

### NOTE 2 - BASIS OF THE FINANCIAL STATEMENTS (Continued)

#### 2.1 Basis of Presentation (Continued)

##### Comparative Information and Correction to Previous Year Financial Statements

The consolidated financial statements of the Group are prepared comparatively with the previous period in order to enable the determination of the financial position and performance trends. The Group has prepared the consolidated statement of financial position as of 31 December 2019 comparatively with the statement of financial position as of 31 December 2018 and The Group has compiled the comprehensive income statement, the cash flow statement and the statement of changes in equity for the period ended 31 December 2019 comparatively with the financial statements for the period ended 31 December 2018.

##### Going concern

The consolidated financial statements have been prepared on the basis of the going concern assumption that the Group will benefit from its assets and fulfill its obligations within the next year during the natural course of its activities.

##### Basis for consolidation

#### **Subsidiaries**

Subsidiaries are companies in which the Group is controlled, including structured entities. Control of the Group is ensured by the exposure to variable returns in these companies, the right to be entitled to these assets and the ability to direct them. Subsidiaries are consolidated by using the full consolidation method from the date of transition. They are excluded from the scope of consolidation as of the date on which the control is due.

The assets, liabilities, equity items, income and expense accounts of the subsidiaries and cash flow movements are included in the consolidated financial statements by full consolidation method. The carrying values of the shares of Park Elektrik and subsidiaries are eliminated against the related equity.

<b>Subsidiaries</b>	<b>Operations</b>	<b>Ownership ratio (%)</b>
Konya İlgin	Electricity production and sales	100,00



# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

---

### NOTE 2 - BASIS OF THE FINANCIAL STATEMENTS (Continued)

#### 2.2 New and Revised Turkish Accounting Standards

##### a) *Standards, amendments and interpretations applicable as at 31 December 2019:*

- **Amendment to TFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.
- **Amendment to TAS 28, 'Investments in associates and joint venture'**; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.
- **TFRS 16, 'Leases'**; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15 'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The TASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the TASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group's activities as lessor are not significant.
- **TFRS 23, 'Uncertainty over income tax treatments'**; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 DECEMBER 2019**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

---

**NOTE 2 - BASIS OF THE FINANCIAL STATEMENTS (Continued)**

**2.2 New and Revised Turkish Accounting Standards (Continued)**

**a) Standards, amendments and interpretations applicable as at 31 December 2019(continued):**

- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
  - TFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - TFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - TAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.
  - TAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- **Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement';** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
  - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

**b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:**

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and
- TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:
  - i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
  - ii) clarify the explanation of the definition of material; and
  - iii) incorporate some of the guidance in TAS 1 about immaterial information.
- **Amendments to TFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the TASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to TFRS 9, TAS 39 and TFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.
- **TFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

---

### NOTE 2 - BASIS OF THE FINANCIAL STATEMENTS (Continued)

#### 2.3 Summary of Significant Accounting Policies

##### Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) Has control or joint control over the reporting entity;
  - (ii) Has significant influence over the reporting entity; or
  - (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

##### Revenue

The Group adopted TFRS 15 "Revenue From Contracts with Customers" which proposes a five step model framework mentioned below for recognizing the revenue.

- Identify the contact with customers
- Identify separate performance obligations in the contract
- Determine the transaction price in contract
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue

The Group assess the goods or services promised in a contract with a customer and identify as a performance obligation each promise to transfer to the customer.

For each performance obligation identified, the entity determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. If the Group transfers control of a good or service over time and therefore satisfies a performance obligation and recognises revenue over time.

The Group recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to the customer. An asset is transferred when the customer obtains control of that asset or service.

# **PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

---

### **NOTE 2 - BASIS OF THE FINANCIAL STATEMENTS (Continued)**

#### **2.3 Summary of Significant Accounting Policies (Continued)**

##### **Revenue (Continued)**

The Group considers the following in the assessment of transfer of control of goods sold and services,

- a) The entity has a right to payment for the goods or service,
- b) The customer has legal title to the goods or service,
- c) The entity has transferred physical possession of the asset,
- d) The customer has the significant risks and rewards related to the ownership of the goods or services,
- e) The customer has accepted the goods or services.

The Company does not adjust the promised amount of consideration for the effects of a significant financing component since the Company expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. If the financing component is significant in revenue, future collections are discounted by the interest rate in financing component. The difference is recognised as income from operating activities in current period.

##### **Dividend and interest income**

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend revenue from investments is recognized when shareholders have the right to receive such payment.

##### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average out basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, inventory is written down to net realizable value and expense is included in statement of income/(loss) in the period in which the write-down or loss occurred. When circumstances that previously caused inventories discounted to net realizable value no longer exist or when there is clear evidence of an increase in net realizable value because of the changes in economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the initial write-down.

##### **Property, Plant and Equipment**

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment in value. Depreciation is calculated using the straight-line method over the estimated useful lives of property, plant and equipment.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their useful lives, using the straight-line and declining depreciation method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 2 - BASIS OF THE FINANCIAL STATEMENTS (Continued)

#### 2.3 Summary of Significant Accounting Policies (Continued)

##### Property, Plant and Equipment (Continued)

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Expected useful lives for property, plant and equipment are as follows:

	<u>Useful life</u>
Machinery and equipment	6 - 15 years
Vehicles	5 - 7 years
Furniture and fixtures	4 - 15 years
Other property, plant and equipment	10 - 15 years

##### Intangible Assets

###### Intangible assets acquired

Intangible fixed assets acquired separately are carried at cost, less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. Estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in the estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

	<u>Useful life</u>
Rights	3 - 30 years

###### Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

###### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they meet the definition of an intangible fixed asset and their fair value can be measured reliably. Cost of such intangible assets is the fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are carried at cost, less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets acquired separately.

###### Mine preparation and development expenses

Costs associated with mine preparation expenses (geophysical, topographical, geological etc.) are recognized as an expense as incurred, except where they are expected to contribute to sustainable capital growth in the future. In such cases, those expenses are capitalized and depreciated over the useful life of the mine (total reserve amount) when the mine reaches its trading production capacity. Research and preparation costs written off as expense prior to the development and construction period of a mine cannot be capitalized even though a mine reserve with trading nature is explored following the related period. Estimated useful life, residual value and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in the estimates being accounted for on a prospective basis.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

---

### NOTE 2 - BASIS OF THE FINANCIAL STATEMENTS (Continued)

#### 2.3 Summary of Significant Accounting Policies (Continued)

##### Mine preparation and development expenses (Continued)

After the technical feasibility and commercial applicability of extracting ore from a mine resource is provable, the expenses are capitalised as mine preparation and development expenses. During the development of the mine, the stripping costs incurred both before and after production (removal of the covering layer, etc.) are part of the cost of the mine.

The material removed during the stripping phase of mining consists of a mixture of coal and waste. Some of the stripping costs that occur when the ore waste rate is low and provides benefits such as facilitating access to the ore, which can be used in coal production, and to ease accessing more coal in the future. The Group accounts for the stripping assets under the intangible assets when it is likely to achieve future economic benefits related to the stripping process and when it is applicable to recognize the part of the coal that is easy to access and to reliably measure the relevant stripping costs.

Mine preparation and development costs consist of the costs incurred for the development of the mine, especially the stripping, the rehabilitation cost of the mine site, the expropriation costs of the mine lands, and are amortized proportionally to the production amount during the mine production.

#### **Impairment of Tangible and Intangible Assets Other Than Goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 DECEMBER 2019**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

---

**NOTE 2 - BASIS OF THE FINANCIAL STATEMENTS (Continued)**

**2.3 Summary of Significant Accounting Policies (Continued)**

**Financial Instruments**

Financial Assets

Classification and measurement

Financial assets are classified by Group into the following specified categories; financial assets recognized at amortized costs, financial assets which change in fair value is reflected to other comprehensive income statement and financial assets which change in fair value is reflected to profit or loss. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group classifies the financial assets on purchase date.

Financial assets recognized at amortized costs

"Financial assets measured at amortized cost" are financial assets held for trading under a business model which aims to collect cash flows and includes cash flows of principal and interest generated from the principal balance with respect to specific dates of contractual terms, has no transaction in market and is non-derivative. Financial assets with maturities less than 12 months are classified as current assets and as non-current assets if more than 12 months. Financial assets of the Group that are recognized at amortized cost include "cash and cash equivalents", "trade receivables" and "other receivables". Related assets are initially recognized at fair value in the financial statements and measured at amortized cost using the effective interest rate method in next recognitions. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the consolidated income statement.

Impairment in trade receivables

The Group has chosen simplified approach for the calculation of impairment of trade receivables that do contain a significant financing component and accounted at amortised cost. In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason date. The Group uses a provision matrix in the calculation of expected credit losses. Since the change in expected credit loss provisions is not material, it is not accounted in consolidated income statement. For each reporting period, the recalculation is made and revaluated. Provision is recalculated and revised each reporting period if necessary.

i) Financial assets which change in fair value is reflected to other comprehensive income statement

The assets are classified as "assets recognized at fair value" once the management adopts the business model of collecting and / or selling contract cash flows. If management does not intend to derecognize the related assets within 12 months from the balance sheet date, assets are classified as non-current assets. is an the Group makes an irrevocable decision during initial recognition of equity based investments by recognizing fair value difference of the investment in other comprehensive income or profit or loss. Financial assets recongnized as other comprehensive income at fair value are presented as "financial investments" in the financial statements. The fair value difference of the assets recognized as other comprehensive income can be classified as retained earnings in case they are sold.

ii) Financial assets which change in fair value is reflected to profit or loss

Financial assets which change in fair value is reflected to profit or loss are financial assets other than assets measured at amortized cost and assets which change in fair value is reflected as other comprehensive income. The resulting fair value gain and loss arised from the assets are recognized in the income statement.

