

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

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

**1 JANUARY - 31 DECEMBER 2018
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 subsidiary (collectively referred to as the “Group”), which comprise the consolidated statement of financial position as at 31 December 2018 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 2018, and its financial performance and 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.

Key audit matters	How the matter was evaluated during the audit
<p><i>Valuation for the fair value of investment properties</i></p> <p>As stated in Notes 2 and 12, the Group recognises its investment properties at their fair values. As of 31 December 2018, investment properties constitute 38% of the Group's aggregate consolidated assets and have a total carrying value of TRY202,082,841.</p> <p>As of 31 December 2018, 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 located near 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 for the consolidated financial statements, the extent of estimates and assumptions (nature of assets, intended use, location adjustment, etc.) involved in valuation and our use of our valuation experts in the assessment of these estimates and assumptions.</p>	<p>The audit procedures performed were the examination of the accounting for such valuation, including the evaluations performed by the management, and the performance of the audit procedures presented below.</p> <ul style="list-style-type: none"> – Discussions with top management about the intended use of the assets, on whether such assets can be classified as investment property or not, – Testing the land registry records of relevant assets, – Gaining an understanding of the evaluation and inquiries conducted by top management regarding the valuation report prepared by the Valuation Experts assigned by the Group, – 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, – Evaluating, with the support of our valuation experts, the valuation method applied and the estimates and assumptions used in the valuation report prepared by the Group's Valuation Experts, – Testing the compliance and adequacy of the disclosures for the fair value of investment properties with regard to TFRS as disclosed in Notes 2 and 12. <p>We have no material findings as a result of our audit regarding the valuation work for the fair value of investment properties.</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 2018 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 6 March 2019.

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

Çağlar Sürücü, SMMM
Partner

İstanbul, 6 March 2019

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR-ENDING PERIOD
1 JANUARY - 31 DECEMBER 2018**

TABLE OF CONTENTS	PAGE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	1 - 2
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	3
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY.....	4
CONSOLIDATED STATEMENTS OF CASH FLOWS	5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	6 - 53

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

**CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS AT 31 DECEMBER 2018**

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

Notes	31 December 2018	Current period	Prior period	
		Audited	Audited	
ASSETS				
Current assets				
Cash and cash equivalents	5	176,191	76,805	
Trade receivables	8	102,573	1,002,280	
<i>Trade receivables from related parties</i>	27	91,617	132,112	
<i>Trade receivables from third parties</i>		10,956	870,168	
Other receivables	10	20,794,246	198,969,021	
<i>Other receivables from related parties</i>	27	20,783,756	198,143,966	
<i>Other receivables from third parties</i>		10,490	825,055	
Inventories	11	1,287,727	1,487,957	
Prepaid expenses	9	137,324	162,248	
Current income tax assets		7,551,472	-	
Other current assets	19	806,395	17,645	
Total current assets		30,855,928	201,715,956	
Non-current assets				
Financial investments	6	11,405,300	9,990,294	
Other receivables	10	225,280,880	312,897	
<i>Other receivables from related parties</i>	27	225,130,996	-	
<i>Other receivables from third parties</i>		149,884	312,897	
Investment properties	12	202,082,841	222,442,000	
Property, plant and equipment	13	4,130,374	10,763,458	
Intangible assets	14	49,749,708	43,085,068	
Prepaid expenses	9	201,844	436	
Other non current assets	19	1,425,382	1,312,031	
Total non-current assets		494,276,329	287,906,184	
TOTAL ASSETS		525,132,257	489,622,140	

The consolidated financial statements for the period 1 January - 31 December 2018 have been approved by the Board of Directors on 6 March 2019.

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 2018**

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

	Notes	31 December 2018	Current period Audited	Prior period Audited
				31 December 2017
LIABILITIES				
Current liabilities				
Obligations under finance leases	7	955,790	779,123	
Trade payables	8	1,035,775	2,860,679	
<i>Trade payables to related parties</i>	27	187,525	199,872	
<i>Trade payables to third parties</i>	8	848,250	2,660,807	
Payables related to the employee benefits	16	682,674	788,754	
Other payables	10	1,385,122	1,829,215	
<i>Other payables to related parties</i>	27	2,803	2,803	
<i>Other payables to third parties</i>		1,382,319	1,826,412	
Deferred income	9	75,606	45,021	
Current income tax liability		-	1,779,151	
Short-term provisions	17	16,062,251	12,474,691	
<i>Short-term provisions for employee benefits</i>		498,586	894,779	
<i>Other provisions</i>		15,563,665	11,579,912	
Other current liabilities	19	740,618	1,894,392	
Total current liabilities		20,937,836	22,451,026	
Non-current liabilities				
Obligations under finance leases	7	-	685,271	
Long-term provisions	17	3,262,505	3,232,461	
<i>Long-term provisions for employee benefits</i>		3,262,505	3,232,461	
Deferred tax liabilities	25	17,734,926	19,850,000	
Other long term liabilities	19	116,693	816,857	
Total non current liabilities		21,114,124	24,584,589	
Total liabilities		42,051,960	47,035,615	
EQUITY				
Share capital	20	148,867,243	148,867,243	
Effect of business combinations under common control	3	(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		98,365,495	96,983,562	
<i>Gain on revaluation of property</i>		96,328,884	96,328,884	
<i>Gain on remeasurement of defined benefit plans</i>		699,430	654,678	
<i>Gain on financial assets measured at fair value through other comprehensive income</i>		1,337,181	-	
Restricted reserves appropriated from profit		303,430,035	55,705,714	
Retained earnings		358,931,734	119,289,102	
Net profit for the period		39,111,839	487,366,953	
Total equity		483,080,297	442,586,525	
TOTAL LIABILITIES AND EQUITY		525,132,257	489,622,140	

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 2018**

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

	Notes	Current period Audited 1 January - 31 December 2018	Prior period Audited 1 January - 31 December 2017
Revenue		439,589	89,335
Cost of sales (-)		(200,230)	(36,904)
Gross profit		239,359	52,431
General administrative expenses (-)	22	(11,913,882)	(15,233,415)
Income from other operating activities	22	2,271,643	862,119
Expenses from other operating activities (-)	22	(5,859,362)	(717,421)
Operating loss		(15,262,242)	(15,036,286)
Income from investing activities	23	1,823,965	26,682,297
Loss on investing activities (-)	23	(20,392,179)	(11,874,570)
Operating loss before financial income and expense		(33,830,456)	(228,559)
Financial income	24	88,451,297	14,949,189
Financial expenses	24	(1,071,030)	(19,545,365)
Profit/(loss) before tax		53,549,811	(4,824,735)
Tax (expense)/income		(14,437,972)	134,757
Taxes on income		(16,642,060)	-
Deferred tax income		2,204,088	134,757
Profit/(loss) before tax for the year from continued operations		39,111,839	(4,689,978)
Profit/(loss) before tax for the year from discontinued operations	21	-	492,056,931
Net profit/(loss)		39,111,839	487,366,953
Earnings per share from continued operations		0,00263	(0.00032)
Earning/(loss) per share from discontinued operations		-	0.03305
Other comprehensive income			
Items not to be reclassified to profit or loss		(5,387,017)	-
Gain on remeasurement of defined benefit plans		44,752	-
Fair value gain/(losses) of financial assets reflected to other comprehensive income		(5,431,769)	
Other comprehensive income		(5,387,017)	-
Total comprehensive income		33,724,822	487,366,953

