(Convenience translation of the limited review report and financial statements originally issued in Turkish)

# İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.

## Interim condensed consolidated financial statements as of September 30, 2020 together with limited review report

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(Convenience translation of the limited review report and consolidated financial statements originally issued in Turkish)

# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**To the Board of Directors of**
**İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.**

## Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of İpek Doğal Enerji Kaynakları Araştırma ve Üretim Anonim Şirketi (the Company) and its subsidiaries (the Group) as of September 30, 2020 and the interim condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the nine-month period then ended, and explanatory notes. Group management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting (TAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

## Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Basis for Qualified Conclusion

1) As explained in detail in Note 10, pursuant to the decision of the Ankara 5th Criminal Court of Peace dated October 26, 2015, the management of the Group was transferred to the Board of Trustees and then to the Savings Deposit Insurance Fund ("SDIF") on September 22, 2016,and various examinations and studies are continuing before the Group by the Prosecutor's Office, the Police Financial Crimes Branch and the CMB as of the balance sheet date. Regarding the reports that will constitute the basis of the relevant decision and the status of the ongoing legal process, we could not obtain sufficient and appropriate audit evidence as to whether any correction is required in the financial statements of the Group.

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2) As explained in detail in Note 5, the control over the Group's UK-based subsidiary Koza Ltd was lost as a result of the General Meeting of the Company on September 11, 2015 and its registration in England on November 2, 2015. The legal process initiated by the CMB regarding loss of control pursuant to its decision dated February 4, 2016 continues as of the date of this report. Due to the fact that the Group could not present the fair value determination work to be done in accordance with the provisions of TFRS 9 - Financial Instruments Standard, since the shares of the Company are accounted as financial assets and TFRS 10 - Consolidated Financial Statements Standard after loss of control, we could not obtain sufficient appropriate audit evidence as to whether any adjustments to the consolidated financial statements are necessary.

**Other Matter**

The consolidated financial statements of the Group as of December 31, 2019 were audited by another independent audit company and a qualified opinion was given in the independent audit report dated February 27, 2020 regarding the said consolidated financial statements. The consolidated financial statements of the Group prepared as of September 30, 2019 were reviewed by another independent audit company and a qualified opinion was given in the review report dated November 8, 2019 regarding the said consolidated financial statements.

**Emphasis of Matter**

We draw attention to Note 20 explaining that the independently audited consolidated financial statements of the Group for the years ended December 31, 2016, 2017, 2018 and 2019 were approved and published by the Board of Directors with the resolutions dated April 24, 2018, April 30, 2018, February 28, 2019 and February 27, 2020, respectively by excluding the possible cumulative reflections of the works and transactions belonging to the previous financial periods on the tables in accordance with the provisions of Article 401/4 of the Turkish Commercial Code No. 6102 ("TCC"). Independently audited consolidated financial statements for the year ended December 31, 2015, on the other hand, were not approved by the Board of Directors in accordance with the provisions of Article 401/4 of the TCC. Ordinary general assembly meetings of the Group for the years 2015, 2016, 2017, 2018 and 2019 could not be held due to the reasons stated in the paragraph of the basis for qualified conclusion and the consolidated financial statements of the relevant periods could not be submitted to the approval of the General Assembly. However, this issue does not affect the result announced by us.

**Qualified Conclusion**

Based on our review, with the exception of the matters described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with TAS 34.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Mehmet Can Altıntaş, SMMM
Partner

November 24, 2020
Ankara

**İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.**

## Condensed consolidated statement of financial position as of September 30, 2020

**(All amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)**

| | | | *Reclassified (Note 2.7)* |
|---|---|---|---|
| | | ***Reviewed*** | *Audited* |
| **Assets** | **Notes** | **September 30, 2020** | December 31, 2019 |
| | | | |
| **Current assets** | | **6.445.328** | 5.146.566 |
| | | | |
| Cash and cash equivalents | 4 | 5.810.794 | 4.627.315 |
| Trade receivables | | | |
| - Due from third parties | | 31.451 | 26.569 |
| Other receivables | | | |
| - Due from third parties | | 27.132 | 52.564 |
| Inventories | 6 | 509.145 | 400.304 |
| Biological asset | | 11.129 | 13.520 |
| Prepaid expenses | | 51.834 | 23.712 |
| Other current assets | | 3.843 | 2.582 |
| | | | |
| **Non-current assets** | | **1.803.138** | 1.559.522 |
| | | | |
| Financial investments | 5 | 277.023 | 317.334 |
| Other receivables | | | |
| - Due from related parties | 16 | 108.559 | 96.872 |
| - Due from third parties | | 1.865 | 1.790 |
| Investment properties | 7 | 229.084 | 213.748 |
| Right-of-use assets | | 12.565 | 4.506 |
| Property, plant and equipment | 8 | 702.728 | 649.088 |
| Intangible assets | | | |
| - Goodwill | 9 | 15.773 | 15.773 |
| - Other intangible assets | 9 | 815 | 1.531 |
| Prepaid expenses | | 228.546 | 58.480 |
| Deferred tax assets | 14 | 149.399 | 153.970 |
| Other non-current assets | | 76.781 | 46.430 |
| | | | |
| **Total assets** | | **8.248.466** | 6.706.088 |

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

**(Convenience translation of the limited review report and consolidated financial statements originally issued in Turkish)**

## İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.

### Condensed consolidated statement of financial position as of September 30, 2020
**(All amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)**

| | | | *Reclassified (Note 2.7)* |
|---|---|---|---|
| | | ***Reviewed*** | *Audited* |
| **Liabilities** | **Notes** | **September 30, 2020** | December 31, 2019 |
| **Current liabilities** | | **577.720** | 441.577 |
| Short-term lease liabilities | | | |
| - Lease liabilities | | 3.877 | 3.902 |
| Trade payables | | | |
| - Due to third parties | | 94.691 | 74.386 |
| Payables related to employee benefits | | 18.601 | 19.882 |
| Other payables | | | |
| - Due to related parties | 16 | 1.053 | 1.533 |
| - Due to third parties | | 17.835 | 17.835 |
| Deferred income | | 1.913 | 1.354 |
| Current income tax liabilities | 14 | 145.713 | 140.716 |
| Short-term provisions | | | |
| - Provisions for employment benefits | 10 | 10.286 | 10.641 |
| - Other short-term provisions | 10 | 281.826 | 169.838 |
| Other current liabilities | | 1.925 | 1.490 |
| **Non-current liabilities** | | **225.361** | 187.905 |
| Long-term lease liabilities | | | |
| - Lease liabilities | | 10.258 | 545 |
| Other payables | | 42.875 | 32.619 |
| Long-term provisions | | | |
| - Provisions for employment benefits | 10 | 36.861 | 29.382 |
| - Other long-term provisions | 10 | 135.205 | 125.359 |
| Deferred tax liability | 14 | 162 | - |
| **Equity** | | **7.445.385** | 6.076.606 |
| **Equity of parent company** | | **1.417.364** | 1.122.873 |
| Paid-in share capital | 11 | 259.786 | 259.786 |
| Share premium | | 239 | 239 |
| Other comprehensive income / expense not to be reclassified to profit or loss | | | |
| *- Actuarial gain / (loss) fund for employee benefits* | | (3.394) | (3.387) |
| Other comprehensive income / expense to be reclassified to profit or loss | | | |
| - Fair value losses and gains | | - | 5.538 |
| Restricted reserves | | 49.204 | 49.204 |
| Retained earnings | 11 | 811.493 | 404.935 |
| Profit for the period | | 300.036 | 406.558 |
| **Non-controlling interests** | | **6.028.021** | 4.953.733 |
| **Total liabilities and equity** | | **8.248.466** | 6.706.088 |