Recognition and derecognition of financial assets

All purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. These purchases or sales are purchases or sales generally require delivery of assets within the time frame generally established by regulation or convention in the market place.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 DECEMBER 2019**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

---

**NOTE 2 - BASIS OF THE FINANCIAL STATEMENTS (Continued)**

**2.3 Summary of Significant Accounting Policies (Continued)**

**Financial Instruments (Continued)**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the consolidated financial statements.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

**Financial Liabilities**

When a financial liability is recognized initially, the Group measures it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. After initial recognition, the Group measures all financial liabilities at amortised cost using the effective interest method.

**Business Combinations and Goodwill**

Business combinations that are not under common control are accounted for using the acquisition method. The cost of a business combination is allocated by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Any excess of the acquirer's interest over the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination cost is accounted for as goodwill. In business combinations, the acquirer recognizes identifiable assets, intangible assets (such as trademarks) and/or contingent liabilities which are not included in the acquiree's financial statements and which can be separated from goodwill, at their fair values in the consolidated financial statements. Goodwill recognised in business combinations is tested for impairment annually or more often under when circumstances indicating impairment risk.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another TFRS.



# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

---

### NOTE 2 - BASIS OF THE FINANCIAL STATEMENTS (Continued)

#### 2.3 Summary of Significant Accounting Policies (Continued)

##### Business Combinations and Goodwill (Continued)

The Group purchased 100% of Konya Ilgın from Park Holding A.Ş. and Turgay Ciner with the approval of purchase decision in General Assembly meeting dated 10 May 2017. This transaction was concluded to be as business combinations under common control. Within the scope of "Accounting of the business combinations under common control" promulgated in the Official Gazette dated 21 July 2013 the by the POA, it was stated that goodwill will not be included in consolidated financial statements prepared, that consolidated financial statements shall be adjusted as if the business combination took place at the beginning of the reporting period when the common control emerged and the financial statements shall be presented in comparison as of the beginning of that reporting period, and that "Impacts of the Business and entity combinations Under common Control" account will be used as a balancing account under shareholders equity to eliminate potential assets/ liabilities mismatch to arise as a result of business combinations under common control.

It would be appropriate to consider the accounting of business combinations under common control to consolidated financial statements considering the carrying values of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. Therefore, on the date when and after the Company takes control of the companies under common control, the consolidated financial statements should be restated retrospectively to reflect the financial statement line items recognised at the time of Konya Ilgın's acquisition by Park Holding A.Ş., which controls the Group.

##### Effects of Change in Foreign Currency Rates

###### Foreign Currency Transactions and Balances

In preparing the financial statements transactions in currencies other than TRY (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

##### Earnings per Share

Earnings per share disclosed in the accompanying statement of income are determined by dividing net income by the weighted average number of shares circulating during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders. In computing earnings per share, such bonus share distributions are treated as issued shares. Accordingly, the retrospective effect for such share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

##### Events after the Balance Sheet Date

Events after the balance sheet date comprise any events between the balance sheet date and the date of authorization of the financial statements for issue, even if any events after the balance sheet date occurred subsequent to the announcement of the Group's profit or the publicly disclosed financial information.

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

---

### NOTE 2 - BASIS OF THE FINANCIAL STATEMENTS (Continued)

#### 2.3 Summary of Significant Accounting Policies (Continued)

##### Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### Environmental liabilities

The Group is subject to extensive environmental controls and regulations in Turkey. The activities of the Group may result in negative impact for the land structure and surrounding plant and other living tissue as result of the various pollutant materials and substances spreaded around as waste.

The Group management is convinced to be fully complianced with all laws and regulations related to the current environment in Turkey. However, environmental laws and regulations are changing over time and making continuous improvement. In this context, the Group cannot predict the time or extent of changes that may occur in the environmental legal framework. Such changes may require the Group to modernize its technology to comply with environmental standards that will become more stringent if they occur.

Group; within the scope of various mining licenses contracts, following the end of mining activities, mining the facilities and other assets that it has benefited from mining, it reinstates the environment. The Group management considers that its environmental obligations include the following:

- Rehabilitation of the land structure and other types of continuous rehabilitation,
- Taking out the assets used during mining activities, and the safety of the surrounding population and the environment, buildings and other making facilities a safeguard.

The extent of environmental obligations and the costs expected to be incurred in the future in terms of their structure are difficult to predict in terms of their structure, and are dependent on the scale of the activities undertaken and the timing and development of legal regulations. As of 31 December 2019, the necessary provisions on environmental liabilities have been capitalised in mine preparation development expenses and will be amortized proportionally with the production amount during the mine production.

##### Reporting of Financial Information by Segments

The information used by the Group Management to decide on performance evaluation and resource allocation is related to the "Mining" segment in Turkey, which operates in a single business.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

---

### NOTE 2 - BASIS OF THE FINANCIAL STATEMENTS (Continued)

#### 2.3 Summary of Significant Accounting Policies (Continued)

##### Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under Property, Plant and Equipment up to the date of change in use.

##### Taxation and Deferred Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

---

### NOTE 2 - BASIS OF THE FINANCIAL STATEMENTS (Continued)

#### 2.3 Summary of Significant Accounting Policies (Continued)

##### Deferred tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

##### Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity.

#### Employee Benefits

##### Retirement Pay Provisions

Under the Turkish law and union agreements, severance payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as part of defined retirement benefit plans as per Turkey Accounting Standard 19 (Revised) "Employee Benefits" ("TAS 19"). In this context, in addition to the salary, the Group provides various benefits, such as; bonuses; fuel and food support; leaves of absence, national holidays, marriage, birth and death; and educational incentives to its employees.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and reflected in the financial statements. All actuarial gains and losses calculated are presented in the statement of comprehensive income.

#### Statement of Cash Flows

In statement of cash flow, cash flows are classified according to operating, investment and finance activities.

#### Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

#### 2.4 Significant Accounting Estimates and Assumptions

The Group has estimates and assumptions for the future. The estimates and assumptions that could cause significant adjustments in the carrying value of assets and liabilities in the upcoming financial reporting period are as follows:

##### Provisions for legal cases

As detailed and disclosed in Note 15, the Group is involved in a number of legal proceedings (both as a plaintiff and as a defendant) during the year arising in the ordinary course of business. All of these litigations are evaluated by the Group Management in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and disclosed or accounted in the consolidated financial statements. Future results or outcome of these litigations might differ from Group Management's expectations. As at the reporting date, the Group Management believes that appropriate recognition criteria and measurement basis are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to enable users to understand their nature, timing and amount by considering current conditions and circumstances.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

---

### NOTE 2 - BASIS OF THE FINANCIAL STATEMENTS (Continued)

#### 2.4 Significant Accounting Estimates and Assumptions (Continued)

##### Environmental obligations

Estimated environmental obligations, comprising rehabilitation and mine closures are based on the Group's environmental management plans in compliance with current technological, environmental and local regulatory requirements. Estimated environmental obligations are also affected by the discount rates applied and amendments in the environmental management plans due to the changes in estimations of proven and probable reserves deviations from projected production plan, use of pattern and physical conditions. Key assumptions are reviewed regularly. Factors that will affect this liability include future development, changes in technology, price increases and changes in interest rates

As of 31 December 2019, the provision for cost of mine rehabilitation for mine site in Konya Ilgın, was prepared by the management based on the estimates. The present value of the balance is determined with the assumption 4.00% real discount rate calculated by using 7.50% annual inflation rate and 11.80% interest rate by considering the long term inflation and bond rates accordingly. Related discount rate is used to discount the liabilities from 2054 which is the expected date of realization.

##### Income Taxes

The Group operates in various tax jurisdictions and is subject to the related tax regulations. Significant judgment is required to determine the Group provision for income taxes. The Group estimates its liabilities for tax obligations as well as the utilization of available loss carry forwards. When the final tax outcome is known, the actual positions may vary from these estimates and adjustments to deferred income tax positions may be required.

##### Fair values of investment properties

The assumptions used in the expertise reports used to determine the fair value of the properties classified as investment property in the consolidated financial statements are as follows:

In 2019, the Group has undertaken revaluation studies to determine the fair value of investment property.

The basic method of expertise reports used to determine the fair value of the properties classified as investment property was determined as the nominal value approach in consolidated financial statements.

##### Fair value of financial investments

The Group has started applying TFRS 9 "Financial instruments" standard, which replaces TAS 39, as of its first application date 1 January 2018 and started to account its equity-based financial investments as financial asset which fair value difference is reflected to the other comprehensive income. The fair value of the financial investment of the Group has been determined by an independent audit company providing valuation services in accordance with the capital market legislation and is authorized by the Capital Markets Board. The assumptions and forecasts are required within the scope of fair value assessment of these financial investments. These assumptions and forecasts include the fair value calculations of financial investments and impairment of financial assets which are regularly reviewed, necessary adjustments are made and the effects of these adjustments are reflected in the financial statements. In this context, the fair value assessment for Park Termik Elektrik Sanayi ve Ticaret A.Ş. ("Park Termik") which operates a thermal power plant with the total capacity of 620 MW in Ankara Çayırhan under the concession agreement for the period 2000 - June 2020 and is owned by Group by 10% of total shares, has been made under the assumption that the thermal power plant will be transferred to the public authority at the end of the concession period.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 3 - SEGMENT REPORTING

None (Note 2.3).

### NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash on hand	449	941
Cash in banks	6,213,670	175,250
<i>Demand deposits</i>	<i>6,213,670</i>	<i>175,250</i>
	<b>6,214,119</b>	<b>176,191</b>

As of 31 December 2019, the Group has no blocked cash or cash equivalents (31 December 2018: None).