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 2018

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

	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/(loss) on financial assets measured at fair value through other comprehensive income	Gain on remeasurement of defined benefit plans	Restricted reserves	Business combinations under common control	Retained earnings		
											Retained earnings	Net income/(loss)	Total equity
1 January 2017	148,867,243	-	16,377,423	6,307,642	97,421,411	-	654,678	54,132,453	54,132,147	141,434,947	(21,665,111)	497,662,833	
Transfers	-	-	-	-	(1,092,527)	-	-	-	1,573,261	-	(22,145,845)	21,665,111	
Repurchased capital (-)	-	(1,573,261)	-	-	-	-	-	-	-	-	-	(1,573,261)	
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	487,366,953	
Effects of business combinations under common control	-	-	-	-	-	-	-	-	-	(540,870,000)	-	(540,870,000)	
31 December 2017	148,867,243	(1,573,261)	16,377,423	6,307,642	96,328,884	-	654,678	55,705,714	(486,737,853)	119,289,102	487,366,953	442,586,525	
1 January 2018	148,867,243	(1,573,261)	16,377,423	6,307,642	96,328,884	-	654,678	55,705,714	(486,737,853)	119,289,102	487,366,953	442,586,525	
Amendments to mandatory changes in accounting standards (Note 2)	-	-	-	-	-	6,768,950	-	-	-	-	-	6,768,950	
TFRS 9 adoption effect, net	-	-	-	-	-	-	-	-	-	-	-	-	
Balance after amendment	148,867,243	(1,573,261)	16,377,423	6,307,642	96,328,884	6,768,950	654,678	55,705,714	(486,737,853)	119,289,102	487,366,953	449,355,475	
Transfers	-	-	-	-	-	-	-	247,724,321	-	239,642,632	(487,366,953)		
Total comprehensive income	-	-	-	-	-	(5,431,769)	44,752	-	-	-	39,111,839	33,724,822	
31 December 2018	148,867,243	(1,573,261)	16,377,423	6,307,642	96,328,884	1,337,181	699,430	303,430,035	(486,737,853)	358,931,734	39,111,839	483,080,297	

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 2018**

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

STATEMENT OF CASH FLOWS	Notes	Current Period Audited	Prior Period Audited
		31 December 2018	31 December 2017
A. Cash flows from operating activities		2,178,185	(171,618,179)
Net profit for the period		39,111,839	487,366,953
Net profit/(loss) for the period from continued operations		39,111,839	(4,689,978)
Net profit for the period from discontinued operations		-	492,056,931
Adjustments to reconcile profit for the period		(47,612,995)	(2,974,664)
Adjustments for (gains) arised from sale of tangible and intangible assets		(734,979)	(912,816)
Adjustments for amortization and depreciation	13, 14	1,659,034	3,772,786
Adjustments for fair value losses/(gains)		20,362,758	(13,478,736)
Adjustments for provisions related with employee benefits	17	206,333	2,048,111
Adjustments for lawsuit and/or penalty provisions	17	4,619,846	7,089,743
Adjustments for tax expense/(income)	25	14,437,972	(134,756)
Adjustments for interest income		(18,849,276)	(1,408,996)
Adjustments for unrealized currency translation differences		(69,314,683)	-
Operating cash flows provided before changes in working capital		37,754,250	(130,525,343)
Adjustments for decrease/(increase) in inventories	11	200,230	(707,423)
Adjustments for decrease/(increase) in trade receivables		1,169,826	(143,509,407)
Adjustments for decrease in other receivables		41,909,833	2,789,008
Adjustments for increase/(decrease) in trade payables		(1,962,891)	774,457
Adjustments for decrease in other payables from operations		(517,962)	399,491
Adjustments for increase in payables related to the employee benefits	16	(106,080)	(2,328,969)
Adjustments for (increase)/decrease in prepaid expenses	9	(176,484)	4,122,843
Adjustments for (increase)/decrease in other current assets	19	(902,101)	7,965,400
Adjustments for decrease in other liabilities from operations		(1,890,706)	-
Adjustments for increase/(decrease) in deferred income	9	30,585	(30,743)
Cash generated from operations		29,253,094	353,866,946
Payments made related to provisions for employee benefits	17	(516,542)	-
Payments made related to other provisions	17	(599,325)	-
Tax returns/(payments)		(24,972,683)	-
Other cash outflows		(986,359)	-
Cash generated from discontinued operations	21	-	(525,485,125)
B. Cash flows from investing activities		(959,210)	171,472,093
Cash outflows of acquisitions of other businesses		-	(540,870,000)
Cash outflows of acquisitions of fixed assets		(2,249,064)	(4,865,988)
Proceeds from sales of fixed assets		1,293,453	2,143,397
Cash outflows of acquisitions of investment properties	12	(3,599)	(858,316)
Cash flows from discontinued operations		-	715,923,000
C. Cash flows from financing activities		(1,119,589)	(2,828,476)
Cash outflows from financial leasing liabilities		(1,021,737)	-
Cash outflows arising repurchased capital		-	(1,573,261)
Interest paid	24	(97,852)	(1,408,996)
Cash flows from discontinued operations		-	153,781
Increase/(decrease) in cash and cash equivalents, net (A+B+C)		99,386	(2,974,562)
Cash and cash equivalents at the beginning of the period	5	76,805	3,051,367
Cash and cash equivalents at the end of the period	5	176,191	76,805

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 2018

(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. ("the Company") was established in 1994 and the Company engages in mining; mine ore and mineral extraction; mine processing; purification and refining of any kind of mine that it produces or provides; establishing and operating cogeneration plants for the need of electricity, energy and steam needs; excess energy sales; all kinds of fiber production from glass mine and mine in general; all kinds of production using fiber; electricity production and distribution and establishing and operating electricity plants; any kind of trading businesses in relation to such plants; establishing and processing plants for the electrical energy production and also engages in the acquisition, performing leasing transactions and energy sale of electrical energy production companies 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 for USD195,000,000 to Cengiz İnşaat Sanayi ve Ticaret A.Ş. on 17 March 2017. With this transaction, copper production operations of the company ceased.

The branch of the Company established in Madenköy - Şirvan/Siirt under the title "Park Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş. Madenköy Şubesi" to manage the copper production activities of the Company was shut down on 24 April 2017 as the Company sold its assets related to copper operations.

The Company changed its operations following the sale of the copper production activity and at the Board of Directors meeting held on 18 March 2017, The Company has decided to purchase 100% of the shares of Konya Ilgin Elektrik Üretim Sanayi ve Ticaret AS ("Konya Ilgin") owned by the main shareholder of the company, Park Holding A.Ş. and Turgay Ciner for USD150,000,000. The fair value of Konya Ilgin, which is planned to be purchased, has been determined as USD163,000,000 by the independent appraisal company and the Company paid TRY540,870,000 to Park Holding A.Ş. as of 20 March 2017 as 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. (Note 3).

Konya Ilgin, which is an affiliate, has license of electricity generation and sales. It is planned to establish a thermal power plant of 500MW with fluidized bed boiler technology at Konya Ilgin . The Company, together with its subsidiary Konya Ilgin, is collectively referred to as the "Group".

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

As of 31 December 2018, the Company has 27 employees (31 December 2017: 41).

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

The Company's shareholding structure is presented as below:

Shareholders	31 December 2018		31 December 2017	
	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
Total	100.00	148,867,243	100.00	148,867,243

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

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

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

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

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 Ilgin	Electricity generation and sales	Turkey

Approval of Financial Statements

The financial statements were approved by the Board of Directors on 6 March 2019 and authorized for issue. The Company's General Assembly has the authority to alter 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 TAS Taxonomy” which was published by POA and the format and mandatory information recommended by CMB.