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

## İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.

## Condensed consolidated statements of profit or loss and other comprehensive income for the period ended September 30, 2020

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

| | Notes | ***Reviewed*** **January 1 – September 30, 2020** | *Reviewed* January 1 – September 30, 2019 | *Reviewed* July 1 – September 30, 2020 | *Reviewed* July 1 – September 30, 2019 |
|---|---|---|---|---|---|
| Revenue | 12 | 2.368.600 | 1.961.431 | 911.956 | 840.864 |
| Cost of sales (-) | 12 | (809.084) | (685.723) | (288.416) | (258.629) |
| **Gross profit** | | **1.559.516** | 1.275.708 | 623.540 | 582.235 |
| Research and development expenses (-) | | (78.414) | (49.325) | (27.627) | (19.207) |
| Marketing, sales and distribution expenses (-) | | (6.914) | (6.078) | (3.028) | (2.051) |
| General administrative expenses (-) | | (164.329) | (120.241) | (66.207) | (42.409) |
| Other operating income | | 83.582 | 57.682 | 141.323 | 11.478 |
| Other operating expenses (-) | | (71.524) | (54.023) | (116.992) | (17.365) |
| **Operating profit** | | **1.321.917** | 1.103.723 | 551.009 | 512.681 |
| Income from investing activities | 13 | 479.941 | 500.401 | 152.871 | 153.339 |
| Expenses from investing activities (-) | 13 | (3.747) | (3.893) | - | (1.287) |
| **Operating profit before financial income and expense** | | **1.798.111** | 1.600.231 | 703.880 | 664.733 |
| Financial income | | - | 3.278 | - | - |
| Financial expense (-) | | (940) | (1.633) | (370) | (437) |
| **Profit before tax from continued operations** | | **1.797.171** | 1.601.876 | 703.510 | 664.296 |
| **Tax expense from continuing operations** | | **(423.055)** | (330.124) | (162.130) | (146.686) |
| - Current tax expense | 14 | (416.810) | (366.590) | (163.381) | (151.513) |
| - Deferred tax income / (expense) | 14 | (6.245) | 36.466 | 1.251 | 4.827 |
| **Net profit for the period** | | **1.374.116** | 1.271.752 | 541.380 | 517.610 |
| **Other comprehensive income / (expense)** | | | | | |
| **Total other comprehensive income not to be classified to profit or loss in subsequent years** | | **201** | **(2.045)** | **603** | **(932)** |
| Gains / (losses) on remeasurements of defined benefit plans | | 251 | (3.158) | 753 | (1.771) |
| Gains / (losses) on remeasurements of defined benefit plans, tax effect | | (50) | 695 | (150) | 381 |
| Other gains and losses | | - | 418 | - | 458 |
| **Total other comprehensive income to be reclassified to profit or loss in subsequent years** | | **(5.538)** | **7.556** | **-** | **(159)** |
| Gains / (losses) on financial assets at fair value through other comprehensive income | | (7.100) | 9.688 | - | (203) |
| Gains / (losses) on financial assets measured at fair value through other comprehensive income, tax effect | | 1.562 | (2.132) | - | 44 |
| **Total comprehensive income** | | **1.368.779** | 1.277.263 | 541.983 | 516.519 |
| **Attributable to:** | | | | | |
| Non-controlling interests | | 1.074.080 | 980.666 | 426.637 | 398.096 |
| Equity of parent company | | 300.036 | 291.086 | 114.743 | 119.514 |
| **Comprehensive income** | | | | | |
| Non-controlling interests | | 1.074.288 | 980.193 | 427.118 | 397.664 |
| Equity of parent company | | 294.491 | 297.070 | 114.865 | 118.855 |
| **Earnings per 100 share** | | **1,155** | 1,120 | 0,442 | 0,460 |

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

**İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş.**

## Condensed consolidated statements of changes in equity
## for the period ended September 30, 2020
**(All amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)**

| | | | Other comprehensive income/expense not to be reclassified to profit or loss | Other comprehensive income/expense to be reclassified to profit or loss | | Retained earnings | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Paid in capital | Share premium | Actuarial (loss) / gain fund for employment termination benefit | Gains / (losses) on financial assets at fair value through other comprehensive income | Restricted reserves | Retained earnings | Net profit for the period | Equity of parent company | Non-controlling interests | Total equity |
| Previously reported balances as of January 1, 2019 | 259.786 | 239 | (1.837) | - | 49.204 | 394.154 | 238.152 | 939.698 | 3.362.423 | 4.302.121 |
| Restatement effect (*) | - | - | - | - | - | (227.371) | - | (227.371) | 227.371 | - |
| Balances as of January 1, 2019 | 259.786 | 239 | (1.837) | - | 49.204 | 166.783 | 238.152 | 712.327 | 3.589.794 | 4.302.121 |
| Net profit for the period | - | - | - | - | - | - | 980.666 | 980.666 | 291.086 | 1.271.752 |
| Other comprehensive income/(loss) | - | - | 7.083 | (7.556) | - | - | - | (473) | 5.984 | 5.511 |
| Total comprehensive income/(loss) | - | - | 7.083 | (7.556) | - | - | 980.666 | 980.193 | 297.070 | 1.277.263 |
| Transfers | - | - | - | - | - | 238.152 | (238.152) | - | - | - |
| Balance as of September 30, 2019 | 259.786 | 239 | 5.246 | (7.556) | 49.204 | 404.935 | 980.666 | 1.692.520 | 3.886.864 | 5.579.384 |
| **Previously reported balances as of January 1, 2020** | **259.786** | **239** | **(3.387)** | **5.538** | **49.204** | **632.306** | **406.558** | **1.350.244** | **4.726.362** | **6.076.606** |
| **Restatement effect (*))** | - | - | - | - | - | (227.371) | - | **(227.371)** | 227.371 | **-** |
| Balance as of January 1, 2020 | **259.786** | **239** | **(3.387)** | **5.538** | **49.204** | **404.935** | **406.558** | **1.122.873** | **4.953.733** | **6.076.606** |
| Net profit for the period | **-** | **-** | **-** | - | - | - | 300.036 | 300.036 | 1.074.080 | 1.374.116 |
| **Other comprehensive income/(loss)** | - | - | **(7)** | (5.538) | - | - | - | (5.545) | 208 | (5.337) |
| **Total comprehensive income/(loss)** | **-** | **-** | **(7)** | **(5.538)** | **-** | **-** | **300.036** | **294.491** | **1.074.288** | **1.368.779** |
| Transfers | - | - | - | - | - | 406.558 | (406.558) | **-** | - | **-** |
| **Balances as of September 30, 2020** | **259.786** | **239** | **(3.394)** | **-** | **49.204** | **811.493** | **300.036** | **1.417.364** | **6.028.021** | **7.445.385** |

*(*) For restatement, go to Note 2.7 Basic of Presentation, comparative information and correction of previous period financial statements.*