### NOTE 6 - FINANCIAL INVESTMENTS

#### a) Short-term financial investments

As of 31 December 2019, the Group has no short term financial investments (31 December 2018: None).

#### b) Long-term financial investments

As of 31 December 2019, the Group's long-term financial investments is as follows:

	31 December 2019	31 December 2018
<b>Long-term financial investments</b>		
Financial investments	13,842,856	11,405,300
	<b>13,842,856</b>	<b>11,405,300</b>

	31 December 2019		31 December 2018	
	Shareholding Ratio (%)	Amount	Shareholding Ratio (%)	Amount
Park Termik Elektrik San. ve Tic. A.Ş.	10	13,842,856	10%	11,405,300
		<b>13,842,856</b>		<b>11,405,300</b>

The movements of fair value gains/losses of financial assets reflected to other comprehensive income as of 31 December 2019 and 2018 is as follows:

	2019	2018
<b>As of 1 January</b>	<b>11,405,300</b>	<b>9,990,294</b>
TFRS 9 adoption effect	-	7,162,906
<b>Balance after amendment</b>	<b>11,405,300</b>	<b>17,153,200</b>
Change in fair value	2,437,556	(5,747,900)
<b>As of 31 December</b>	<b>13,842,856</b>	<b>11,405,300</b>

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 6 - SHORT-TERM BORROWINGS

	31 December 2019	31 December 2018
<b>Obligations under finance leases</b>		
Payable within one year	594	981,373
Payable between one to five years	-	-
	<b>594</b>	<b>981,373</b>
Less: Future interest charges	(6)	(25,583)
<b>Present value of obligations under finance leases</b>	<b>588</b>	<b>955,790</b>
Payable within one year	588	955,790
Payable over one year	-	-

### NOTE 7 - TRADE RECEIVABLES AND PAYABLES

#### Trade Receivables

	31 December 2019	31 December 2018
<b>Short-term trade receivables</b>		
Trade receivables	7,028,457	4,167,161
Trade receivables from related parties (Note 24)	2,213,763	93,233
Other trade receivables	669,735	-
Allowance for doubtful trade receivables (-)	(4,617,115)	(4,156,205)
	<b>5,294,840</b>	<b>102,573</b>

The average maturity for short-term trade receivables varies between 15 - 30 days (31 December 2018: 30 days).

The maturity analysis of the receivables is provided in Note 25.

The movement of allowance for doubtful receivables is as follows:

	31 December 2019	31 December 2018
Within 1 - 5 years	-	-
5 years or more	4,617,115	4,156,205
	<b>4,617,115</b>	<b>4,156,205</b>

Allowance has been made for estimated irrecoverable amounts. Allowance is determined based on the Group's past experience. While the Group makes estimations on the collectability of its receivables, it assesses whether there are any changes to the loan quality of these receivables as of balance sheet date. Therefore, the Group's Management believes allowance doubtful receivable amount presented in the accompanying consolidated financial statements are appropriate.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

#### Trade Receivables (Continued)

The movement of allowance for doubtful receivables is as follows:

<b>Movement of allowance for doubtful trade receivables</b>	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
Opening balance	(4,156,205)	(3,204,477)
Collections during the period	-	47,801
Uncollectible receivables	-	10,769
Foreign currency exchange differences	(460,910)	(1,010,298)
<b>Closing balance</b>	<b>(4,617,115)</b>	<b>(4,156,205)</b>

#### Trade Payables

<b>Short-term trade payables</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Trade payables	9,999,303	848,250
Trade payables to related parties (Note 24)	343,862	187,525
Other trade payables	738,571	-
	<b>11,081,736</b>	<b>1,035,775</b>

The average maturity for short-term trade payables are 30 days (31 December 2018: 30 days).

### NOTE 8 - PREPAID EXPENSES, OTHER ASSETS, AND DEFERRED INCOME

#### a) Prepaid Expenses, Other Assets

<b>Short-term prepaid expenses, other assets</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Prepaid expenses	181,153	137,324
Advances given	68,295	-
	<b>249,448</b>	<b>137,324</b>
<b>Long-term prepaid expenses, other assets</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Advances given	-	201,844
	<b>-</b>	<b>201,844</b>

#### b) Deferred Income

<b>Short-term deferred income</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Deferred Income	114,002	75,606
	<b>114,002</b>	<b>75,606</b>



# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 9 - OTHER RECEIVABLES AND PAYABLES

	31 December 2019	31 December 2018
<b>Other short-term receivables</b>		
Due from related parties (Note 24)	43,261,995	20,783,756
Receivables from state authority	2,834,137	10,490
Deposits and guarantees given	761,081	-
Other receivables	609,483	609,483
Allowance for other doubtful receivables (-)	(609,483)	(609,483)
	<b>46,857,213</b>	<b>20,794,246</b>
<b>Other long-term receivables</b>		
Due from related parties (Note 24)	198,447,905	225,130,996
Deposits and guarantees given	231,515	149,884
	<b>198,679,420</b>	<b>225,280,880</b>
<b>Other short-term payables</b>		
Deposits and guarantees received (*)	560,749	781,800
Due to related parties (Note 24)	2,831	-
Dividend payables (Note 24)	2,803	2,803
Other payables	-	600,519
	<b>566,383</b>	<b>1,385,122</b>
<b>Other long-term payables</b>		
Deposits and guarantees received (*)	2,620,970	-
	<b>2,620,970</b>	<b>-</b>

(\*) The balances are composed of deposits and guarantees received from customer and suppliers as of 31 December 2019.

### NOTE 10 - INVENTORIES

	31 December 2019	31 December 2018
Finished goods	24,653	24,653
Other inventories	920,545	1,289,814
Provision for inventory impairment (-)	(6,208)	(26,740)
	<b>938,990</b>	<b>1,287,727</b>

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 11 - INVESTMENT PROPERTIES

#### Fair Value

<b>Opening balance, 1 January 2019</b>	<b>202,082,841</b>
Decrease in fair value of investment property	(10,087,841)
Expenses related to investment property	-
<b>Carrying value as of 31 December 2019</b>	<b>191,995,000</b>

As of 31 December 2019, there are no mortgages on the Group's investments properties (31 December 2018: None).

#### Fair Value

<b>Opening balance, 1 January 2018</b>	<b>222,442,000</b>
Decrease in fair value of investment property	(20,362,758)
Expenses related to investment property	3,599
<b>Carrying value as of 31 December 2018</b>	<b>202,082,841</b>

As of 31 December 2019, there are no mortgages on the Group's investments properties (31 December 2018: None).

As of 31 December 2019, the fair values of the investment properties of the Group are determined by independent valuation companies authorized by Capital Market Board ("CMB") and providing real estate valuation services in accordance with the capital market legislation. The fair value of investment properties is determined by the comparative approach.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2019 and 2018 are as follows:

	31 December 2019	Fair value as of reporting date		
		Level 1 TRY	Level 2 TRY	Level 3 TRY
<b>Lands</b>	<b>60,325,000</b>	-	<b>60,325,000</b>	-
- Ceyhan	32,315,000	-	32,315,000	-
- Edirne	28,010,000	-	28,010,000	-
<b>Buildings</b>	<b>131,670,000</b>	-	<b>131,670,000</b>	-
- Ceyhan	24,265,000	-	24,265,000	-
- Edirne	10,120,000	-	10,120,000	-
- Şişhane	97,285,000	-	97,285,000	-

There has been no transition between levels in the current period.

	31 December 2018	Fair value as of reporting date		
		Level 1 TRY	Level 2 TRY	Level 3 TRY
<b>Lands</b>	<b>84,469,853</b>	-	<b>84,469,853</b>	-
- Ceyhan	38,349,853	-	38,349,853	-
- Edirne	46,120,000	-	46,120,000	-
<b>Buildings</b>	<b>117,612,988</b>	-	<b>117,612,988</b>	-
- Ceyhan	16,032,988	-	16,032,988	-
- Edirne	4,580,000	-	4,580,000	-
- Şişhane	97,000,000	-	97,000,000	-

## PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

#### NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

Cost	Land Improvements	Machinery and equipment	Vehicles	Furniture and fixture	Other fixed assets	Construction in progress	Total
Opening balance, 1 January 2019	7,500	6,326,077	221,431	608,370	54,775	2,230,901	9,449,054
Additions	-	1,061,002	-	13,533	-	2,273,116	3,347,651
Transfers	-	1,130,258	-	-	-	(1,130,258)	-
Disposals	-	(78,522)	-	(17,371)	-	-	(95,893)
Closing balance, 31 December 2019	7,500	8,438,815	221,431	604,532	54,775	3,373,759	12,700,812
Accumulated depreciation							
Opening balance, 1 January 2019	41	4,576,602	191,237	549,482	1,318	-	5,318,680
Charge for the period	500	401,740	8,627	9,702	4,472	-	425,041
Disposals	-	(78,522)	-	(17,371)	-	-	(95,893)
Closing balance, 31 December 2019	541	4,899,820	199,864	541,813	5,790	-	5,647,828
Carrying value as of 1 January 2019	7,459	1,749,475	30,194	58,888	53,457	2,230,901	4,130,374
Carrying value as of 31 December 2019	6,959	3,538,995	21,567	62,719	48,985	3,373,759	7,052,984

As of 31 December 2019, there are no mortgages or pledges on the Group’s property, plant and equipment.

## PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

#### NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Cost	Land	Land Improvements	Machinery and equipment	Vehicles	Furniture and fixture	Other fixed assets	Construction in progress	Total
<b>Opening balance, 1 January 2018</b>	<b>1,196,089</b>	-	<b>6,730,730</b>	<b>2,119,991</b>	<b>557,526</b>	-	<b>7,081,119</b>	<b>17,685,455</b>
Additions		7,500	432,635	-	57,952	54,775	846,878	1,399,740
Transfers	(1,196,089)	-	-	-	-	-	(5,697,096)	(6,893,185)
Disposals	-	-	(837,288)	(1,898,560)	(7,108)	-	-	(2,742,956)
<b>Closing balance, 31 December 2018</b>	<b>-</b>	<b>7,500</b>	<b>6,326,077</b>	<b>221,431</b>	<b>608,370</b>	<b>54,775</b>	<b>2,230,901</b>	<b>9,449,054</b>
<b>Accumulated depreciation</b>								
<b>Opening balance, 1 January 2018</b>	-	-	<b>4,531,602</b>	<b>1,841,642</b>	<b>548,753</b>	-	-	<b>6,921,997</b>
Charge for the period	-	41	353,235	218,734	7,837	1,318	-	581,165
Disposals	-	-	(308,235)	(1,869,139)	(7,108)	-	-	(2,184,482)
<b>Closing balance, 31 December 2018</b>	<b>-</b>	<b>41</b>	<b>4,576,602</b>	<b>191,237</b>	<b>549,482</b>	<b>1,318</b>	<b>-</b>	<b>5,318,680</b>
<b>Carrying value as of 1 January 2018</b>	<b>1,196,089</b>	-	<b>2,199,128</b>	<b>278,349</b>	<b>8,773</b>	-	<b>7,081,119</b>	<b>10,763,458</b>
<b>Carrying value as of 31 December 2018</b>	<b>-</b>	<b>7,459</b>	<b>1,749,475</b>	<b>30,194</b>	<b>58,888</b>	<b>53,457</b>	<b>2,230,901</b>	<b>4,130,374</b>

As of 31 December 2018, there are no mortgages or pledges on the Group’s property, plant and equipment.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 13 - INTANGIBLE ASSETS

Cost	Mine preparation and development expenses	Mine research expenses	Rights	Total
Opening balance, 1 January 2019	29,571,000	791,205	24,812,466	55,174,671
Additions	35,983,732	-	4,951	35,983,732
Provision for cost of mine rehabilitation	3,320,285	-	-	3,320,285
Transfers	-	-	-	-
Closing balance, 31 December 2019	68,875,017	791,205	24,817,417	94,483,639
Accumulated amortization				
Opening balance, 1 January 2019	-	632,964	4,791,999	5,424,963
Charge for the period	1,668,602	158,241	908,340	2,735,183
Closing balance, 31 December 2019	1,668,602	791,205	5,700,339	8,160,146
Carrying value as of 1 January 2019	29,571,000	158,241	20,020,467	49,749,708
Carrying value as of 31 December 2019	67,206,415	-	19,117,078	86,323,493

(\*) The mine preparation and development expenses have increased due to mine stripping activities started as of 2019 in Konya İlçm, subsidiary of the Company.

Cost	Mine preparation and development expenses	Mine research expenses	Rights	Total
Opening balance, 1 January 2018	21,828,491	791,205	24,812,466	47,432,162
Additions	849,324	-	-	849,324
Transfers	6,893,185	-	-	6,893,185
Closing balance, 31 December 2018	29,571,000	791,205	24,812,466	55,174,671
Accumulated amortization				
Opening balance, 1 January 2018	-	474,723	3,872,371	4,347,094
Charge for the period	-	158,241	919,628	1,077,869
Closing balance, 31 December 2018	-	632,964	4,791,999	5,424,963
Carrying value as of 1 January 2018	21,828,491	316,482	20,940,095	43,085,068
Carrying value as of 31 December 2018	29,571,000	158,241	20,020,467	49,749,708

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 14 - EMPLOYEE BENEFITS

	31 December 2019	31 December 2018
Due to personnel	186,599	498,208
Social security premiums payables	90,214	75,694
Other sundry payables	66,283	108,772
	<b>343,096</b>	<b>682,674</b>

### NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

#### a) Short-term provisions

Short-term provisions for employee benefits	31 December 2019	31 December 2018
Unused vacation provisions	731,496	498,586
	<b>731,496</b>	<b>498,586</b>

The movement of provisions for unused vacation liability during the current period is presented as below:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	498,586	894,779
Charge for the period/(provisions no longer required), net	232,910	(310,702)
Payment during the period	-	(85,491)
Closing Balance	<b>731,496</b>	<b>498,586</b>

Other short-term provisions	31 December 2019	31 December 2018
Provisions for litigation (*)	35,137,704	15,563,339
Other	-	326
	<b>35,137,704</b>	<b>15,563,665</b>

(\*) During the period, the Group is involved in a number of legal proceedings (both as a plaintiff and as a defendant) during the year arising in the ordinary course of business. An important part of the Group's existing lawsuits are employee lawsuits related to the Madenköy operation in the Şirvan district of Siirt, which was closed in 2017, and the claims include the Company's staff and subcontractors and their legal successors (pecuniary and non-pecuniary indemnities due to death, receivables and reemployment). The Group has recognized a provision amounting to TRY35,137,704 (31 December 2018: TRY15,563,339) as a result of the evaluation of legal opinions related to prosecuted law, business, commercial and administrative lawsuits and current lawsuits which similar lawsuits were concluded in the past. The provision amount is updated in every reporting period by considering the risks and uncertainties regarding the liabilities and the developments occur in ongoing cases. In this context, the Group Management believes that there are no undisclosed litigation or legal proceedings in the footnotes of consolidated financial statements or that the required provisions are not considered which might have a negative impact on the financial position or operating results of the Group.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

#### a) Short-term provisions (Continued)

The movement of provisions for litigation during the current period is presented as below:

	1 January - 31 December 2019	1 January - 31 December 2018
<b>Opening balance</b>	<b>15,563,339</b>	<b>11,579,912</b>
Charge for the period/(provisions no longer required), net	22,531,200	4,619,846
Payment during the period	(3,142,206)	(599,325)
Effect of foreign exchange	185,371	(37,094)
<b>Closing balance</b>	<b>35,137,145</b>	<b>15,563,339</b>

#### b) Long-term provisions

	1 January - 31 December 2019	1 January - 31 December 2018
Retirement pay provisions	3,657,145	3,262,505
	<b>3,657,145</b>	<b>3,262,505</b>

#### Retirement Pay Provisions

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed 25 years of service and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TRY6,379,86 for each period of service at 31 December 2019 (31 December 2018: TRY6,017,60).

The liability is not funded, as there is no funding requirement.

Provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Revised TFRS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the Group's obligation under the defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption 4.00% real discount rate (31 December 2018: 4.96%) calculated by using 7.50% annual inflation rate and 11.80% interest rate. Voluntary leave rates are also taken into consideration as 5,16% for employees 0-15 years and 0% for employees 15 years and over.

Ceiling amount of TRY6,730,15 which is in effect since 1 January 2020 is used in the calculation of Group's provision for retirement pay liability.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

#### b) Long-term provisions (Continued)

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

The movement of the employment termination benefits is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
<b>Opening balance</b>	<b>3,262,505</b>	<b>3,232,461</b>
Actuarial loss/(gain)	64,058	(55,940)
Interest cost	161,845	135,944
Service cost	308,801	381,091
Payment during the period (-)	(140,064)	(431,051)
<b>Closing balance</b>	<b>3,657,145</b>	<b>3,262,505</b>
	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Other long-term provisions</b>		
Provision for cost of mine rehabilitation	3,320,285	-
	<b>3,320,285</b>	<b>-</b>

The provision for cost of mine rehabilitation was prepared by the management based on the estimates. The critical assumptions used in the 2019 forecast are the timing of spendings by 2054. The present value of the balance is determined with the assumption 4.00% real discount rate calculated by using 7.50% annual inflation rate and 11.80% interest rate by considering the long term inflation and bond rates accordingly.

	2019	2018
Yearly inflation rate	%7.50	-
Yearly discount rate	%4.00	-

#### c) Guarantees received and given

	31 December 2019		31 December 2018	
Guarantees received (TRY)	FC Balance	Equivalent of TRY	FC Balance	Equivalent of TRY
Letters of guarantees (TRY)	-	-	-	-
Letters of guarantees (USD)	100,000	594,020	-	-
Letters of guarantees (EUR)	-	-	-	-
Guarantee cheques (TRY)	30,000	30,000	30,000	30,000
Guarantee notes (TRY)	200,126,000	200,126,000	200,272,100	200,272,100
Guarantee notes (EUR)	1,120	7,449	437,020	2,634,357
Cash guarantees (TRY)	1,696,669	1,696,669	781,800	781,800
Cash guarantees (USD)	250,000	1,485,050	-	-
<b>Total</b>		<b>203,939,188</b>		<b>203,718,257</b>



# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

#### c) Guarantees received and given (Continued)

The details of the Group's Guarantees/Pledges/Mortgages ("GPMs") position as of 31 December 2019 and 31 December 2018 is presented as follows:

31 December 2019	TRY	TRY equivalent Total
A. GPMs given on behalf of its own legal entity	56,699,269	56,699,269
<i>Promissory notes</i>	55,748,257	55,748,257
<i>Cash guarantees</i>	951,012	951,012
<i>Obligations granted on behalf of shareholders</i>	-	-
B. GPMs given on behalf of consolidated subsidiaries	-	-
C. GPMs given on behalf of third parties within ordinary business activities	-	-
D. GPMs given for other purposes	-	-
<b>Total (*)</b>	<b>56,699,269</b>	<b>56,699,269</b>

(\*) All guarantees, pledges and mortgages included in the above table are denominated in TRY.