The Group and the group companies established in Turkey maintain their books of account and prepare their statutory financial statements (“Statutory Financial Statements”) 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 2018

(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 situation and performance trends. The Group has prepared the consolidated statement of financial position as of 31 December 2018 comparatively with the statement of financial position as of 31 December 2017 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 2018 comparatively with the financial statements for the period ended 31 December 2017.

The Group purchased 100% of Konya Ilgin 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 a business combination under common control. Within the scope of "Accounting of the business combinations under common control" promulgated in the Official Gazette dated 21 July 2013 by the POA, it was stated that goodwill shall not be included in consolidated financial statements prepared and the 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 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 asset/ liability mismatch to arise as a result of business combinations under common control.

TFRS 9 "Financial Instruments" Amendments

TFRS 9 "Financial instruments"; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. The Group has preferred to classify financial instruments that are not traded in organized markets, equity based and have been previously presented in book value, as Fair Value Difference Reflected to Other Comprehensive Income. The Group has accounted for the cumulative effect for the first transition to TFRS 9 within the opening balance of other comprehensive income at the date of first application. For this reason, there is no need to restate the consolidated financial statements of the previous years, and the related financial statements have been presented in accordance with TAS 39.

The amendments of TFRS 9 which are effective for the financial information as of 1 January 2018 are follows;

	2018
Fair value gain on financial assets as of January 1	
Reported	-
The amendments of TFRS 9, net	6.768.950
Revised	6.768.950

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

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

NOTE 2 - BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

The changes in the classification of financial assets and liabilities in accordance with TFRS 9 is explained below. Those reclassification differences do not have any impact of the measurement of financial assets.

Financial assets	Classification in accordance with TAS 39	New classification in accordance with TFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Financial investments	Financial investments available for sale	Fair value through other comprehensive income
Financial liabilities	Classification in accordance with TAS 39	New classification in accordance with TFRS 9
Derivative instruments	Fair value through statement of profit or loss	Fair value through statement of profit or loss
Borrowings	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost

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.

Subsidiaries	Operations	Ownership ratio (%)
Konya Ilgin	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 2018

(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) Amendments and interpretations to existing and new standards as of 31 December 2018:

- **TFRS 9, "Financial instruments";** effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The impact of the amendments on The Group's financial position and performance has been assessed in Note 2.1.
- **TFRS 15, "Revenue from contracts with customers";** effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company. The amendments do not have a significant impact in the Group's consolidated financial statement.
- **Amendment to TFRS 15, "Revenue from contracts with customers";** effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. The amendments do not have a significant impact in the Group's consolidated financial statement.
- **Amendment to TAS 40, "Investment property";** effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- **Amendments to TFRS 2, "Share based payments";** on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- **Annual improvements 2014-2016,** effective from annual periods beginning on or after 1 January 2018.
 - TFRS 1, "First-time adoption of TFRS"; regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10.
 - TAS 28, "Investments in associates and joint ventures"; regarding measuring an associate or joint venture at fair value. The amendments do not have a significant impact in the Group's consolidated financial statement.
- **IFRIC 22, "Foreign currency transactions and advance consideration";** effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The amendments do not have a significant impact in the Group's consolidated financial statement and performance.

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

(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)

b) Standards and amendments that were promulgated as of 31 December 2018 but not effective yet:

- **Amendment to TFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognized 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. The impacts of related amendment on financial position of the Group is evaluated.
- **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, this standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB 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 IASB 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 IFRS 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.
- **IFRIC 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 recognize 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. The Group is in the process of assessing the impact of the amendments on financial position and performance.
- **Annual improvements 2015 - 2017;** effective from annual periods beginning on or after 1 January 2019. These ammendments include the following changes:
 - TFRS 3, 'Business Combinations'; means that the controlling entity remeasures its share of the joint operations.
 - TFRS 11, 'Joint Arrangements'; the entity in joint control can not remeasure its share in joint operations.
 - TAS 12, 'Income Taxes'; entities recognize income tax effects of dividends in the same way.
 - TAS 23, 'Borrowing Costs'; assesses each borrowing made to bring a qualifying asset to its intended use or sale as part of its overall borrowing.

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

(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)

TAS 19 "Employee Benefits", amendments to the plan, improvements for reduction or fulfillment; effective for annual reporting periods beginning on or after 1 January 2019. These amendments require the following changes:

- For the period after the amendment, reduction and fulfillment of the plan, the use of current assumptions to determine the current service cost and net interest;
- Recognition of profit or loss as part of prior period service cost, or any reduction in excess value, even if it has not been previously recognized in the financial statements as a result of the asset ceiling effect to financial statements.

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.

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

(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)

For each performance obligation identified, the entity determine 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.

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 2018

(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)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Gain or loss arising on the disposal or retirement of a property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit or loss.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

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

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

(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)

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.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives (not above 3 years).

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.

Mineral exploration costs

Costs associated with mining 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. Mining preparation costs includes, mine preparation development expenses, mine search expenses, research and development expenses and other assets subject to amortization.

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.

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

(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)

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.

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.

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

(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)

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 recognized 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. 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.

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

(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)

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.

The Group purchased 100% of Konya Ilgin 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 Ilgin's acquisition by Park Holding A.Ş., which controls the Group (Note 2.1).

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.

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

(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)

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.

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.

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 "Electricity Generation and Sales" segment in Turkey, which operates in a single business.

Government Incentives and Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government incentives granted in order to provide emergency financial support or to compensate incurred costs or expenses without incur a cost in the future are recognized in profit or loss when they become recoverable.

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

(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.

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.

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

(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)

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:

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 2018, 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.

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

(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)

Fair value of financial investments

The Group has started applying standard TFRS 9 "Financial instruments" replacing the guidance in TAS 39 as of its effective date 1 January 2018 by reporting equity based financial instruments that have been previously presented in book value, as financial assets Fair Value Gains/Losses Reflected to Other Comprehensive Income and had undertaken fair value assessment in 2018 in order to determine the fair value of its financial investments. The Group is required to make assumptions and estimations within the scope of fair valuation determinations of these financial investments. These assumptions and estimates include the fair value calculations of financial investments and the impairment of financial assets, are regularly reviewed, necessary corrections are made and the effect of these corrections are reflected in the financial statements.

NOTE 3 - BUSINESS COMBINATION

The Group has acquired 100% of Konya Ilgin Elektrik Üretim Sanayi ve Ticaret A.Ş. shares as of 10 May 2017. This acquisition was treated as a "business combination under common control" and the difference between the purchase price and the net equity at the date of acquisition is classified under equity under the "Effects of Consolidations involving Enterprises or Enterprises Subject to Joint Control". The reconciliation table for this amount classified under equity is presented as follows:

Effect of transactions under common control

Net assets of Konya Ilgin (1 January 2017)	35,967,031
Ownership ratio	100%
Ownership of the Group	
on Konya Ilgin	35,967,031
Net book value of mining right (*)	22,558,602
Deferred tax amount of mining right (*)	(4,548,023)
Other	154,537
Effect of transactions under common control (1 January 2017)	54,132,147
Effect of transactions under common control (31 December 2017)	54,132,147
Purchase consideration	(540,870,000)
Effect of transactions under common control (31 December 2017)	(486,737,853)

(*) Other financial items related to Konya Ilgin in the financial statements of Park Holding A.Ş. that have control of the Group.

NOTE 4 - SEGMENT REPORTING

None (Note 2.3).