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

## Condensed consolidated statements of cash flows for the period ended September 30, 2020

**(All amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)**

| | Notes | Reviewed<br>Current year<br>January 1 – September 30, 2020 | Reclassified<br>Reviewed<br>Prior year<br>January 1 – September 30, 2019 |
|---|---|---|---|
| **A. Cash flows from operating activities** | | **1.039.060** | 912.158 |
| **Profit for the period from continuing operations** | | 1.374.116 | 1.271.752 |
| **Adjustments to reconcile profit for the period** | | | |
| Adjustments for depreciation and amortisation | | 181.190 | 159.301 |
| Adjustment for derecognition of tangible assets | 8 | 1.814 | - |
| Adjustments for recognition/ (derecognition) impairment of other financial assets or investments | | 495 | 1.923 |
| Adjustments for other impairments | | - | (3.795) |
| Adjustments for provisions | | | |
| - Adjustments for provisions for employee benefits | 10 | 6.195 | 3.642 |
| - Adjustment for lawsuits and / or penalty provision | 10 | 10.924 | 1.495 |
| - Adjustment for other provisions (cancellations) | 10 | 23.532 | - |
| - Adjustments for rehabilitation and state rights provision | 10 | 228.909 | 64.261 |
| Adjustments for tax expense | 14 | 423.055 | 330.124 |
| Adjustments for interest income | 13 | (365.041) | (441.089) |
| Adjustments for interest expenses | | 5.721 | 6.037 |
| Other adjustments related to loss reconciliation | | 93 | - |
| Adjustments for unrealized foreign exchange loss | | - | 1.161 |
| **Total adjustments** | | **516.887** | 123.060 |
| Increase in trade receivables | | (5.351) | (3.995) |
| Increase in other receivables | | (115.385) | (28.727) |
| Increase in inventories | 6 | (108.841) | (94.107) |
| Decrease/ (increase) in biological assets | | 2.391 | (1.618) |
| Increases in prepaid expenses | | (198.188) | (19.745) |
| Decrease in trade payables | | 20.305 | (17.112) |
| Decrease / (increase) in liabilities within the scope of employee benefits | | (1.281) | 1.655 |
| Increases / (decreases) in other payables | | (32.707) | (4.131) |
| Increase in other assets | | 9.776 | (5.044) |
| Increase /(decrease) in other liabilities with related parties | | (11.687) | - |
| Increases in deferred income | | 559 | 2.240 |
| Increases / (decreases) in other liabilities | | 2.557 | (3.559) |
| Payments for employee retirement benefits | 10 | (1.463) | 2.193 |
| Payments related to other provision | | (141.531) | (52.943) |
| Tax paid | | (271.097) | (257.761) |
| **Net cash from operating activities** | | **(851.943)** | (482.654) |
| **B. Cash flows from investing activities** | | **143.979** | 322.906 |
| Cash inflows from the sales of property, plant and equipment | | 237 | - |
| Cash outflows from the purchase of tangible assets | 8 | (224.032) | (116.337) |
| Cash outflows from the purchase of intangible assets | 9 | (123) | (1.147) |
| Cash outflows from the purchase of investment properties | 7 | (20.677) | (699) |
| Interest received | | 364.601 | 441.089 |
| Changes in financial investments | | 33.211 | - |
| Cash outflows related to lease agreements (-) | | (9.238) | - |
| **C. Net cash from financing activities** | | **-** | - |
| **Net increase in cash and cash equivalents** | | **1.183.039** | 1.235.064 |
| **Cash and cash equivalents at the beginning of the year** | 4 | 4.600.063 | 2.794.533 |
| **Cash and cash equivalents at the end of the year** | 4 | 5.783.102 | 4.029.597 |

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

## 1. Group's organization and nature of operations

İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş. ("Company") was established as a Joint Stock Company with Trade Registry Number 55759 with the articles of association published in the Trade Registry Gazette dated January 8, 1985 and numbered 1174. The Group has changed its title as İpek Doğal Enerji Kaynak Araştırma ve Üretim A.Ş. on June 10, 2011 which was İpek Matbaacılık Sanayi ve Ticaret A.Ş., by including oil, natural gas, energy and energy resources research and production activities in its main field of activity which was printing and invitation in the establishment. This change was announced in the Trade Registry Gazette dated June 15, 2011 and numbered 7837. The company and all of its subsidiaries, whose details are explained in footnote 2.2, are named as "Group" together.

Group's address; Uğur Mumcu Mahallesi, Fatih Sultan Mehmet Bulvarı, İstanbul Yolu 10. Km, No: 310, 06370, Yenimahalle, Ankara, Türkiye.

The Group is registered with the Capital Markets Board (CMB) and 37.72% of its shares are publicly traded on the Borsa Istanbul ("BIST") since June 27, 2000. The shareholders of the Group and share rates as of September 30, 2020 and December 31, 2019 are explained in Note 11.

Within the scope of the investigations initiated throughout the country, a trustee has been appointed to the İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.Ş. management pursuant to the decision of the Ankara 5th Criminal Judgeship of Peace dated October 26, 2015.

As of this date, all the powers of the management have been transferred to the trustees appointed to the Group Management and it has been decided to establish new management by these trustees.

With the Decree Law No. 674 on Making Some Regulations under the State of Emergency ("Decree") published on September 1, 2016, it was decided to transfer all the powers previously given to the trustees assigned to companies by the courts to the Savings Deposit Insurance Fund ("SDIF"). In this context, on September 22, 2016, it has decided to terminate all the powers given to the trustees assigned to the Group on the basis of the article 19/1 of the aforementioned Decree and transfer the Group to the SDIF.

The Group's consolidated financial statements for the years ended December 31, 2016, 2017, 2018 and 2019 have been approved by the Board of Directors with the board decisions dated April 24, 2018, April 30, 2018, February 28, 2019 and February 27, 2020 respectively and published by excluding the possible cumulative effects of the works and transactions belonging to the previous financial periods, whose judgment process continues, in accordance with the provisions of Article 401/4 of the Turkish Commercial Code No. 6102 ("TCC"). Audited consolidated financial statements for the year ended December 31, 2015 were not approved by the Board of Directors in accordance with the provisions of Article 401/4 of the TCC. Ordinary general assembly meetings of the Group for the years 2015, 2016, 2017, 2018 and 2019, as explained in detailed in Note 10, could not be carried out due to various examinations and works by the Prosecutor's Office, the Police Financial Crimes Branch and the CMB, and these consolidated financial statements of the Group could not be submitted to the approval of the General Assembly.

Koza Altın İşletmeleri AŞ, a subsidiary of the Group, has established UK-based Koza Ltd., which owns 100%, in order to establish abroad mining ventures on March 31, 2014. The control of Koza Ltd, which the Company was consolidated until September 11, 2015, was lost as a result of the General Assembly held on September 11, 2015. The legal process initiated by the CMB regarding loss of control pursuant to decision dated February 4, 2016 continues as of the date of the consolidated financial statements. Under condensed consolidated financial statements, the Group has presented Koza Ltd. under the "Financial Investments" account with a cost value amounting to Thousand TL 218.325 (December 31, 2019: Thousand TL 218.325).