31 December 2018	TRY	TRY equivalent Total
E. GPMs given on behalf of its own legal entity	52,632,597	52,632,597
<i>Promissory notes</i>	52,397,357	52,397,357
<i>Cash guarantees</i>	135,240	135,240
<i>Obligations granted on behalf of shareholders</i>	100,000	100,000
F. GPMs given on behalf of consolidated subsidiaries	-	-
G. GPMs given to behalf of third parties within ordinary business activities	-	-
H. GPMs given for other purposes	-	-
<b>Total (*)</b>	<b>52,632,597</b>	<b>52,632,597</b>

(\*) All guarantees, pledges and mortgages included in the above table are denominated in TRY.

### NOTE 16 - OTHER ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
<b>Other current assets</b>		
Business advances	7,006	17,467
Deferred VAT	-	788,928
	<b>7,006</b>	<b>806,395</b>

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 16 - OTHER ASSETS AND LIABILITIES (Continued)

	31 December 2019	31 December 2018
<b>Other non-current assets</b>		
VAT deductible in future years	7,350,528	1,425,382
	<b>7,350,528</b>	<b>1,425,382</b>
<b>Other short-term liabilities</b>		
Taxes and funds payables	1,928,069	-
Other liabilities payable	116,694	740,618
	<b>2,044,763</b>	<b>740,618</b>
<b>Other long-term liabilities</b>		
Other long-term liabilities	-	116,693
	<b>-</b>	<b>116,693</b>

### NOTE 17 - EQUITY

#### a) Share Capital

The Company's share capital structure as of 31 December 2019 and 31 December 2018 is presented as follows:

Shareholders	31 December 2019		31 December 2018	
	Shareholding ratio (%)	Amount	Shareholding ratio (%)	Amount
Park Holding A.Ş.	61,24	91,168,622	61.24	91,168,622
Turgay Ciner	6,76	10,065,983	6.76	10,065,983
Other	32,00	47,632,638	32.00	47,632,638
<b>Total</b>	<b>100,00</b>	<b>148,867,243</b>	<b>100.00</b>	<b>148,867,243</b>

Information Regarding to Equity Shares				
Group	Type	Nominal Value (TRY)	Share Participation (%)	Rights
A	In the name	18,290,866	12.29	Election of 6 members of the Board of Directors
B	In the name	130,576,377	87.71	Election of 3 members of the Board of Directors
		<b>148,867,243</b>	<b>100.00</b>	

The paid in capital amount of the Company is TRY148,867,243 and authorised share capital ceiling is TRY300,000,000.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 17 - EQUITY (Continued)

#### a) Restricted reserves appropriated from profit

50% of the profits arising from the sales of the immovables included in the assets of the institutions for at least two full years in accordance with the first paragraph of the 5th article of the Tax Law No.5520 (e) by themselves (the effective date of the Article 89 of the Law No. 7061 dated 05.12.2017 the 75% portion of the sales made before the date of the sale) is exempt from the corporation tax and the exceptional amount is exempted from the corporation tax and the exempted portion of the sales profit must be held in a special fund account until the end of the fifth year following the sale.

In the ordinary General Assembly meeting of the Company held on 12 June 2018 for 2017, the Company has decided to allocate a general legal reserve amounting to TRY4,189,336 calculated in accordance with the relevant legislation, over the profit for the period in the consolidated financial statements of 2017 and allocate 75% of the profits derived from the sale of assets related to copper production activities under equity as a special reserve to benefit from the tax exemption in accordance with the first paragraph (e) of the fifth paragraph of Article 5 of the Corporate Tax Law numbered 5520, which is TRY243,523,090. In this context, the related amounts in the Group's financial statements are reported as "Restricted Reserves Allocated from Profit".

#### b) Increase/(decrease) in revaluation of property, plant and equipment

The revaluation fund is the difference between lands and buildings reflected in fair value and net book value on a cost basis after the deferred tax effect is deducted.

Properties that were previously recognised as property, plant and equipment were transferred to investment property as of 2017 reporting period due to change in their intended use and recognised with fair value method. Accordingly, the Group accounted the fair value increase amounting to TRY96,328,884 before the transfer, as the revaluation fund in the consolidated financial statements prepared as of 31 December 2019 by eliminating the tax effect in equity.

### NOT 18 - REVENUE and COST OF SALES

Revenue	1 January - 31 December 2019	1 January - 31 December 2018
Revenue from royalty contracts (Note 1)	7,048,037	-
Revenue from sale of coal	2,567,025	-
Other	832,717	439,589
	<b>10,447,779</b>	<b>439,589</b>
Cost of sales	1 January - 31 December 2019	1 January - 31 December 2018
Amortisation expenses (Note 13)	1,668,602	-
General production overheads	623,054	-
Personnel expenses	125,951	-
Depreciation expenses	21,512	-
Cost of other sales	102,784	200,230
	<b>2,541,903</b>	<b>200,230</b>

**PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2019**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

**NOTE 19 - GENERAL ADMINISTRATIVE EXPENSES**

<b>General administrative expenses</b>	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
Personnel expenses	4,473,391	3,695,612
Amortization expenses	1,470,110	1,659,033
Rent expenses	1,279,886	1,148,605
Outsourced services	1,118,401	829,874
Consultancy and expense shares	424,605	2,511,205
Taxes and other legal expenses	361,009	397,994
Donation and aid expenses	3,345	1,650
Other	1,701,926	1,070,584
	<b>10,832,673</b>	<b>11,314,557</b>

<b>Income from other operating activities</b>	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
Exemption and discounts	830,834	1,000,000
Foreign exchange gain	127,569	445,373
Provisions no longer required	20,532	58,570
Other	185,776	196,289
	<b>1,164,711</b>	<b>1,700,232</b>

<b>Expenses from other operating activities</b>	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
Provision expense	22,716,571	5,192,236
Foreign exchange loss	90,562	223,188
Other	40,366	471,852
	<b>22,847,499</b>	<b>5,887,276</b>

**NOTE 20 - INCOME FROM INVESTING ACTIVITIES**

<b>Income from investing activities</b>	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
Rent income	790,316	1,059,565
Income from sale of fixed assets	116,101	764,400
	<b>906,417</b>	<b>1,823,965</b>

<b>Loss on investing activities</b>	<b>1 January - 31 December 2019</b>	<b>1 January - 31 December 2018</b>
Decrease in value of investment properties	10,087,841	20,362,758
Other	-	29,421
	<b>10,087,841</b>	<b>20,392,179</b>

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 21 - FINANCIAL INCOME/(EXPENSE)

Financial Income	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange income	29,461,595	70,017,308
Interest income	11,731,046	18,433,989
	<b>41,192,641</b>	<b>88,451,297</b>
Financial Expenses	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange losses	180,223	924,810
Interest expenses	40,792	97,852
Other financial expenses	78,150	48,368
	<b>299,165</b>	<b>1,071,030</b>

### NOTE 22 - TAX ASSETS AND LIABILITIES

Corporate tax	31 December 2019	31 December 2018
Current period corporate tax liability	7,973,426	16,642,060
Prepaid corporate tax	(5,103,457)	(24,193,532)
<b>Corporate tax liability/(assets)</b>	<b>2,869,969</b>	<b>(7,551,472)</b>

Taxation on income in statement of profit or loss as of 31 December 2019 and 2018 is as follows:

	31 December 2019	31 December 2018
Current period tax expense	(7,973,426)	(16,642,060)
Deferred tax income/(expense)	4,926,434	2,204,088
	<b>(3,046,992)</b>	<b>(14,437,972)</b>

### Deferred tax assets and liabilities

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

The tax rate used in the calculation of deferred tax assets and liabilities is 22% (31 December 2018: 22%).

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 22 - TAX ASSETS AND LIABILITIES (Continued)

#### Deferred tax assets and liabilities (Continued)

Deferred tax assets/(liabilities)	31 December 2019	31 December 2018
Revaluation differences of investment properties	(17,641,065)	(18,099,951)
Useful life and valuation differences on property, plant, and equipment and intangible assets	(3,695,947)	(3,891,633)
Provision for retirement pay and unused vacation	892,358	762,190
Evaluation differences on financial investments	(211,891)	(77,825)
Discount on receivable and payables	(1,173)	(346)
Provisions of liability and accruals	7,727,973	3,569,118
Other	-	3,521
	<b>(12,929,745)</b>	<b>(17,734,926)</b>

#### Tax Reconciliation

	1 January - 31 December 2019	1 January - 31 December 2018
Profit before tax	7,102,467	53,549,811
Applicable tax rate	%22	22%
Calculated tax expense	(1,562,543)	(11,780,958)
Disallowable expenses and differences	(511,564)	(71,336)
Deductions and exceptions	182,855	220,000
Carry forward tax loss	(14,145)	(4,034)
Tax rate differences	(1,123,265)	(1,550,414)
Other	(18,330)	(1,251,230)
<b>Total tax expense</b>	<b>(3,046,992)</b>	<b>(14,437,972)</b>

Turkish tax legislation does not permit a parent company, its subsidiaries and joint ventures to file a tax return in its consolidated financial statements. For this reason, the tax provisions reflected in the financial statements in the console are calculated separately for all companies that are included in consolidation.

In Turkey, the corporate tax rate is 22% for 2019 (31 December 2018: 22%). Institutions tax rate is applied to the tax base that will be deducted from the income of the corporations for commercial income according to the tax law, deduction of the deductible expenses, exemption in tax laws (exemption of participation gains, investment discount exception etc.) and deductions (such as R&D deduction). No further tax is payable unless the profit is distributed (except for the withholding tax at the rate of 19,8% calculated and paid on the exemption amount utilized in case of the exemption of investment discount utilized in accordance with Article 61 of the Income Tax Law).