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash on hand	941	442
Cash in banks	175,250	76,363
<i>Demand deposits</i>	<i>175,250</i>	<i>76,363</i>
	176,191	76,805

As of 31 December 2018, the Group has no blocked cash or cash equivalents (31 December 2017: None).

NOTE 6 - FINANCIAL INVESTMENTS

a) Short-term financial investments

As of 31 December 2018, the Group has no short term financial investments (31 December 2017: None).

b) Long-term financial investments

As of 31 December 2018, the Group's long-term financial investments is as follows:

	31 December 2018	31 December 2017
Long-term financial investments		
Financial investments	11,405,300	9,990,294
	11,405,300	9,990,294

The Group has started applying standard TFRS 9 "Financial instruments"; as of its effective date 1 January 2018. The Group has preferred to classify financial instruments that are not traded in organized markets, equity based and have been previously presented in book value, as Fair Value Difference Reflected to Other Comprehensive Income. The Group has accounted for the cumulative effect for the first transition to TFRS 9 within the opening balance of other comprehensive income at the date of first application. For this reason, there is no need to restate the consolidated financial statements of the previous years, and the related financial statements have been presented in accordance with TAS 39.

Fair value	Financial investments
Opening balance, 31 December 2017	9,990,294
IFRS 9 adoption effect, net	7,162,906
Opening balance, 1 January 2018	17,153,200
<hr/>	
	31 December 2018
	Shareholding Ratio (%)
	Amount
<hr/>	
Park Termik Elektrik San. ve Tic. A.Ş.	10%
	11,405,300
	11,405,300
<hr/>	
	31 December 2017
	Shareholding Ratio (%)
	Amount
<hr/>	
9,990,294	10%
	9,990,294

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2018**

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

NOTE 7 - OBLIGATIONS UNDER FINANCE LEASES

	31 December 2018	31 December 2017
Obligations under finance leases		
Payable within one year	981,373	843,906
Payable between one to five years	-	703,613
	981,373	1,547,519
Less: Future interest charges	(25,583)	(83,125)
Present value of obligations under finance leases	955,790	1,464,394
Payable within one year	955,790	779,123
Payable over one year	-	685,271

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Trade Receivables

	31 December 2018	31 December 2017
Short-term trade receivables		
Trade receivables	4,167,161	4,071,848
Trade receivables from related parties (Note 27)	91,617	132,112
Allowance for doubtful trade receivables (-)	(4,156,205)	(3,204,477)
Other trade receivables	-	2,797
	102,573	1,002,280

The maturity analysis of the receivables is provided in Note 28.

The movement of allowance for doubtful receivables is as follows:

	31 December 2018	31 December 2017
Within 1 - 5 years	-	236,000
5 years or more	4,156,205	2,968,477
	4,156,205	3,204,477

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 2018**

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

The movement of allowance for doubtful receivables is as follows:

Movement of allowance for doubtful trade receivables	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance	(3,204,477)	(3,033,018)
Collections during the period	47,801	-
Uncollectible receivables	10,769	-
Foreign currency exchange differences	(1,010,298)	(171,459)
Closing balance	(4,156,205)	(3,204,477)
Trade Payables		
Short-term trade payables	31 December 2018	31 December 2017
Trade payables to related parties (Note 27)	187,525	199,872
Trade payables	848,250	2,660,807
	1,035,775	2,860,679

NOTE 9 - PREPAID EXPENSES, OTHER ASSETS, AND DEFERRED INCOME

a) Prepaid Expenses, Other Assets

Short-term prepaid expenses, other assets	31 December 2018	31 December 2017
Prepaid expenses	137,324	114,248
Advances given	-	48,000
	137,324	162,248
Long-term prepaid expenses, other assets	31 December 2018	31 December 2017
Advances given	201,844	-
Prepaid expenses	-	436
	201,844	436

b) Deferred Income

Short-term deferred income	31 December 2018	31 December 2017
Deferred Income	75,606	45,021
	75,606	45,021

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2018**

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

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	31 December 2018	31 December 2017
Other short term receivables		
Due from related parties (Note 27)	20,783,756	198,143,966
Deposits and guarantees given	-	11,527
Other trade receivables	619,973	813,528
Allowance for other doubtful receivables (-)	(609,483)	-
	20,794,246	198,969,021
Other long-term receivables		
Due from related parties (Note 27)	225,130,996	-
Deposits and guarantees given	149,884	312,897
	225,280,880	312,897
Other short-term payables		
Deposits and guarantees received	781,800	1,825,170
Dividends payables (Note 27)	2,803	2,803
Other taxes and liabilities	-	1,242
Other payables	600,519	-
	1,385,122	1,829,215

NOTE 11 - INVENTORIES

	31 December 2018	31 December 2017
Finished goods	24,653	24,653
Other inventories	1,289,814	1,490,044
Provision for inventory impairment (-)	(26,740)	(26,740)
	1,287,727	1,487,957

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

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

NOTE 12 - INVESTMENTS PROPERTIES

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

As of 31 December 2018, there are no mortgages on the Group's investments properties (31 December 2017: None).

Fair Value	Buildings
Opening balance, 1 January 2017	102,000,000
Expenses related to investment property	858,316
Increase in fair value of investment property	13,428,736
Transfers from property, plant and equipment (*)	106,154,948
Carrying value as of 31 December 2017	222,442,000

(*) The Group has classified it as investment property by determining that it will not use the land and building of the spinning mill located at Edirne on the Kapikule road and its spinning factory located at Ceyhan / Adana related to its operations.

As of 31 December 2018, 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 2017 and 31 December 2018 as follows:

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

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

	31 December 2017	Fair value as of reporting date		
		Level 1 TRY	Level 2 TRY	Level 3 TRY
Lands	91,564,200	-	91,564,200	-
- Ceyhan	45,014,200	-	45,014,200	-
- Edirne	46,550,000	-	46,550,000	-
Buildings	130,877,00	-	130,877,800	-
- Ceyhan	17,405,800	-	17,405,800	-
- Edirne	8,741,000	-	8,741,000	-
- Şişhane	104,731,000	-	104,731,000	-

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Land Improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixture	Other fixed assets	Leasehold improvements	Construction in progress	Total
Opening balance, 1 January 2018	1,196,089	-	-	6,730,730	2,119,991	557,526	-	-	7,081,119	17,685,455
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)
Closing balance, 31 December 2018	-	7,500	-	6,326,077	221,431	608,370	54,775	-	2,230,901	9,449,054
Accumulated depreciation										
Opening balance, 1 January 2018	-	-	-	4,531,602	1,841,642	548,753	-	-	-	6,921,997
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)
Closing balance, 31 December 2018	-	41	-	4,576,602	191,237	549,482	1,318	-	-	5,318,680
Carrying value as of 1 January 2018	1,196,089	-	-	2,199,128	278,349	8,773	-	-	7,081,119	10,763,458
Carrying value as of 31 December 2018	-	7,459	-	1,749,475	30,194	58,888	53,457	-	2,230,901	4,130,374