## 1. Group's organisation and nature of operations (continued)

Group's consolidated participations located in Turkey until December 31, 2015, Bugün Televizyon Radyo ve Perakende A.Ş., Yaşam Televizyon Yayın Hizmetleri A.Ş. ve Koza İpek Basın ve Basım Sanayi ve Ticaret A.Ş. and subsidiaries Koza Prodüksiyon ve Ticaret A.Ş., Rek-Tur Reklam Pazarlama ve Ticaret Ltd. Şti. ve İpek Online Bilişim Hizmetleri Ltd. Şti. has not been included in the scope of consolidation since 2016 due to the official cancellation of the trade registry record with the Decree Law in 2016.

As of September 30, 2020, the number of employee is 2.538 (December 31, 2019: 2.391 people).

*Approval of condensed consolidated financial statements*

The condensed consolidated financial statements dated September 30, 2020 were approved by the Board of Directors and authorized to be published on November 9, 2020.

## 2. Basis of presentation of condensed consolidated financial statements

### 2.1 Basis of presentation

**Financial reporting standards**

The Company and its subsidiaries established in Turkey, prepare its financial statements in accordance with the Turkish Commercial Code (TCC) numbered 6102, tax legislation and the Uniform Chart of Accounts published by the Ministry of Finance.

The accompanying condensed consolidated financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which were published in the Resmi Gazete No:28676 on June 13, 2013. The accompanying condensed consolidated financial statements are prepared based on the Turkish Financial Reporting Standards and Interpretations ("TAS/TFRS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA").

The consolidated condensed consolidated financial statements and notes are presented in accordance with the "2019 TAS Taxonomy" announced by the POA with the principle decision dated June 7, 2019.

The condensed consolidated financial statements are based on legal records and expressed in TL, and have been prepared by subjecting to some corrections and classification changes in order to present the Group's status according to TAS and TFRS. These adjustments generally consist of deferred taxes, provisions, depreciation of property, plant and equipment and intangible asset amortization on economic life and pro-rata basis, and the valuation of buildings, investment properties and some financial assets.

Foreign currency

*Functional and reporting currency*

The condensed consolidated financial statements are presented in TL, which is the functional currency of the Group and the presentation currency of the Group.

## 2. Basis of presentation of condensed consolidated financial statements (continued)

### 2.1 Basis of presentation (continued)

*Foreign currency transactions and balances*

Foreign currency transactions have been converted over the exchange rates valid on the dates of the transaction. Monetary assets and liabilities based on foreign currency are converted using the exchange rates valid on the date of the statement of financial position. Exchange difference income or expense arising from foreign currency-based operational transactions (trade receivables and debts) is presented under the "other income / expenses from operating activities", while the exchange difference income or expense arising from the translation of other foreign currency based monetary assets and liabilities is presented under "finance income / expenses" in the statement of profit or loss.

*Going concern*

The Group has prepared its condensed consolidated financial statements according to the going concern principle.

**Declaration of conformity to TFRS**

The Group has prepared its interim condensed consolidated financial statements for the period ending on September 30, 2020, in accordance with the CMB's Communiqué Serial: II-14.1 and its announcements clarifying this communiqué. The condensed consolidated financial statements and notes are presented in accordance with the formats recommended by the CMB and including the required information.

### 2.2 Consolidation principles

(a) Consolidated financial statements include the accounts of the Company and its subsidiaries prepared according to the principles stated below. During the preparation of the financial statements of the companies included in the scope of consolidation, necessary corrections and classifications were made in terms of compliance with TFRS and the accounting policies and presentation styles applied by the Group.

(b) The subsidiaries controlled by the company has been included in the consolidated financial statements by full consolidation method. Control is provided only when all of the following indicators are present on the enterprise in which the Company invests;

a) has power over the enterprise in which it invests,

b) is exposed to or is entitled to varying returns due to its relationship with the investee,

c) has the ability to use its power over the investee to influence the amount of returns it will generate.

During the consolidation process, the registered participation values of the shares owned by the Company and its subsidiaries were netted mutually with the relevant equities. Intra-group transactions and balances between the Company and the subsidiaries have been netted during the consolidation process. The registered values of the shares owned by the Company and the dividends arising from them have been netted from the relevant equity and profit or loss statement accounts.

The subsidiaries have been included in the scope of consolidation as of the date the control over its activities was transferred to the Group.

## 2. Basis of presentation of condensed consolidated financial statements (continued)

### 2.2 Consolidation principles (continued)

**Subsidiaries**

As of September 30, 2020 and December 31, 2019, the activities of the consolidated subsidiaries and the operating segments in which the subsidiaries operate in line with the purpose of the consolidated financial statements are as follows:

**September 30, 2020**

| **Title** | **Business segments** | **Nature of business** |
|---|---|---|
| Koza Anadolu Metal Madencilik İşletmeleri A.Ş. | Mining | Mining |
| ATP İnşaat ve Ticaret A.Ş. | Construction and mining | Mining |
| Koza Altın İşletmeleri A.Ş. | Mining | Mining |
| Özdemir Antimuan Madenleri A.Ş. | Mining | Mining |
| ATP Havacılık Ticaret A.Ş. | Air transportation | Transportation |
| ATP Koza Turizm Seyahat Ticaret A.Ş. | Tourism and hotel management | Tourism |
| ATP Koza Gıda Tarım Hayvancılık Sanayi ve Ticaret A.Ş. | Food and farming | Food |
| Konaklı Metal Madencilik Sanayi Ticaret A.Ş. | Mining | Mining |

December 31, 2019

| Title | Business segments | Nature of business |
|---|---|---|
| Koza Anadolu Metal Madencilik İşletmeleri A.Ş. | Mining | Mining |
| ATP İnşaat ve Ticaret A.Ş. | Construction and mining | Mining |
| Koza Altın İşletmeleri A.Ş. | Mining | Mining |
| Özdemir Antimuan Madenleri A.Ş. | Mining | Mining |
| ATP Havacılık Ticaret A.Ş. | Air transportation | Transportation |
| ATP Koza Turizm Seyahat Ticaret A.Ş. | Tourism and hotel management | Tourism |
| ATP Koza Gıda Tarım Hayvancılık Sanayi ve Ticaret A.Ş. | Food and farming | Food |
| Konaklı Metal Madencilik Sanayi Ticaret A.Ş. | Mining | Mining |

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

## 2. Basis of presentation of condensed consolidated financial statements (continued)

### 2.2 Consolidation principles (continued)

As of September 30, 2020 and December 31, 2019 titles, capitals, effective ownership rates and minority rates of the subsidiaries of the Group are as follows:

**September 30, 2020**

| **Title** | **Direct ownership share (%)** | **Effective ownership share (%)** | **Minority share (%)** |
|---|---|---|---|
| Koza Anadolu Metal Maden. İşletmeleri A.Ş. | 52,25 | 52,25 | 47,75 |
| ATP İnşaat ve Ticaret A.Ş. | - | 51,75 | 48,25 |
| Koza Altın İşletmeleri A.Ş. (*) | - | 23,29 | 76,71 |
| Özdemir Antimuan Madenleri A.Ş. | - | 51,75 | 48,25 |
| ATP Havacılık Ticaret A.Ş. | - | 51,23 | 48,77 |
| ATP Koza Turizm Seyahat Ticaret A.Ş. | - | 51,75 | 48,25 |
| ATP Koza Gıda Tarım Hayvancılık San. ve Tic. A.Ş. | - | 51,75 | 48,25 |
| Konaklı Metal Madencilik Sanayi Ticaret A.Ş. | - | 37,48 | 62,52 |
| Koza İpek Tedarik Ticaret A.Ş. (**) | 28,00 | 52,88 | 47,12 |