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%.

No deductions from dividends paid to non-resident corporations that earn income through a business office or permanent representative in Turkey and dividends paid to resident corporations in Turkey. Dividend payments made to persons and institutions other than these are subject to 15% stoppage, profit distribution is not considered.

Corporations are required to declare a temporary tax of 22% (for 2018, 2019, 2020) on their quarterly financial income until the 14th day of the second month following that period and pay until the evening of 17th day. The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated on the tax declaration of the institutions to be given in the following year. If the temporary tax amount paid remains in spite of the indictment, this amount can be refunded or any other financial debt to the state can be deducted.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 22 - TAX ASSETS AND LIABILITIES (Continued)

There is no practice to reconcile with the tax authority on the taxes payable in Turkey. The corporation tax returns are given to the tax attached until the evening of the 25th day of the fourth month following the month of the accounting period.

Authorities of the tax examination may examine their accounting records over a period of five years, and if incorrect operation is detected, the amount of tax may change due to tax assessment to be made.

According to Turkish tax legislation, financial losses shown on the tax return can be deducted from the period corporate income for not more than 5 years. However, financial losses can not be deducted from retained earnings.

### NOTE 23 - EARNINGS PER SHARE

Earnings per share	1 January - 31 December 2019	1 January - 31 December 2018
Average number of shares in circulation during the period (in full)	14,886,724,300	14,886,724,300
Net profit attributable to equity holders of the Group	4,055,475	39,111,839
<b>Basic and diluted earnings/(loss) per share</b>	<b>0,00027</b>	<b>0.00263</b>

### NOTE 24 - RELATED PARTY DISCLOSURES

#### Due from Related Parties

Related party	Type of Relationship	31 December 2019		Total
		Trade Receivables	Other Receivables	
Park Holding A.Ş.	Shareholder	-	241,709,900	241,709,900
Park Termik Elektrik San. ve Tic. A.Ş.	Associate	20,227	-	20,227
Silopi Elektrik Üretim A.Ş.	Group Company	41,167	-	41,167
Eti Soda Üretim Pazarlama Nakliyat ve Elektrik Üretim San. ve Tic. A.Ş.	Group Company	2,152,369	-	2,152,369
		<b>2,213,763</b>	<b>241,709,900</b>	<b>243,923,663</b>
Related party	Type of Relationship	31 December 2018		Total
		Trade Receivables	Other Receivables	
Park Holding A.Ş.	Shareholder	-	245,914,752	245,914,752
Silopi Elektrik Üretim A.Ş.	Group Company	57,169	-	57,169
Park Teknik Elekt. Maden. Turizm. San. Tic. A.Ş.	Group Company	34,448	-	34,448
		<b>91,617</b>	<b>245,914,752</b>	<b>246,006,369</b>

The quarterly interest rates used by the Group for trade and financial transactions in TRY and USD during 2019 and 2018 are as follows:

	2019		2018	
	TRY	USD	TRY	USD
January - March	%22,66	%4,84	%14,82	%6,01
April - June	%24,46	%4,41	%21,16	%6,90
July - September	%19,70	%4,23	%28,54	%6,75
October - December	%13,54	%3,50	%26,38	%6,75

**PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2019**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

**NOTE 24 - RELATED PARTY DISCLOSURES (Continued)****Due to Related Parties**

Related party	Type of Relationship	31 December 2019		Total
		Trade Payables	Other Payables	
Park Holding A.Ş.	Shareholder	223,359	-	223,359
Park Sig. Ara. Hiz. Ltd. Şti.	Group Company	70,849	-	70,849
Silopi Elektrik Üretim A.Ş.	Group Company	22,613	-	22,613
Havaş Turizm Seyahat ve Kargo Taşımacılığı A.Ş.	Group Company	17,440	-	17,440
Park Teknik Elekt. Maden Turizm San. Tic. A.Ş.	Group Company	9,601	2,831	12,432
Dividends payables to other affiliates	Shareholder	-	2,803	2,803
		<b>343,862</b>	<b>5,634</b>	<b>349,496</b>

  

Related party	Type of Relationship	31 December 2018		Total
		Trade Payables	Other Payables	
Park Holding A.Ş.	Shareholder	160,422	-	160,422
Silopi Elektrik Üretim A.Ş.	Group Company	21,257	-	21,257
Park Sigorta Ara. Hiz. Ltd. Şti.	Group Company	3,103	-	3,103
Havaş Turizm Seyahat ve Kargo Taşımacılığı A.Ş.	Group Company	2,743	-	2,743
Ciner Maden Proje ve Teknik Danışmanlık	Group Company	-	-	-
Dividends payables to other affiliates	Shareholder	-	2,803	2,803
		<b>187,525</b>	<b>2,803</b>	<b>190,328</b>



## PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

#### NOTE 24 - RELATED PARTY DISCLOSURES (Continued)

##### Goods and Services Purchased from Related Parties

31 December 2019								
Related party	Type of Relationship	Goods	Service	Fixed Assets	Financial Expenses	Rent	Other	Total
Silopi Elektrik Üretim A.Ş.	Group Company	193,847	-	-	1,609	-	64,820	260,276
Park Holding A.Ş.	Shareholder	-	40,556	-	-	812,820	1,795,755	2,649,131
Park Teknik Madencilik Turizm San.ve Tic. A.Ş.	Group Company	109,508	275,155	390,000	8,773	66,250	15,104	864,790
Park Termik Elektrik San.ve Tic. A.Ş.	Associate	97,356	211,118	5,252	4,114	-	75,479	393,319
Park Sigorta Aracılık Hiz. Ltd. Şti.	Group Company	-	161,343	-	2,070	-	-	163,413
Havaş Turizm Sey. ve Kargo Taş. A.Ş.	Group Company	-	-	-	957	79,557	25	80,539
Ciner Turizm Tic. İnş. Servis Hizm. A.Ş.	Group Company	-	913	-	-	-	-	913
<b>Total</b>		<b>400,711</b>	<b>689,085</b>	<b>395,252</b>	<b>17,523</b>	<b>958,627</b>	<b>1,951,183</b>	<b>4,412,381</b>

31 December 2018								
Related party	Type of Relationship	Goods	Service	Fixed Assets	Financial Expenses	Rent	Other	Total
Silopi Elektrik Üretim A.Ş.	Group Company	132,388	-	-	24	-	58,655	191,067
Park Holding A.Ş.	Shareholder	-	2,213,724	-	-	706,800	1,446,108	4,366,632
Park Teknik Madencilik Turizm San.ve Tic. A.Ş.	Group Company	-	-	-	12,931	-	667	13,598
Park Termik Elektrik San.ve Tic. A.Ş.	Associate	-	-	-	3,209	-	87,331	90,540
Park Sigorta Aracılık Hiz. Ltd. Şti.	Group Company	-	149,426	-	28,449	-	1,058	178,933
Havaş Turizm Sey. ve Kargo Taş. A.Ş.	Group Company	-	-	-	735	27,950	3,009	31,694
Ciner Maden Proje ve Teknik Danışmanlık A.Ş.	Group Company	-	28,000	151,100	-	-	-	179,100
<b>Total</b>		<b>132,388</b>	<b>2,391,150</b>	<b>151,100</b>	<b>45,348</b>	<b>734,750</b>	<b>1,596,828</b>	<b>5,051,564</b>

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 24 - RELATED PARTY DISCLOSURES (Continued)

#### Goods and Services Sold to Related Parties

Related party	Type of Relationship	31 December 2019						
		Goods	Service	Fixed Assets	Financial Income	Rent	Other	Total
Park Holding A.Ş.	Shareholder	-	-	-	41,008,219	-	-	41,008,219
Havaş Turizm Sey. ve Kargo Taş. A.Ş.	Group Company	-	-	-	-	-	3,846	3,846
Soda Üretim Pazarlama Nakliyat ve Elektrik Üretim Sanayi ve Ticaret A.Ş.	Group Company	2,055,591	-	-	2,148	-	-	2,057,739
Park Sigorta Aracılık Hiz. Ltd. Şti.	Group Company	-	-	-	5,505	-	-	5,505
Silopi Elektrik Üretim A.Ş.	Group Company	-	-	-	1,332	310,340	-	311,672
Park Termik Elektrik San. ve Tic. A.Ş.	Associate	224,851	-	-	2,076	43,000	-	269,927
Park Teknik Mad. Turz. San. ve Tic. A.Ş.	Group Company	-	-	-	545	253,000	245	253,790
<b>Total</b>		<b>2,280,442</b>	<b>-</b>	<b>-</b>	<b>41,019,825</b>	<b>606,340</b>	<b>4,091</b>	<b>43,910,698</b>

  

Related party	Type of Relationship	31 December 2018						
		Goods	Service	Fixed Assets	Financial Income	Rent	Other	Total
Park Holding A.Ş.	Shareholder	-	-	-	88,181,243	-	7,767	88,189,010
Havaş Turizm Sey. ve Kargo Taş. A.Ş.	Group Company	-	-	-	427	-	-	427
Park Sigorta Aracılık Hiz. Ltd. Şti.	Group Company	-	-	-	12,301	-	-	12,301
Silopi Elektrik Üretim A.Ş.	Group Company	-	-	-	7,735	224,840	-	232,575
Kasımpaşa Sportif Faaliyetler A.Ş.	Group Company	-	-	-	-	-	8	8
Park Termik Elektrik San. ve Tic. A.Ş.	Associate	315,461	-	-	9,060	-	-	324,521
Park Teknik Mad. Turz. San. ve Tic. A.Ş.	Group Company	52,375	-	-	18,812	294,000	-	365,187
<b>Total</b>		<b>367,836</b>	<b>-</b>	<b>-</b>	<b>88,229,578</b>	<b>518,840</b>	<b>7,775</b>	<b>89,124,029</b>

Benefits provided to directors and executive personnel (*)	1 January- 31 December 2019	1 January- 31 December 2018
Wages, premiums and other similar benefits	178,015	237,441
Benefits related with retirement pay and unused vacation	-	121,705

(\*) Senior management consists of the members of the Board of Directors of the Company and its subsidiaries, the General Manager and their assistants. Only the independent members of the Board of Directors are paid in line with the decision taken at the Ordinary General Assembly meeting, and no payment is made to the other members due to their duties in the Board of Directors.