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 2018

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Cost	Land	Land Improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixture	Other fixed assets	Leasehold improvements	Construction in progress	Total
Opening balance, 1 January 2017	87,069,068	7,979,107	114,622,408	84,149,269	1,102,806	8,365,558	94,595	33,862,112	21,573,719	358,818,642
Additions	-	-	-	-	-	-	-	-	2,012,129	2,012,129
Transfers from investments properties	(85,308,000)	(32,313)	(100,050,334)	-	-	-	-	-	-	(185,390,647)
Transfers	(564,979)	-	-	(1,623,406)	1,623,406	-	-	-	-	(564,979)
Disposals	-	(7,946,794)	(14,572,074)	(75,795,133)	(606,221)	(7,808,032)	(94,595)	(33,862,112)	(16,504,729)	(157,754,669)
Closing balance, 31 December 2017	1,196,089	-	-	6,730,730	2,119,991	557,526	-	-	7,081,119	17,685,455
Accumulated depreciation										
Opening balance, 1 January 2017	-	5,299,608	84,363,570	49,184,878	812,303	5,405,074	74,130	9,898,382	-	155,037,945
Charge for the period	-	106,025	135,041	1,675,991	54,297	127,001	1,506	508,525	-	2,608,386
Transfers from investments properties	-	(31,000)	(79,204,700)	-	-	-	-	-	-	(79,235,700)
Disposals	-	(5,374,633)	(5,293,911)	(44,739,017)	(536,322)	(5,062,208)	(75,636)	(10,406,907)	-	(71,488,634)
Closing balance, 31 December 2017	-	-	-	6,121,852	330,278	469,867	-	-	-	6,921,997
Carrying value as of 1 January 2017	87,069,068	2,679,499	30,258,838	34,964,391	290,503	2,960,484	20,465	23,963,730	21,573,719	203,780,697
Carrying value as of 31 December 2017	1,196,089	-	-	608,878	1,789,713	87,659	-	-	7,081,119	10,763,458

As of 31 December 2017, 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 2018

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

NOTE 14 - INTANGIBLE ASSETS

Cost	Mine preparation development expenses	Mine search expenses	Research and development expenses	Other assets subject to amortization	Rights	Total
Opening balance, 1 January 2018	21,828,491	791,205	-	-	24,812,466	47,432,162
Additions	849,324	-	-	-	-	849,324
Transfer	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
Cost	Mine preparation development expenses	Mine search expenses	Research and development expenses	Other assets subject to amortization	Rights	Total
Opening balance, 1 January 2017	18,974,632	7,170,357	33,600	47,177,942	34,868,071	108,224,602
Additions	2,288,880	-	-	-	-	2,288,880
Transfers	564,979	-	-	-	-	564,979
Disposals	-	(6,379,152)	(33,600)	(47,177,942)	(10,055,605)	(63,646,299)
Closing balance, 31 December 2017	21,828,491	791,205	-	-	24,812,466	47,432,162
Accumulated amortization	-	-	-	-	-	-
Opening balance, 1 January 2017	-	1,707,790	33,600	7,052,634	12,553,247	21,347,271
Charge for the period	-	170,596	-	-	993,804	1,164,400
Disposal	-	(1,403,663)	(33,600)	(7,052,634)	(9,674,680)	(18,164,577)
Closing balance, 31 December 2017	-	474,723	-	-	3,872,371	4,347,094
Carrying value as of 1 January 2017	18,974,632	5,462,567	-	40,125,308	22,314,824	86,877,331
Carrying value as of 31 December 2017	21,828,491	316,482	-	-	20,940,095	43,085,068

NOTE 15 - GOVERNMENT INCENTIVES AND GRANTS

The Group has a license for Investment Incentive Certificate regulated by Ministry of Economy General Directorate of Foreign Investment Promotion and Application of the Republic of Turkey related with the investment at its copper plant in Siirt/Madenköy, dated 17 September 2012 and numbered 106816. In this respect, the Group benefited local support elements like tax deduction, exemptions for VAT, custom tax, social security premium employer share support, interest support, withholding tax support and insurance premium support and as a result of the sale of the Group's assets belonging to copper plant in Siirt/Madenköy as of 17 March 2017, the related incentives were transferred to the buyer together with the assets.

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

NOTE 16 - EMPLOYEE BENEFITS

	31 December 2018	31 December 2017
Due to personnel	498,208	310,969
Social security premiums payables	75,694	354,674
Other sundry payables	108,772	123,111
	682,674	788,754

NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term provisions

Short-term provisions for employee benefits	31 December 2018	31 December 2017
Unused vacation provisions	498,586	894,779
	498,586	894,779

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

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance	894,779	1,804,767
Charge for the period/(provisions no longer required), net	(310,702)	(909,988)
Payment during the period	(85,491)	-
Closing Balance	498,586	894,779
 Other short-term provisions		
Provisions for litigation	15,563,339	11,579,912
Other	326	-
	15,563,665	11,579,912

As of 31 December 2018, total of provisions set for pending lawsuits filed against the Group amounts to TRY15,563,339 (31 December 2017: TRY11,579,912).

As explained above, the Group, in the current period, has become a party to various lawsuits both as a defendant and plaintiff during the course of its business. In this respect, the Group management believes that there are no undisclosed or uncovered lawsuits and legal proceedings that may have an adverse effect over the Group's financial position or results of its operations.

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

NOTE 17 - 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 2018	1 January - 31 December 2017
Opening balance	11,579,912	4,490,169
Charge for the period/(provisions no longer required), net	4,619,846	7,089,743
Payment during the period	(599,325)	-
Effect of foreign exchange	(37,094)	-
Closing balance	15,563,339	11,579,912

b) Long-term provisions

	1 January - 31 December 2018	1 January - 31 December 2017
Retirement pay provisions	3,262,505	3,232,461
	3,262,505	3,232,461

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 TRY6,017,60 for each period of service at 31 December 2018 (31 December 2017: TRY4,732,48).

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 IFRS 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 2018, 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 4.96% real discount rate (31 December 2017: 4.21%) calculated by using 10.87% annual inflation rate and 16.37% 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 TRY6,017,60 which is in effect since 1 January 2019 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 2018

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

NOTE 17 - 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 2018	1 January - 31 December 2017
Opening balance	3,232,461	16,474,338
Actuarial gain/loss	(55,940)	-
Interest cost	135,944	612,830
Service cost	381,091	1,135,703
Payments during the period (-)	(431,051)	(14,990,410)
Closing balance	3,262,505	3,232,461

c) Guarantees received and given

Guarantees received (TRY)	31 December 2018		31 December 2017	
	FC Balance	Equivalent of TRY	FC Balance	Equivalent of TRY
Letters of guarantees (TRY)	-	-	655,686	655,686
Letters of guarantees (EUR)	-	-	10,000	45,155
Promissory cheques (TRY)	30,000	30,000	1,135,000	1,135,000
Promissory notes (TRY)	200,272,100	200,272,100	210,147,615	210,147,615
Promissory notes (EUR)	437,020	2,634,357	553,020	2,497,162
Cash guarantees	781,800	781,800	847,720	847,720
Total	203,718,257		215,328,338	

The details of the Group’s Guarantees/Pledges/Mortgages (“GPMs”) position as of 31 December 2018 and 31 December 2017 is presented as follows:

31 December 2018	TRY equivalent	
	TRY	Total
A. 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
B. GPMs given on behalf of consolidated subsidiaries	-	-
C. GPMs given to behalf of third parties within ordinary business activities	-	-
D. GPMs given for other purposes	-	-
Total (*)	52,632,597	52,632,597

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

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

	TRY	TRY equivalent Total
31 December 2017		
A. GPMs given on behalf of its own legal entity	47,891,365	47,891,365
<i>Promissory notes</i>	47,481,585	47,481,585
<i>Cash guarantees</i>	309,780	309,780
<i>Obligations granted on behalf of shareholders</i>	100,000	100,000
B. GPMs given on behalf of consolidated subsidiaries	-	-
C. GPMs given to behalf of third parties within ordinary business activities	-	-
D. GPMs given for other purposes	-	-
Total (*)	47,891,365	47,891,365