December 31, 2019

| Title | Direct ownership share (%) | Effective ownership share (%) | Minority share (%) |
|---|---|---|---|
| Koza Anadolu Metal Maden. İşletmeleri A.Ş. | 52,25 | 52,25 | 47,75 |
| ATP İnşaat ve Ticaret A.Ş. | - | 51,75 | 48,25 |
| Koza Altın İşletmeleri A.Ş. (*) | - | 23,29 | 76,71 |
| Özdemir Antimuan Madenleri A.Ş. | - | 51,75 | 48,25 |
| ATP Havacılık Ticaret A.Ş. | - | 51,23 | 48,77 |
| ATP Koza Turizm Seyahat Ticaret A.Ş. | - | 51,75 | 48,25 |
| ATP Koza Gıda Tarım Hayvancılık San. ve Tic. A.Ş. | - | 51,75 | 48,25 |
| Konaklı Metal Madencilik Sanayi Ticaret A.Ş. | - | 37,48 | 62,52 |
| Koza İpek Tedarik Ticaret A.Ş. (**) | 28,00 | 52,88 | 47,12 |

(*) Although the effective ownership rate of the Group is less than 50%, it uses its dominance power to manage the financial and operating policies of the company in question.

(**) It is not included in the scope of consolidation due to its lack of significant impact. Ratio of total assets, revenue and net profit of the subsidiary not included in the scope of consolidation to consolidated total assets, revenue and net profit is below 1%.

(c) The shares of non-controlling shareholders in the net assets and operating results of subsidiaries are shown as "non-controlling interests" in the consolidated financial statements.

(d) Koza Altın İşletmeleri A.Ş. ("Koza Altın"), one of the subsidiaries of the Group, established UK-based Koza Ltd., in which it has a 100% share, to make mining ventures abroad on June 30, 2014. It has been understood that the control of the Group over its subsidiary Koza Ltd, which it consolidated until September 11, 2015, was lost as a result of the general meeting held on September 11, 2015. The legal process initiated by the CMB regarding the loss of control pursuant to its decision dated February 4, 2016 continues as of the balance sheet date. In its consolidated financial statements, the Group has presented Koza Ltd. under "Financial Investments" in non-current assets at a cost of Thousands TL 218.325.

(e) Group's consolidated participations located in Turkey until December 31, 2015, Bugün Televizyon Radyo ve Perakende A.Ş., Yaşam Televizyon Yayın Hizmetleri A.Ş. ve Koza İpek Basın ve Basım Sanayi ve Ticaret A.Ş. and subsidiaries Koza Prodüksiyon ve Ticaret A.Ş., Rek-Tur Reklam Pazarlama ve Ticaret Ltd. Şti. ve İpek Online Bilişim Hizmetleri Ltd. Şti. has not been included in the scope of consolidation since 2016 due to the official cancellation of the trade registry record with the Decree Law in 2016.

## 2. Basis of presentation of condensed consolidated financial statements (continued)

### 2.3. Accounting policies, changes in accounting estimates and errors

Accounting policy changes arising from the implementation of a new TAS / TFRS for the first time are applied retrospectively or prospectively in accordance with the transition provisions of the TAS / TFRS, if any. If there is no transition requirement, significant optional changes in accounting policies or detected accounting errors are applied retrospectively and the financial statements of the previous period are restated.
Changes in accounting estimates are applied in the current period when the change is made if they are related to only one period, and if they are related to future periods, they are applied both in the period of change and prospectively.

### 2.4 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated consolidated financial statements as at September 30, 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2020. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

### i) The new standards, amendments and interpretations which are effective as at January 1, 2020

**Definition of a Business (Amendments to TFRS 3)**

In May 2019, the POA issued amendments to the definition of a business in TFRS 3 Business Combinations standards. The amendments are intended to assist entities to remove the assessment regarding the definition of business.

The amendments:
- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after January 1, 2020 and apply prospectively.

The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform in connection with interest rate benchmark reform.

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in consolidated financial statements based on the amendments made in TFRS 7.

The amendments did not have an impact on the financial position or performance of the Group.

## 2. Basis of presentation of consolidated condensed financial statements (continued)

## 2.4 The new standards, amendments and interpretations (continued)

### i) The new standards, amendments and interpretations which are effective as at January 1, 2020 (continued)

**Definition of Material (Amendments to TAS 1 and TAS 8)**

In June 2019, the POA issued amendments to TAS 1 Presentation of Consolidated financial statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose consolidated financial statements make on the basis of those consolidated financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the consolidated consolidated financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after January 1, 2020. The amendments must be applied prospectively and earlier application is permitted.

The amendments did not have an impact on the financial position or performance of the Group.

**Amendments to TFRS 16 – Covid-19 Rent Related Concessions**

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021.
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after June 1, 2020. Early application of the amendments is permitted.

The Group disclosed the impact of the amendments on financial position or performance of the Group Note 2. The amendments did not have a significant impact on the financial position or performance of the Group.

### ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated consolidated financial statements and disclosures, when the new standards and interpretations become effective.

## 2. Basis of presentation of consolidated condensed financial statements (continued)

## 2.4 The new standards, amendments and interpretations (continued)

## ii) Standards issued but not yet effective and not early adopted (continued)

### TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

### TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after January 1, 2023; early application is permitted.

The standard will not have an impact on the financial position or performance of the Group.

### Amendments to TAS 1- Classification of liabilities as current and non-current liabilities

On March 12, 2020, the POA issued amendments to TAS 1 Presentation of Consolidated financial statements. The amendments issued to TAS 1 which are effective for periods beginning on or after January 1, 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

### Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after January 1, 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018).

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

## 2. Basis of presentation of consolidated condensed financial statements (continued)

## 2.4 The new standards, amendments and interpretations (continued)

### ii) Standards issued but not yet effective and not early adopted (continued)

**Amendments to TAS 16 – Proceeds before intended use**

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after January 1, 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first time adopters.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

**Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract**

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after January 1, 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

### iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the consolidated consolidated financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

**Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

In August 2020, the IASB issued Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings:

## 2. Basis of presentation of consolidated condensed financial statements (continued)

## 2.4 The new standards, amendments and interpretations (continued)

### iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA) (continued)

**Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform**

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
The practical expedient is required for entities applying IFRS 4 Insurance Contracts that are using the exemption from IFRS 9 Financial Instruments (and, therefore, apply IAS 39 Financial Instruments: Classification and Measurement) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

**Relief from discontinuing hedging relationships**

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.

- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.

- For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.

- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.

- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

**Separately identifiable risk components**

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

**Additional disclosures**

Amendments need additional IFRS 7 Financial Instruments disclosures such as;

How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

Overall, the Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

## 2. Basis of presentation of consolidated condensed financial statements (continued)

### 2.4 The new standards, amendments and interpretations (continued)

#### iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA) (continued)

**Annual Improvements – 2018–2020 Cycle**

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.

- TFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.

- TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted for all.

The Group is in the process of assessing the impact of the amendments / improvements on financial position or performance of the Group.