## **PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

---

#### **NOTE 24 - RELATED PARTY DISCLOSURES (Continued)**

##### **Park Holding A.Ş.**

The Group provides a portion of the generated cash surplus as financial debt to its main shareholder, Park Holding A.Ş. The Group obtains interest income at the interest rates stated above for the financial assets.

As discussed above, the Group applies the maturity gap for all financial and commercial transactions with related parties. As a result of this, the Group earned finance income amounting to TRY41,008,219 in 2019 (31 December 2018: TRY88,181,243).

The main shareholder of the Company, Park Holding A.Ş. provides the group companies with the management services needed to carry out their activities properly. These services include but not limited to; the fulfillment of procurement functions, the realization of information processing investments, the provision of technical information and support for human resources processes, financial reporting, audit and tax planning and legal consultancy processes. Park Holding A.Ş. allocates the costs incurred in order to provide the indicated services to companies based on the level of utilization of these services.

The Company also uses the allocated area of the real estate owned by Park Holding A.Ş. as the headquarter and bears the rent and similar usage and operating expenses.

##### **Other Group Companies**

The Group received equipment and labour force from Park Teknik Madencilik Turizm Sanayi ve Ticaret A.Ş. and Park Termik Elektrik Sanayi ve Ticaret A.Ş.

The Group purchases electricity energy from Silopi Elektrik Üretim A.Ş. to be used in investment properties.

The Group leases cars from Havaş Turizm Seyahat ve Kargo Taşımacılığı A.Ş.

The Group sold coal to Eti Soda Üretim Pazarlama Nakliyat ve Elektrik Üretim San. ve Tic. A.Ş.

#### **NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

##### **a) Capital Risk Management**

The Group manages its capital to ensure that it will maintain its status as a going concern while maximizing the return of stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debts including the borrowings and other debts disclosed in Notes 6 and 7, cash and cash equivalents disclosed in Note 4 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 17.

The Management of the Group considers the cost of capital and risks associated with each class of capital. The Management of the Group aims to balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the redemption of existing debt.

The Group controls its capital using the net debt / total equity ratio. This ratio is calculated as net debt divided by the total equity amount. Net debt is calculated as total liability amount (comprises of financial liabilities, leasing and trade payables as presented in the balance sheet) less cash and cash equivalents.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2019 and 31 December 2018 the Group's net debt / total equity ratio is detailed as follows:

	31 December 2019	31 December 2018
Financial liabilities	588	955,790
Less: Cash and cash equivalents and short-term financial investments	(6,214,119)	(176,191)
Net debt	(6,213,531)	779,599
Total equity	489,388,015	483,080,297
<b>Net debt/Total equity ratio (%)</b>	<b>(1.27)</b>	<b>0.16</b>

The Group has not made any changes to its overall capital risk management policy in the current period.

#### b) Financial Risk Factors

The Group's activities expose it to various financial risks, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects over the Group's financial performance.

The Group manages its financial instruments centrally in accordance with the Group's risk policies through the Financial Transactions Department. The Group's cash inflows and outflows are monitored by using the reports prepared on a daily, weekly and monthly basis and the related data is compared to the monthly and yearly cash flow budgets.

Risk management is carried out by the Risk Management Department which is independent from steering, under the policies approved by the Board of Directors. The Group's Risk Management Department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

##### (b.1) Credit Risk Management

Credit risk refers to the risk that counterparty will default on its contractual obligations. The Group's Management mitigates such risk by putting limitations on the contracts with counterparties and obtaining sufficient collaterals, where appropriate. Trade receivables are evaluated based on the Group's policies and procedures and presented net of doubtful provision in the financial statements accordingly (Note 7).

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

### NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risks exposed through types of financial instruments	31 December 2019				
	Trade Receivables		Other Receivables		Bank Deposits
	Related Parties	Third Parties	Related Parties	Third Parties	
<b>Maximum credit risk exposed as of the balance sheet date (*)</b>					
(A+B+C+D+E)	<b>2,213,763</b>	<b>3,081,077</b>	<b>241,709,900</b>	<b>3,826,733</b>	<b>6,213,670</b>
- Maximum risk portion covered by guarantees, collaterals, etc.	-	(1,485,050)	(200,000,000)	-	-
A. Net book value of financial assets neither overdue nor impaired	2,213,763	3,013,584	241,709,900	3,826,733	6,213,670
- Portion covered by guarantees, collaterals etc.	-	(1,485,050)	(200,000,000)	-	-
B. Net book value of financial assets that are renegotiated or otherwise will be accepted as overdue or impaired	-	-	-	-	-
- Portion covered by guarantees, collaterals etc.	-	-	-	-	-
C. Net book value of assets over due but not impaired	-	67,493	-	-	-
- Portion covered by guarantees, collaterals etc.	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Past due (gross carrying amount)	-	4,617,115	-	513,725	-
- Impairment (-)	-	(4,617,115)	-	(513,725)	-
- Net value portion covered by guarantees, collaterals, etc. (-)	-	-	-	-	-
- Not due (gross carrying amount)	-	-	-	95,758	-
- Impairment (-)	-	-	-	(95,758)	-
- Net value portion covered by guarantees, collaterals, etc. (-)	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

(\*) Factors that increase the credit reliability, such as; guarantees received, are not taken into consideration in the calculation.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risks exposed through types of financial instruments	31 December 2018				
	Trade Receivables		Receivables		Bank Deposits
	Related Parties	Third Parties	Related Parties	Third Parties	
<b>Maximum credit risk exposed as of the balance sheet date (*)</b>					
(A+B+C+D+E)	<b>91,617</b>	<b>10,956</b>	<b>245,914,752</b>	<b>160,374</b>	<b>175,250</b>
- Maximum risk portion covered by guarantees, collaterals, etc.	-	(10,956)	(200,000,000)	-	-
A. Net book value of financial assets neither overdue nor impaired	91,617	10,956	245,914,752	160,374	175,250
- Portion covered by guarantees, collaterals etc.	-	(10,956)	(200,000,000)	-	-
B. Net book value of financial assets that are renegotiated or otherwise will be accepted as overdue or impaired	-	-	-	-	-
- Portion covered by guarantees, collaterals etc.	-	-	-	-	-
C. Net book value of assets over due but not impaired	-	-	-	-	-
- Portion covered by guarantees, collaterals etc.	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Past due (gross carrying amount)	-	4,156,205	-	130,625	-
- Impairment (-)	-	(4,156,205)	-	(130,625)	-
- Net value portion covered by guarantees, collaterals, etc. (-)	-	-	-	-	-
- Not due (gross carrying amount)	-	-	-	478,858	-
- Impairment (-)	-	-	-	(478,858)	-
- Net value portion covered by guarantees, collaterals, etc. (-)	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

(\*) Factors that increase the credit reliability, such as; guarantees received, are not taken into consideration in the calculation

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Past due but not impaired assets are presented as below:

	31 December 2019	
	Trade Receivables	Other Receivables
Due within 1-30 days	67,493	-
Due within 1-3 months	-	-
Due within 3-12 months	-	-
Due within 1-5 years	-	-
<b>Total overdue receivables</b>	<b>67,493</b>	<b>-</b>

	31 December 2018	
	Trade Receivables	Other Receivables
Due within 1-30 days	-	-
Due within 1-3 months	-	-
Due within 3-12 months	-	-
Due within 1-5 years	-	-
<b>Total overdue receivables</b>	<b>-</b>	<b>-</b>

#### (b.2) Liquidity Risk Management

The Group manages its liquidity through a systematic monitoring of its cash flows and matching the maturities of its assets and liabilities to maintain adequate funds and loan reserves.

#### Liquidity risk tables

Conservative liquidity risk management requires maintaining adequate reserves, having the ability to utilize adequate level of credit lines and funds, and closing market positions.

Funding risk attributable to current and future potential borrowing needs is managed by providing ongoing access to adequate number of creditors with high quality.

The following table details the Group's financial liabilities and their maturities. The tables below have been drawn up based on the undiscounted liabilities and earliest payment dates of financial liabilities. Interest to be paid over those liabilities are included and summarized in the below table:

Contractual maturities	31 December 2019				
	Carrying value	Total cash Outflows in accordance with contracts (I+II+III)	Less than 3 months (I)	3-12 months(II)	1-5 year months (III)
<b>Non-derivate financial liabilities</b>	<b>11,087,958</b>	<b>11,098,341</b>	<b>10,241,106</b>	<b>857,235</b>	<b>-</b>
Obligation under finance leases	588	594	594	-	-
Trade payables	11,081,736	11,092,113	10,237,681	854,432	-
Other payables	5,634	5,634	2,831	2,803	-

Contractual maturities	31 December 2018				
	Carrying value	Total cash Outflows in accordance with contracts (I+II+III)	Less than 3 months (I)	3-12 months(II)	1-5 year months (III)
<b>Non-derivate financial liabilities</b>	<b>2,594,887</b>	<b>2,623,657</b>	<b>1,333,216</b>	<b>689,922</b>	<b>600,519</b>
Obligation under finance leases	955,790	981,373	294,254	687,119	-
Trade payables	1,035,775	1,038,962	1,038,962	-	-
Other payables	603,322	603,322	-	2,803	600,519

#### (b.3) Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. At a Group level, market risk exposures are measured by sensitivity analysis. When compared to prior periods, there has been no change in the Group's exposure to market risks, hedging methods used or the measurement methods used for such risks.