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

NOTE 18 - COMMITMENTS

Operating Leases

Details of the finance lease transactions of the Group were given in Note 7. The Group has operating lease transactions with the Group companies or third parties and the details of its operating lease transactions are as follows:

	31 December 2018	31 December 2017
Land rent expenses	81,730	395,385
Building rent expenses	745,408	633,430
Vehicle rent expenses	105,209	295,578
Machinery rent expenses	-	393,694
	932,347	1,718,087

NOTE 19 - OTHER ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
Other current assets		
Deferred VAT	788,928	-
Business advances	17,467	332
Income accruals	-	8,313
Personnel advances	-	9,000
	806,395	17,645

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2018**

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

NOTE 19 - OTHER ASSETS AND LIABILITIES (Continued)

	31 December 2018	31 December 2017
Other non-current assets		
VAT deductible in future years	1,425,382	1,312,031
	1,425,382	1,312,031
Other short-term liabilities		
Taxes and funds payables	-	1,179,973
Other liabilities payable	740,618	714,419
	740,618	1,894,392
Other long-term liabilities		
Other long-term liabilities	116,693	816,857
	116,693	816,857

NOTE 20 - EQUITY

a) Share Capital

The Company's share capital structure as of 31 December 2018 and 31 December 2017 is presented as follows:

Shareholders	31 December 2018		31 December 2017	
	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
Total	100.00	148,867,243	100.00	148,867,243

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

NOTE 20 - EQUITY (Continued)

Information Regarding to Equity Shares					
Group	Type	Nominal	Share	Participation (%)	Rights
		Value (TRY)	Participation (%)		
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	
		148,867,243	100.00		

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

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, the Company has decided to allocate a general legal reserve amounting to TRY4.189.336, which is calculated in accordance with the related legislation and allocate 75% of the profits derived from the sale of immovable properties related to copper production activities by reporting that amount 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 as of 31 December 2018 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 31 December 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 2018 by eliminating the tax effect in equity.

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

NOTE 21 - DISCONTINUED OPERATIONS

The Group sold its assets related to concentrated copper production activities for USD195,000,000 on 17 March 2017. As of 31 December 2018, the Group will not receive any income from copper production activities other than the sales proceeds of the copper inventory in the following reporting periods. As a result of this, the Group's operations related to copper production were terminated. For this reason, cease of the production of concentrated copper have been reported separately from continuing operations as discontinued operations in accordance with TFRS 5 in 2017 financial period.

	1 January - 31 December 2018	1 January - 31 December 2017
Revenue	-	74,951,045
Cost of sales (-)	-	(46,163,053)
Gross profit	-	28,787,992
Marketing, selling and distribution expenses (-)	-	(6,216,242)
General administrative expenses (-)	-	(4,133,296)
Other income from operating activities	-	2,454,013
Other expenses from operating activities (-)	-	(21,394,023)
Operating profit / (loss)	-	(501,556)
Income from investing activities	-	552,169,786
Operating profit before finance income/expense	-	551,668,230
Finance income / expenses	-	9,091,350
Profit / (Loss) before taxation	-	560,759,580
Tax (expense) / income	-	(68,702,649)
Current tax (charge) / income	-	(40,056,983)
Deferred tax (expense) / income	-	(28,645,666)
Net profit / (loss) for the period	-	492,056,931
Earning/(Loss) per share from discontinued operations	-	0.03305

"Net cash flows from discontinued operations" in the cash flow statement amount of TRY682,548,587 as of 31 December 2017 on the consolidated cash flow statement for the purpose of compliance with the POA taxonomy refers to the changes in the working capital of the discontinued operations and adjustments to reconcile profit/ loss for the period on discontinued operations. The operation, investment and financing cash flows from discontinued operations are presented in the following table:

Net cash flows from discontinued operations	31 December 2018	31 December 2017
Discontinued operations profit	-	492,056,931
Adjustments to reconcile profit/loss for the period and changes in working capital on discontinued operations	-	(525,485,125)
Net cash flows from discontinued operational activities	-	(33,428,194)
Net cash flows from discontinued investment activities	-	715,923,000
Net cash flows from discontinued financing activities	-	153,781
Net cash flows from discontinued operations	-	682,648,587

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2018**

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

NOTE 22 - GENERAL ADMINISTRATIVE EXPENSE

	1 January - 31 December 2018	1 January - 31 December 2017
General administrative expenses		
Personnel expenses	3,695,612	6,504,390
Consultancy and expense shares	2,511,205	4,063,694
Amortization expenses	1,659,033	1,488,069
Rent expenses	1,148,605	954,591
Outsourced services	829,874	668,533
Taxes and other legal expenses	397,994	280,365
Donation and aid expenses	1,650	19,550
Advertising expenses	-	351,274
Other	1,669,909	902,949
	11,913,882	15,233,415
Income from other operating activities		
Exemption and discounts	1,000,000	-
Provisions no longer required	629,981	551,213
Foreign exchange gain	445,373	159,996
Other	196,289	150,910
	2,271,643	862,119
Expenses from other operating activities		
Provision expense	5,164,322	9,491
Foreign exchange loss	223,188	593,106
Other	471,852	114,824
	5,859,362	717,421

NOTE 23 - INCOME FROM INVESTING ACTIVITIES

	1 January - 31 December 2018	1 January - 31 December 2017
Income from investing activities		
Increase in value of investment properties	-	25,303,306
Other	1,823,965	1,378,991
	1,823,965	26,682,297
Loss on investing activities		
Decrease in value of investment properties	20,362,758	11,874,570
Other	29,421	-
	20,392,179	11,874,570

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

NOTE 24 - FINANCIAL INCOME/(EXPENSE)

	1 January - 31 December 2018	1 January - 31 December 2017
Financial Income		
Foreign exchange income	70,017,308	13,060,484
Interest income	18,433,989	1,888,705
	88,451,297	14,949,189
Financial Expenses		
Foreign exchange losses	924,810	19,460,825
Interest expenses	97,852	10,803
Other financial expenses	48,368	73,737
	1,071,030	19,545,365

NOTE 25 - TAX ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
Current period tax expense	(16,642,060)	(40,056,983)
Deferred tax income/(expense)	2,204,088	(28,510,909)
	(14,437,972)	(68,567,892)

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 2017: 20%).

	1 January - 31 December 2018	1 January - 31 December 2017
Deferred tax assets	211,519	13,905,685
Deferred tax liabilities (-)	(17,946,445)	(33,755,685)
Deferred tax (liabilities)/assets, net	(17,734,926)	(19,850,000)
Deferred tax assets/(liabilities)	31 December 2018	31 December 2017
Useful life and valuation differences on property, plant, and equipment and intangible assets	(21,991,584)	(22,472,917)
Provision for reirement pay and unused vacation	762,190	662,243
Evaluation differences on financial investments	-	-
Discount on receivable and payables	(346)	(367)
Provisions of liability and expense	3,432,670	1,953,707
Other	62,144	7,334
	(17,734,926)	(19,850,000)

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

NOTE 25 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Tax Reconciliation

	1 January - 31 December 2018	1 January - 31 December 2017
Profit/(loss) before tax for the year from continued operations	53,549,811	(4,824,735)
Profit before tax for the year from discontinued operations	-	560,759,580
Profit before tax	53,549,811	555,934,845
Applicable tax rate	22%	20%
Calculated tax expense in previous years	(11,780,958)	(111,186,969)
Exceptions	-	4,141,138
Assigned investment incentive certificate	-	50,507,648
Other	(2,567,014)	(1,314,646)
Total tax expense of continued and discontinued operations	(14,437,972)	(68,567,892)

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 2018 (31 December 2017: 20%). 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.