## 2. Basis of presentation of condensed consolidated financial statements (continued)

### 2.5 Summary of significant accounting policies

Interim financial statements for the period ending on September 30, 2020 have been prepared in accordance with TAS 34 standard for the preparation of interim financial statements of TAS / TFRS.

The interim financial statements for the period ending on September 30, 2020 have been prepared by applying accounting policies consistent with the accounting policies applied during the preparation of the financial statements for the year ending on December 31, 2019. Therefore, these interim financial statements should be evaluated together with the financial statements for the year ended December 31, 2019.

### 2.6 Significant accounting judgments estimates and assumptions

In the preparation of condensed consolidated financial statements, the Group management requires the use of estimates and assumptions that may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the amounts of income and expenses reported during the accounting period. Accounting judgments, estimates and assumptions are continuously evaluated by considering past experience, other factors and reasonable expectations about future events under current conditions. Necessary corrections are made and presented in the profit or loss statement in the period when it realized. Although these estimates and assumptions are based on management's best knowledge of current events and transactions, actual results may differ from their assumptions.

a) Mining assets consists of mine site development costs, mining rights, mining lands, deferred stripping costs and discounted costs associated with the improvement, rehabilitation and closure of mine sites. Mining assets are accounted in the consolidated financial statements with their net book value after deducting the accumulated depreciation and permanent impairment, if any, from their acquisition costs. Mining assets start to be amortized on a production basis according to producible ore reserve with the commencement of production. The depreciation expenses of the mining assets are associated with the production costs on the basis of the relevant mining sites.

Within the scope of long-term plan studies, which are regularly updated, the Group conducts studies to determine the remaining reserves of mining assets, revising the possible effects of employee benefit obligations, production-based depreciation calculations, and rehabilitation provisions within this scope.

The Group management reviews the estimates made in relation to the visible and probable mineral reserves in each balance sheet period. In certain periods, the Group management has independent professional valuation companies make valuation studies in accordance with the Australian Exploration Results, Mineral Resources and Gold Reserves 2012 Standards ("JORC") to determine the amount of visible, possible and probable mineral reserves and It is updated by or under the supervision of persons who have the competencies specified in. As of December 31, 2019, the aforementioned reserve and resource amounts were updated by the independent professional valuation Group "SRK Consulting" in line with the "JORC" standards.

Within the scope of these studies, the assumptions and methods used in determining the mineral reserves contain some uncertainties (such as gold prices, exchange rates, geographic and statistical variables), and the assumptions and methods developed in relation to the mineral reserve may change significantly depending on the availability of new information. The cost and depreciation of mining assets are adjusted prospectively based on these updates.

## 2. Basis of presentation of condensed consolidated financial statements (continued)

### 2.6 Significant accounting judgments estimates and assumptions (continued)

b) Mining assets are amortized using the "production" method and the visible and possible gold reserve amount is used to calculate the depreciation rate. Other tangible assets, both movable and fixed, other than mining assets are depreciated using the straight-line method over their useful lives, limited with lifetime of the mines they are related to. The depreciation amounts calculated on the basis of the visible and possible gold reserves and using the production units method may vary between periods and for some mining assets, the depreciation may be affected by the deviation between the actual and estimated production amounts. These differences arise from the variables or assumptions stated below;

- Changes in the amount of visible and possible gold reserves as a result of the work done,
- The reserve's tenor ("grade") ratio, which can vary significantly from time to time,
- The actual gold price and the estimated gold price taken into account in reserve valuation and tenor determination studies,
- Other matters that may occur in the mine sites and cannot be predicted in advance and may affect the activities,
- Unpredictable changes in mining, processing and rehabilitation costs, discount rates, exchange rate changes,
- The effects of changes in mineral life on the useful life of tangible assets depreciated with the straight-line method and whose useful life are limited to the mine life.

The impairment tests performed by the Group management depend on the management's estimates about the future gold prices, current market conditions, exchange rates and pre-tax discount rate together with the relevant project risk. The recoverable value of the cash-generating units is determined as the higher one from the use value of the relevant cash-generating unit or its fair value after deducting sales costs. These calculations require the use of some assumptions and estimates. Changes in assumptions and estimates based on gold prices may affect the useful lifes of mines, and conditions may arise that may require adjustment on the carrying values of both goodwill and related assets.

Assets are grouped as independent and smallest cash generating units. If an impairment indicator is determined, estimates and assumptions are established for the cash flows to be obtained from each cash-generating unit determined. Impairment tests of both tangible assets and goodwill contain a certain amount of uncertainty due to the estimates and assumptions used. This uncertainty arises from the amount of visible and possible workable gold reserves used, current and future predicted gold prices, discount rates, exchange rates and estimated production costs.

## 2. Basis of presentation of condensed consolidated financial statements (continued)

### 2.6 Significant accounting judgments estimates and assumptions (continued)

c) Amount of provisions reflected in condensed consolidated financial statements regarding environmental rehabilitation, improvement of mine sites and closure of mine sites is based on the plans of the Group management and the requirements of the relevant legal regulations. Changes in the aforementioned plans and legal regulations, up-to-date market data and prices, discount rates used, changes in estimates based on mineral resources and reserves may affect provisions.

As of September 30, 2020, the Group reassessed the provision amounts due to changes in discount rates, costs, production areas subject to rehabilitation and reserve lifetimes. The Group evaluates the mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation due to the large number of factors that may affect the final liability to be paid. These factors include estimates of the scope and cost of rehabilitation activities, technological changes, changes in regulations, cost increases proportional to inflation rates and changes in net discount rates (September 30, 2020: 0.08%, December 31, 2019: 2%). These uncertainties may cause future expenditures to differ from the amounts estimated today.

The provision amount at the reporting date represents the best estimate of the present value of future rehabilitation costs. Changes in estimated future costs are accounted in the balance sheet by increasing or decreasing the rehabilitation obligation or asset if the initial estimate was initially recognized as part of an asset measured in accordance with TAS 16 Property, plant and equipment. Any reduction in the rehabilitation obligation and hence any reduction in the rehabilitation asset cannot exceed the carried value of that asset. In case of excess, the amount exceeding the carried value is immediately taken to profit or loss.

d) Deferred tax assets are recorded when it is determined that it is possible to generate taxable income in the coming years. In cases where taxable income is likely to occur, deferred tax assets are calculated over temporary differences. The Group management, as a result of its assessment, has been recognized as a deferred tax asset for financial losses that can be used within a predictable period and within the framework of tax laws. This evaluation is based on the assumptions used that the related subsidiary has taxable profit in the future periods.

e) As the Group operates in the mining industry, it is exposed to many risks arising from laws and regulations. As of the balance sheet date, The results of current or future legal practices can be estimated within a certain ratio, based on the past experiences of the Group management and as a result of the legal consultancy received. Negative effects of a decision or application that may be taken against the Group may significantly affect the activities of the Group. As of September 30, 2020, there is no legal risk expected to significantly affect the activities of the Group.

f) At the stage of determining the amount of the provision for the lawsuits, the management consider the possibility of the ongoing lawsuits to be concluded against the Group and the legal advisors' evaluation of the consequences that may arise in case these lawsuits are concluded against the Group. The Group management makes the best estimate based on the information provided.

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

## 2.7 Comparative information and correction of previous period financial statements

The financial statements of the Group are prepared in comparison with the previous period in order to allow the determination of financial status and performance trends. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when necessary and significant differences are explained.