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

#### (b.3.1) Foreign currency risk management

Foreign currency risk is the risk of volatility in the foreign currency denominated monetary assets, monetary liabilities and off-balance sheet liabilities due to changes in currency exchange rates. The breakdown of the Group's foreign currency denominated monetary and non-monetary assets and liabilities as of the balance sheet date are as follow:

		31 December 2019			
		TRY Equivalent	USD	EUR	GBP
1.	Trade Receivable	1,802,456	293,647	8,741	-
2a.	Monetary Financial Assets	19,014,639	3,200,909	89	1
2b.	Non-monetary Financial Assets	-	-	-	-
3.	Other	-	-	-	-
4.	CURRENT ASSETS	20,817,095	3,494,556	8,830	1
5.	Trade Receivable	-	-	-	-
6a.	Monetary Financial Assets	170,317,123	28,671,951	-	-
6b.	Non-monetary Financial Assets	-	-	-	-
7.	Other	-	-	-	-
8.	NON-CURRENT ASSETS	170,317,123	28,671,951	-	-
<b>9.</b>	<b>TOTAL ASSETS</b>	<b>191,134,218</b>	<b>32,166,507</b>	<b>8,830</b>	<b>1</b>
10.	Trade Payables	51,762	655	7,198	-
11.	Financial Liabilities	600	101	-	-
12a.	Other Monetary Liabilities	1,485,050	250,000	-	-
12b.	Other Non-monetary Liabilities	2,204,647	-	331,496	-
13.	CURRENT LIABILITIES	3,742,059	250,756	338,694	-
14.	Trade Payables	-	-	-	-
15.	Financial Liabilities	-	-	-	-
16a.	Other Monetary Liabilities	-	-	-	-
16b.	Other Non-monetary Liabilities	-	-	-	-
17.	NON-CURRENT LIABILITIES	-	-	-	-
<b>18.</b>	<b>TOTAL LIABILITIES</b>	<b>3,742,059</b>	<b>250,756</b>	<b>338,694</b>	<b>-</b>
<b>19.</b>	<b>Net assets/(liability) position of off balance sheet derivatives items (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a.	Amount of Derivative Products with Active Charged Off Balance Sheet Foreign Currency	-	-	-	-
19b.	Amount of Derivative Products with a Passive Foreign Exchange Currency	-	-	-	-
<b>20.</b>	<b>Net foreign currency assets/(liability) position</b>	<b>187,392,159</b>	<b>31,915,751</b>	<b>(329,864)</b>	<b>1</b>
<b>21.</b>	<b>Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>189,596,806</b>	<b>31,915,751</b>	<b>1,632</b>	<b>1</b>
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Total amount of assets hedged	-	-	-	-
24.	Total amount of liabilities hedged	-	-	-	-



# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

		31 December 2018			
		TRY Equivalent	USD	EUR	GBP
1.	Trade Receivable	-	-	-	-
2a.	Monetary Financial Assets	15,624,679	2,969,859	90	1
2b.	Non-monetary Financial Assets	-	-	-	-
3.	Other	-	-	-	-
4.	CURRENT ASSETS	15,624,679	2,969,859	90	1
5.	Trade Receivable	-	-	-	-
6a.	Monetary Financial Assets	225,130,996	42,793,248	-	-
6b.	Non-monetary Financial Assets	-	-	-	-
7.	Other	-	-	-	-
8.	NON-CURRENT ASSETS	225,130,996	42,793,248	-	-
<b>9.</b>	<b>TOTAL ASSETS</b>	<b>240,755,675</b>	<b>45,763,107</b>	<b>90</b>	<b>1</b>
10.	Trade Payables	3,139	590	6	-
11.	Financial Liabilities	955,790	181,678	-	-
12a.	Other Monetary Liabilities	600,520	114,148	-	-
12b.	Other Non-monetary Liabilities	1,755,870	-	291,286	-
13.	CURRENT LIABILITIES	3,315,319	296,416	291,292	-
14.	Trade Payables	-	-	-	-
15.	Financial Liabilities	-	-	-	-
16a.	Other Monetary Liabilities	-	-	-	-
16b.	Other Non-monetary Liabilities	-	-	-	-
17.	NON-CURRENT LIABILITIES	-	-	-	-
<b>18.</b>	<b>TOTAL LIABILITIES</b>	<b>3,315,319</b>	<b>296,416</b>	<b>291,292</b>	<b>-</b>
<b>19.</b>	<b>Net assets/(liability) position of off balance sheet derivatives items (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a.	Amount of Derivative Products with Active Charged Off Balance Sheet Foreign Currency	-	-	-	-
19b.	Amount of Derivative Products with a Passive Foreign Exchange Currency	-	-	-	-
<b>20.</b>	<b>Net foreign currency assets/(liability) position</b>	<b>237,440,356</b>	<b>45,466,691</b>	<b>(291,202)</b>	<b>1</b>
<b>21.</b>	<b>Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>239,196,226</b>	<b>45,466,691</b>	<b>84</b>	<b>1</b>
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Total amount of assets hedged	-	-	-	-
24.	Total amount of liabilities hedged	-	-	-	-

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The Group is mainly exposed to USD risks. Effects of other currencies are immaterial.

Assets and liabilities denominated in foreign currencies are translated at the exchange rates announced by the Turkish Central Bank as of 31 December 2019 (31 December 2019: USD1 = TRY5.9402, EUR1 = TRY6.6506 and GBP1 = TRY7.7765, 31 December 2018: USD1 = TRY5.2609, EUR1 = TRY6.0280, GBP1 = TRY6.6528).

The table below presents the Group's sensitivity to a 10% (31 December 2018: 10%) deviation in foreign exchange rates (especially USD and EUR). 10% is the rate used by the Group when generating its report on exchange rate risk; the related rate stands for the presumed possible change in the foreign currency rates by the Group's Management. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. This analysis includes foreign currency denominated bank loans other than the functional currency of the ultimate user or borrower of the bank loans. The positive amount indicates increase in profit/loss or equity.

#### Foreign currency sensitivity

	<b>31 December 2019</b>	
	<b>Profit/(Loss)</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>

When 10% appreciation of USD against TRY:

<b>USD net asset/(liability)</b>	<b>18,958,594</b>	<b>(18,958,594)</b>
----------------------------------	-------------------	---------------------

When 10% appreciation of EUR against TRY:

<b>EUR net asset/(liability)</b>	<b>(219,379)</b>	<b>219,379</b>
----------------------------------	------------------	----------------

When 10% appreciation of other foreign currency against TRY

<b>Other foreign currency net asset/(liability)</b>	<b>1</b>	<b>(1)</b>
---	----------	------------

<b>Total</b>	<b>18,739,216</b>	<b>(18,739,216)</b>
--------------	-------------------	---------------------

	<b>31 December 2018</b>	
	<b>Profit/(Loss)</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>

When 10% appreciation of USD against TRY:

<b>USD net asset/(liability)</b>	<b>23,919,571</b>	<b>(23,919,571)</b>
----------------------------------	-------------------	---------------------

When 10% appreciation of EUR against TRY:

<b>EUR net asset/(liability)</b>	<b>(175,537)</b>	<b>175,537</b>
----------------------------------	------------------	----------------

When 10% appreciation of other foreign currency against TRY

<b>Other foreign currency net asset/(liability)</b>	<b>1</b>	<b>(1)</b>
---	----------	------------

<b>Total</b>	<b>23,744,035</b>	<b>(23,744,035)</b>
--------------	-------------------	---------------------

# PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated.)

### NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The Group's financial assets and liabilities do not expose interest rate risk.

#### Financial Instruments Categories

31 December 2019	Financial liabilities at amortized cost	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Carrying value	Note
<b>Financial assets</b>	-	<b>257,045,592</b>	<b>13,842,856</b>	<b>270,888,448</b>	
Cash and cash equivalents	-	6,214,119	-	6,214,119	4
Trade receivables	-	3,081,077	-	3,081,077	7
Due from related parties	-	243,923,663	-	243,923,663	24
Other receivables	-	3,826,733	-	3,826,733	9
Financial investments	-	-	<b>13,842,856</b>	<b>13,842,856</b>	5
<b>Financial liabilities</b>	<b>14,269,677</b>	-	-	<b>14,269,677</b>	
Short-term borrowings	588	-	-	588	6
Trade payables	10,737,874	-	-	10,737,874	7
Due to related parties	349,496	-	-	349,496	24
Other payables	3,181,719	-	-	3,181,719	9

  

31 December 2018	Financial liabilities at amortized cost	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Carrying value	Note
<b>Financial assets</b>	-	<b>246,353,890</b>	<b>11,405,300</b>	<b>257,759,190</b>	
Cash and cash equivalents	-	176,191	-	176,191	4
Trade receivables	-	10,956	-	10,956	7
Due from related parties	-	246,006,369	-	246,006,369	24
Other receivables	-	160,374	-	160,374	9
Financial investments	-	-	11,405,300	11,405,300	5
<b>Financial liabilities</b>	<b>2,594,887</b>	-	-	<b>2,594,887</b>	
Short-term borrowings	955,790	-	-	955,790	6
Trade payables	848,250	-	-	848,250	7
Due to related parties	190,328	-	-	190,328	24
Other payables	600,519	-	-	600,519	9

### NOTE 26 - SUBSEQUENT EVENTS

None.

.....