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.

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

NOTE 26 - EARNINGS PER SHARE

	1 January - 31 December 2018	1 January - 31 December 2017
Earnings per share		
Average number of shares in circulation during the period (in full)	14,886,724,300	14,886,724,300
Net profit/(loss) for attributable to equity holders of the Group	39,111,839	(4,689,978)
Basic and diluted earnings/(loss) per share	0.00263	(0.00032)
Earning/(loss) per share from discontinued operations		
Average number of shares in circulation during the period (in full)	14,886,724,300	14,886,724,300
Net profit for attributable to equity holders of the Group	-	492,056,931
Basic and diluted earnings per share	-	0.03305

NOTE 27 - RELATED PARTY DISCLOSURES

Due from Related Parties

Related party	Type of Relationship	31 December 2018		
		Trade Receivables	Other Receivables	Total
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
		91,617	245,914,752	246,006,369
Related party	Type of Relationship	31 December 2017		
		Trade Receivables	Other Receivables	Total
Park Holding A.Ş.	Shareholder	-	198,143,966	198,143,966
Silopi Elektrik Üretim A.Ş.	Group Company	69,915	-	69,915
Ciner İç ve Dış Tic. A.Ş.	Group Company	62,197	-	62,197
		132,112	198,143,966	198,276,078

The Group's interest rate for TRY applied operational and financial transactions for January - March 14,82%, April - June 21,16%, July - September 28,54%, October - December 26,38% (2017 January - March 12,91%, April - June 14,35%, July - September 14,35%, October - December 15,24%). For USD, January - March 6,01%, April - June 6,90%, July - September 6,75%, October - December 6,75% (2017 January - June; none, July - September 6,01%, October - December 6,01%).

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2018**

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

NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

Due to Related Parties

Related party	Type of Relationship	31 December 2018		
		Trade Payables	Other Payables	Total
Silopi Elektrik Üretim A.Ş.	Group Company	21,257	-	21,257
Park Holding A.Ş.	Shareholder	160,422	-	160,422
Havaş Turizm Seyahat ve Kargo Taşımacılığı A.Ş.	Group Company	2,743	-	2,743
Park Sigorta Ara. Hiz. Ltd. Şti.	Group Company	3,103	-	3,103
Ciner Maden Proje ve Teknik Danışmanlık	Group Company	-	-	-
Dividends payables to other affiliates	Shareholder	-	2,803	-
		187,525	2,803	190,328
Related party	Type of Relationship	31 December 2017		
		Trade Payables	Other Payables	Total
Silopi Elektrik Üretim A.Ş.	Group Company	9,999	-	9,999
Park Holding A.Ş.	Shareholder	130,073	-	130,073
Havaş Turizm Seyahat ve Kargo Taşımacılığı A.Ş.	Group Company	14,369	-	14,369
Park Sigorta Ara. Hiz. Ltd. Şti.	Group Company	23,143	-	23,143
Ciner Maden Proje ve Teknik Danışmanlık	Group Company	22,288	-	22,288
Dividends payables to other affiliates	Shareholder	-	2,803	2,803
		199,872	2,803	202,675

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

Goods and Services Purchased from Related Parties

Related party	Type of Relationship	31 December 2018						Total
		Goods	Service	Fixed Assets	Interest and Comission Expenses	Rent	Other	
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
Total		132,388	2,391,150	151,100	45,348	734,750	1,596,828	5,051,564

Related party	Type of Relationship	31 December 2017						Total
		Goods	Service	Fixed Assets	Interest and Comission Expenses	Rent	Other	
Silopi Elektrik Üretim A.Ş.	Group Company	2,105,352	-	-	890	-	1,226	2,107,468
Ciner İç ve Dış Tic. A.Ş.	Group Company	-	159,155	-	975,175	-	-	1,134,330
Turgay Ciner	Shareholder	-	-	72,830	-	-	-	72,830
Park Holding A.Ş.	Shareholder	-	3,165,368	540,797,170	515,165	622,800	1,387,816	546,488,319
Park Teknik Madencilik Turizm San.ve Tic. A.Ş.	Group Company	-	18,303	635,593	7,816	93,455	41,341	796,508
Park Termik Elektrik San.ve Tic. A.Ş.	Associate	-	3,177	-	9,079	-	194,283	206,539
Park Sigorta Aracılık Hiz. Ltd. Şti.	Group Company	-	219,683	-	13,064	-	33,108	265,855
Havaş Turizm Sey. ve Kargo Taş. A.Ş.	Group Company	-	3,542	-	1,423	72,069	48,648	125,682
Ciner Maden Proje ve Teknik Danışmanlık A.Ş.	Group Company	-	229,300	-	-	-	-	229,300
Total		2,105,352	3,798,528	541,505,593	1,522,612	788,324	1,706,422	551,426,831

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

Goods and Services Sold to Related Parties

Related party	Type of Relationship	31 December 2018					
		Goods	Service	Fixed Assets	Financial Income	Rent	Other
Ciner İç ve Dış Tic. A.Ş.	Group Company	-	-	-	-	-	-
Kazan Soda Maden Enerji Nakliyat San.Tic.A.Ş.	Group Company	-	-	-	-	-	-
Park Holding A.Ş.	Shareholder	-	-	-	88,181,243	-	7,767
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 Sporatif Faaliyetler A.Ş.	Group Company	-	-	-	-	-	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	-
Total		367,836	-	-	88,229,578	518,840	7,775
							89,124,029

Related party	Type of Relationship	31 December 2017					
		Goods	Service	Fixed Assets	Financial Income	Rent	Other
Ciner İç ve Dış Tic. A.Ş.	Group Company	74,148,885	-	-	155,684	-	-
Kazan Soda Maden Enerji Nakliyat San.Tic. A.Ş.	Group Company	29,472	-	-	1,291	-	30,763
Park Holding A.Ş.	Shareholder	-	-	-	19,931,085	-	3,940
Park Sigorta Aracılık Hiz. Ltd. Şti.	Group Company	-	-	-	763	-	763
Silopi Elektrik Üretim A.Ş.	Group Company	577,958	-	-	59,303	223,828	275
Park Termik Elektrik San. ve Tic. A.Ş.	Associate	244,720	-	15,000	7,513	-	267,233
Park Teknik Mad. Turz. San. ve Tic. A.Ş.	Group Company	2,644	-	-	23,122	-	14,693
Ciner Yapı Teknik İnşaat San. ve Tic. A.Ş.	Group Company	-	-	-	779	-	22,245
Total		75,003,679	-	15,000	20,179,540	223,828	41,433
							95,463,380

Benefits provided to directors and executive personnel (*)	1 January-31 December 2018	1 January-31 December 2017
Wages, premiums and other similar benefits	237,441	851,562
Benefits related with retirement pay and unused vacation	121,705	105,314

(*) 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 2018

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

NOTE 27 - 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 TRY88,181,243 in 2018 (31 December 2017: TRY19,931,085).

Other Group Companies

The Group received machinery equipment, vehicle and labour force in return of copper field rent from Park Teknik Madencilik Turizm Sanayi ve Ticaret A.Ş. located in Siirt/Madenköy.

The Group purchases electricity energy from Silopi Elektrik Üretim A.Ş. to be used copper mine in Siirt/Madenköy.

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

The Group purchases insurance policy from Park Sigorta Aracılık Hizmetleri Ltd. Şti..

In line with the Board of Directors' decision dated 29 July 2013, the Group sold copper concentrate transactions through Ciner İç ve Dış Ticaret A.Ş. until the sale of its assets related to copper production activities.