- Blocked deposits amounting to TL 86.842, which were accounted under cash and cash equivalents in the consolidated statement of financial position as of December 31, 2019, were classified into financial investments.

- Tax payable amounting to TL 8.649, which was accounted under other short-term liabilities in the consolidated statement of financial position dated December 31, 2019, was classified into payables related to employee benefits.

- VAT refund receivables amounting to TL 8.868, which were accounted under other receivables from third parties in the consolidated statement of financial position as of December 31, 2019, were classified into other non-current assets.

- VAT refund receivables amounting to TL 37.562, which were accounted under other current assets in the consolidated statement of financial position as of December 31, 2019, were classified into other non-current assets.

- Other receivables amounting to TL 96.872, which were accounted under short-term receivables from related parties in the consolidated financial statement of financial position dated December 31, 2019, were classified into other long-term receivables from related parties.

Apart from the reclassifications explained above, the following adjustments have been made in the previous period consolidated financial statements;

During the preparation of the consolidated financial statements dated September 30, 2020, it was determined that an error was made in the calculation of the non-controlling interests in the previous period financial statements. For this reason, the amounts of the parent company and non-controlling interests as of January 1, 2019 and December 31, 2019 have been reclassified.

| Statement of financial position | Previously reported January 1, 2019 | Reclassified January 1, 2019 | Classification |
|---|---|---|---|
| Equity of parent company | 939.698 | 712.327 | (227.371) |
| Non-controlling interests | 3.362.423 | 3.589.794 | 227.371 |
| | | | - |

| Statement of financial position | Previously reported January 1, 2019 | Reclassified January 1, 2020 | Classification |
|---|---|---|---|
| Equity of parent company | 1.350.244 | 1.122.873 | (227.371) |
| Non-controlling interests | 4.726.362 | 4.953.733 | 227.371 |
| | | | - |

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

## 3. Segment reporting

The Group's reporting according to the operating segments made in accordance with TFRS 8 as of September 30, 2020 is presented as follows:

| | Mine | Transportation | Tourism | Consumer | Elimination adjustments | Total |
|---|---|---|---|---|---|---|
| Current assets | 6.847.021 | 7.644 | 5.964 | 46.793 | (462.094) | 6.445.328 |
| Non-current assets | 3.388.276 | 232.972 | 140.981 | 18.558 | (1.977.649) | 1.803.138 |
| **Total assets** | **10.235.297** | **240.616** | **146.945** | **65.351** | **(2.439.743)** | **8.248.466** |
| Current liabilities | 1.215.510 | 313.504 | 7.738 | 39.627 | (998.659) | 577.720 |
| Non-current liabilities | 223.282 | 1.000 | 70 | 1.019 | (10) | 225.361 |
| Equity | 8.796.505 | (73.888) | 139.137 | 24.705 | (1.441.074) | 7.445.385 |
| **Total liabilities** | **10.235.297** | **240.616** | **146.945** | **65.351** | **(2.439.743)** | **8.248.466** |
| **Continuing operations** | | | | | | |
| Sales | 2.327.476 | 2.009 | - | 39.115 | - | 2.368.600 |
| Cost of sales (-) | (758.045) | (13.260) | - | (37.793) | 14 | (809.084) |
| **Gross profit / loss** | **1.569.431** | **(11.251)** | **-** | **1.322** | **14** | **1.559.516** |
| Research and development expenses (-) | (78.414) | - | - | - | - | (78.414) |
| Marketing expenses (-) | (3.981) | - | - | (2.933) | - | (6.914) |
| General administrative expenses (-) | (162.896) | (241) | (2.911) | (2.176) | 3.895 | (164.329) |
| Other operating income | 164.643 | 12.089 | 1.075 | 1.694 | (95.919) | 83.582 |
| Other operating expenses (-) | (100.872) | (48.905) | (5.515) | (873) | 84.641 | (71.524) |
| **Operating profit / loss** | **1.387.911** | **(48.308)** | **(7.351)** | **(2.966)** | **(7.369)** | **1.321.917** |
| Income / expense from investing activities, net | 489.713 | 206 | 3.789 | 489 | (18.003) | 476.194 |
| Financial income | 6.447 | - | - | - | (6.447) | - |
| Financial expenses (-) | (26.328) | (3.930) | (110) | (2.391) | 31.819 | (940) |
| **Profit / loss before tax from continuing operations** | **1.857.743** | **(52.032)** | **(3.672)** | **(4.868)** | **-** | **1.797.171** |
| **Tax income /expense from continuing operations** | **(423.912)** | **820** | **(598)** | **635** | **-** | **(423.055)** |
| Current period tax expense | (416.810) | **-** | **-** | **-** | **-** | (416.810) |
| Deferred tax income / expense | (7.102) | 820 | (598) | 635 | **-** | (6.245) |
| **Profit / (loss) for the period** | **1.433.831** | **(51.212)** | **(4.270)** | **(4.233)** | **-** | **1.374.116** |

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

## 3. Segment reporting (continued)

The reporting of the Group as of September 30 and December 31, 2019 according to the operating segments in accordance with TFRS 8 is presented as follows:

| December 31, 2019 | Mining | Transportation | Tourism | Consumer | Elimination adjustments | Total |
|---|---|---|---|---|---|---|
| Current assets | 5.552.747 | 17.006 | 20.071 | 49.648 | (492.906) | 5.146.566 |
| Non-current assets | 2.806.518 | 52.909 | 125.981 | 15.170 | (1.441.056) | 1.559.522 |
| Total assets | 8.359.265 | 69.915 | 146.052 | 64.818 | (1.933.962) | 6.706.088 |
| Current liabilities | 804.266 | 92.397 | 2.597 | 35.046 | (492.729) | 441.577 |
| Non-current liabilities | 186.741 | 222 | 48 | 894 | - | 187.905 |
| Equity | 7.368.258 | (22.704) | 143.407 | 28.878 | (1.441.233) | 6.076.606 |
| Total liabilities | 8.359.265 | 69.915 | 146.052 | 64.818 | (1.933.962) | 6.706.088 |

| January 1 – September 30, 2019 | Mining | Transportation | Tourism | Food | Elimination adjustments | Total |
|---|---|---|---|---|---|---|
| Continuing operations | | | | | | |
| Sales | 1.919.127 | 9.705 | -- | 32.608 | (9) | 1.961.431 |
| Cost of sales (-) | (641.246) | (16.308) | -- | (28.169) | -- | (685.723) |
| Gross profit /(loss) | 1.277.881 | (6.603) | -- | 4.439 | (9) | 1.275.708 |
| Research and development expenses (-) | (49.325) | -- | -- | -- | -- | (49.325) |
| Marketing expenses (-) | (3.963) | -- | -- | (2.115) | -- | (6.078) |
| General administrative expenses (-) | (116.571) | (274) | (2.119) | (1.878) | 601 | (120.241) |
| Other operating income | 59.898 | 354 | 2.030 | 219 | (4.819) | 57.682 |
| Other operating expenses (-) | (52.044) | (3.045) | (3.098) | (65) | 4.229 | (54.023) |
| Operating profit/ (loss) | 1.115.876 | (9.568) | (3.187) | 600 | 2 | 1.103.723 |
| Income /expense from investing activities, net | 495.847 | (190) | 702 | 149 | -- | 496.508 |
| Financial income | 45.860 | -- | -- | -- | (42.582) | 3.278 |
| Financial expense (-) | (36.268) | (4.628) | -- | (3.317) | 42.580 | (1.633) |
| Profit /loss before tax from continuing operations | 1.621.315 | (14.386) | (2.485) | (2.568) | -- | 1.601.876 |
| Tax income /expense from continuing operations | (351.892) | 6.994 | 17.066 | (2.292) | -- | (330.124) |
| Current period tax expense | (366.590) | -- | -- | -- | -- | (366.590) |
| Deferred tax income /expense | 14.698 | 6.994 | 17.066 | (2.292) | -- | 36.466 |
| Profit/ (loss) for the period | 1.269.423 | (7.392) | 14.581 | (4.860) | -- | 1.271.752 |