NOTE 28 - 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 7 and 8, cash and cash equivalents disclosed in Note 5 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 20.

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 the 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 2018

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2018 and 31 December 2017 the Group's net debt / total equity ratio is detailed as follows:

	31 December 2018	31 December 2017
Financial liabilities	955,790	1,464,394
Less: Cash and cash equivalents and short-term financial investments	(176,191)	(76,805)
Net debt	779,599	1,387,589
Total equity	483,080,297	442,586,525
Net debt/Total equity ratio (%)	0.002	0.003

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 8).

PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2018

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risks exposed through types of financial instruments	31 December 2018				
	Receivables				
	Trade Receivables	Other Receivables			
Related Parties	Third Parties	Related Parties	Third Parties	Bank Deposits	
Maximum credit risk exposed as of the balance sheet date (*) (A+B+C+D+E)	91,617	10,956	245,914,752	160,374	175,250
- 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 2018**

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risks exposed through types of financial instruments	31 December 2017				
	Receivables				
	Trade Receivables	Other Receivables		Related Parties	Third Parties
	Related Parties	Third Parties	Related Parties	Third Parties	Bank Deposits
Maximum credit risk exposed as of the balance sheet date (*)					
(A+B+C+D+E)	132,112	870,168	198,969,021	1,137,952	76,363
- Maximum risk portion covered by guarantees, collaterals, etc.	-	(847,720)	(193,144,302)	(765,739)	-
A. Net book value of financial assets neither overdue nor impaired	104,647	-	198,969,021	367,255	76,363
- Portion covered by guarantees, collaterals etc.	-	-	(193,144,302)	(765,739)	-
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	27,465	870,168	-	770,697	-
- Portion covered by guarantees, collaterals etc.	-	(847,720)	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Past due (gross carrying amount)	-	3,204,477	-	-	-
- Impairment (-)	-	(3,204,477)	-	-	-
- Net value portion covered by guarantees, collaterals, etc. (-)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- 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 2018

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Past due but not impaired assets are presented as below:

	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		-
Total overdue receivables	-	-
	31 December 2017	
	Trade Receivables	Other Receivables
Due within 1-30 days		27,465
Due within 1-3 months		-
Due within 3-12 months	867,371	770,697
Due within 1-5 years	2,797	-
Total overdue receivables	870,168	798,162

(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	Carrying value	31 December 2018			
		Total cash Outflows in accordance with contracts (I+II+III)	Less than 3 months (I)	3-12 months(II)	1-5 year months (III)
Non-derivative financial liabilities	2,594,887	2,623,657	1,333,216	689,922	600,519
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
31 December 2017					
Contractual maturities	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)
Non-derivative financial liabilities	4,327,876	4,413,161	3,076,636	632,912	703,613
Obligation under finance leases	1,464,394	1,547,519	210,994	632,912	703,613
Trade payables	2,860,679	2,862,839	2,862,839	-	-
Other payables	2,803	2,803	2,803	-	-

(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 2018

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

NOTE 28 - 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 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	-	-
9. TOTAL ASSETS	240,755,675	45,763,107	90	1
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	-	-	-	-
18. TOTAL LIABILITIES	3,315,319	296,416	291,292	-
19. Net assets/(liability) position of off balance sheet derivatives items (19a-19b)	-	-	-	-
19a. Amount of Derivative Products with Active Charged Off Balance Sheet Foreign Currency	-	-	-	-
19b. Amount of Derivative Products with a Passive Foreign Exchange Currency	-	-	-	-
20. Net foreign currency assets/(liability) position	237,440,356	45,466,691	(291,202)	1
21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	239,196,226	45,466,691	84	1
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 2018**

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

		31 December 2017		
	TRY Equivalent	USD	EUR	GBP
1. Trade Receivable	3,269,313	866,755	-	-
2a. Monetary Financial Assets	175,470,466	46,520,328	96	1
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	178,739,779	47,387,083	96	1
5. Trade Receivable	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-
9. TOTAL ASSETS	178,739,779	47,387,083	96	1
10. Trade Payables	457,601	115,134	5,166	-
11. Financial Liabilities	779,123	206,554	5	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-monetary Liabilities	-	-	-	-
13. CURRENT LIABILITIES	1,236,724	321,688	5,171	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	685,271	181,678	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-monetary Liabilities	-	-	-	-
17. NON-CURRENT LIABILITIES	685,271	181,678	-	-
18. TOTAL LIABILITIES	1,921,995	503,366	5,171	-
19. Net assets/(liability) position of off balance sheet derivatives items (19a-19b)	-	-	-	-
19a. Amount of Derivative Products with Active Charged Off Balance Sheet Foreign Currency	-	-	-	-
19b. Amount of Derivative Products with a Passive Foreign Exchange Currency	-	-	-	-
20. Net foreign currency assets/(liability) position	176,817,784	46,883,717	(5,075)	1
21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	176,817,784	46,883,717	(5,075)	1
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 2018

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The Group is mainly exposed to EUR, USD and GBP 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 2018 (31 December 2018: USD1 = TRY5.2609, EUR1 = TRY6.0280 and GBP1 = TRY6.6528, 31 December 2017: USD1 = TRY3.7719, EUR1 = TRY4.5155, GBP1 = TRY5.0803).

The table below presents the Group’s sensitivity to a 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

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

When 10% appreciation of USD against TRY:

USD net asset/(liability)	23,919,571	(23,919,571)
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When 10% appreciation of EUR against TRY:

EUR net asset/(liability)	51	(51)
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When 10% appreciation of other foreign currency against TRY

Other foreign currency net asset/(liability)	1	(1)
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Total	23,919,623	(23,919,623)
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	31 December 2017	
	Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency

When 10% appreciation of USD against TRY:

USD net asset/(liability)	17,684,070	(17,684,070)
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When 10% appreciation of EUR against TRY

EUR net asset/(liability)	(2,292)	2,292
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When 10% appreciation of other foreign currency against TRY

Other foreign currency net asset/ (liability)	1	(1)
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Total	17,681,779	(17,681,779)
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PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

NOTE 28 - 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 2018	Financial liabilities at amortized cost	Loans and receivables (including cash and cash equivalents)	Financial assets available for sale	Book value	Note
Financial assets					
Cash and cash equivalents	-	246,353,890	11,405,300	257,759,190	
Trade receivables	-	176,191	-	176,191	5
Due from related parties	-	10,956	-	10,956	8
Other receivables	-	246,006,369	-	246,006,369	27
Financial investments	-	160,374	-	160,374	10
	-	-	11,405,300	11,405,300	6
Financial liabilities	2,594,887			2,594,887	
Obligations under finance leases	955,790	-	-	955,790	7
Trade payables	848,250	-	-	848,250	8
Due to related parties	190,328	-	-	190,328	27
Other payables	600,519	-	-	600,519	10

31 December 2017	Financial liabilities at amortized cost	Loans and receivables (including cash and cash equivalents)	Financial assets available for sale	Book value	Note
Financial assets					
Cash and cash equivalents	-	200,045,309	9,990,294	210,035,603	
Trade receivables	-	76,805	-	76,805	5
Due from related parties	-	867,371	-	867,371	8
Other receivables	-	193,276,414	-	193,276,414	27
Financial investments	-	5,824,719	-	5,824,719	10
	-	-	9,990,294	9,990,294	6
Financial liabilities	4,329,118			4,329,118	
Obligations under finance leases	1,464,394	-	-	1,464,394	7
Trade payables	2,684,080	-	-	2,684,080	8
Due to related parties	180,644	-	-	180,644	27

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