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

## 4. Cash and cash equivalents

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| Cash | **269** | 230 |
| Banks | | |
| - Demand deposits | **6.908** | 4.238 |
| - Time deposits | **5.803.461** | 4.622.805 |
| Other cash and cash equivalents | **156** | 42 |
| **Total** | **5.810.794** | 4.627.315 |
| Less: Interest accruals | **(27.692)** | (27.252) |
| **Cash and cash equivalents presented in the cash flow statement** | **5.783.102** | 4.600.063 |

The details of the Group's time deposits as of September 30, 2020 are as follows;

| **Currency** | **Interest rate** | **Maturity** | **Currency amount** | **TL Equivalent** |
|---|---|---|---|---|
| TL | **%11,75 - %13** | **34 - 36 Days** | **5.693.571** | **5.693.571** |
| USD | **%2,00 - %2,15** | **35 Days** | **14.074** | **109.890** |
| **Total** | | | | **5.803.461** |

The details of the Groups time deposits as of December 31, 2019 are as follows;

| Currency | Interest rate | Maturity | Currency amount | TL Equivalent |
|---|---|---|---|---|
| TL | %18-%23 | 43 Days | 3.963.983 | 3.963.983 |
| USD | %3-%4,25 | 13 Days | 110.909 | 658.822 |
| Total | | | | 4.622.805 |

The Group's blocked deposits of TL 58.601 have been presented under financial investments account (December 31, 2019: TL 86.842).

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

## 5. Financial investments

Financial investments of the Group as of September 30, 2020 and December 31, 2019 are as follows;

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| Shares in subsidiaries (*) | 218.423 | 218.423 |
| Blocked deposits | 58.600 | 86.842 |
| Bonds and bills (**) | - | 12.069 |
| **Total** | **277.023** | 317.334 |

(*) With the decisions taken at the General Assembly meeting held on September 11, 2015 and the amendment of the articles of association on the same date of Koza Ltd. which is the subsidiary of the Company with 100% share, two A Group shares each worth 1 GBP ("GBP") and the control has transferred to A Group shareholders. Pursuant to the amendment to the articles of association made as of September 11, 2015, savings regarding all operational and managerial activities of Koza Ltd., decision and approval of the articles of association, approval of liquidation transactions and share transfer transactions, etc. rights are given to directors. As a result of the mentioned changes, the Group has lost the control over Koza Ltd. and Koza Ltd. was excluded from the scope of consolidation. It has been accounted in the consolidated financial statements at cost since the date the control has ended. As of the report date, fair value measurement could not be calculated due to uncertainties arising from the ongoing legal processes about Koza Ltd.

(**) As of December 31, 2019, the bonds and bills are in US Dollars and the average interest rate of the said bonds and bills are 3,94%. There isn't any bonds and bills as of September 30, 2020.

## 6. Inventories

The inventories of the Group as of September 30, 2020 and December 31, 2019 are as follows;

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| Gold and silver in the production process and gold and silver bars | 186.075 | 122.980 |
| Ready to be processed mined ore clusters | 142.519 | 117.667 |
| Chemicals and operating materials | 94.367 | 60.571 |
| Spare parts (*) | 66.615 | 79.712 |
| Other inventories (**) | 19.569 | 19.374 |
| **Total** | **509.145** | 400.304 |

(*) Spare parts are used for the ongoing operations of the gold mines that continue their operations.

(**) Other inventories consist of food and concentrated antimony stocks.

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

## 7. Investment properties

Investment properties of the Group as of September 30, 2020 and 2019 are as follows;

| | January 1, 2020 | Additions | Disposals | September 30, 2020 |
|---|---|---|---|---|
| **Cost** | | | | |
| Flats | 86.415 | 18.500 | - | 104.915 |
| Dormitory buildings | 29.187 | - | - | 29.187 |
| Hotel | 175.534 | 2.177 | (56) | 177.655 |
| **Total** | **291.136** | **20.677** | **(56)** | **311.757** |
| **Accumulated depreciation** | | | | |
| Flats | 7.111 | 1.401 | - | 8.512 |
| Dormitory buildings | 3.568 | 385 | - | 3.953 |
| Hotel | 66.709 | 3.555 | (56) | 70.208 |
| **Total** | **77.388** | **5.341** | **(56)** | **82.673** |
| **Net book value** | **213.748** | | | **229.084** |

| | January 1, 2019 | Additions | September 30, 2019 |
|---|---|---|---|
| Cost | | | |
| Flats | 89.978 | - | 89.978 |
| Dormitory buildings | 25.625 | - | 25.625 |
| Hotel | 174.835 | 699 | 175.534 |
| Total | 290.438 | 699 | 291.137 |
| Accumulated depreciation | | | |
| Flats | 5.697 | 1.386 | 7.083 |
| Dormitory buildings | 2.686 | 337 | 3.023 |
| Hotel | 61.836 | 3.660 | 65.496 |
| Total | 70.219 | 5.383 | 75.602 |
| Net book value | 220.219 | | 215.535 |

Investment properties amounting of Thousand TL 86.415 in the flats are located in United Kingdom, and members of the İpek Family live in these apartments. Due to the current legal processes, the lease agreement has not been signed. When the legal processes are end, the necessary evaluations will be made by the Group management in accordance with the market practices.

Investment properties amounting of Thousand TL 29.187 of the in the dormitory buildings consist of the dormitory building in Gümüşhane and Bergama. There isn't any rental agreement.

Within the scope of the lease contract of Angel's Hotel and Royal Garden Hotel, which are owned by Koza Turizm, the Group has obtained a rental income of Thousand TL 3.668 between January 1 - September 30, 2020 (January 1 - September 30, 2019: Thousand TL 3.971). As of September 30, 2020, there are annotations placed by the General Directorate of National Real Estate on the Group's real estates in Turkey.

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

## 8. Property, plant and equipment

The property, plant and equipment of the Group as of September 30, 2020 and December 31, 2019 are as follows:

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| Mining assets | 232.325 | 222.055 |
| Other tangible assets | 470.403 | 427.033 |
| **Total** | **702.728** | 649.088 |

### a) Mining assets

As of September 30, 2020 and December 31, 2019, mining assets consists of mining rights, mine site development costs, deferred stripping costs, mining lands and closing and rehabilitation of mines, and the net book values of these mining assets are as follows.

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| Lands | 29.170 | 27.960 |
| Mine site development cost | 114.467 | 104.695 |
| Deferred stripping costs | 14.111 | 16.646 |
| Rehabilitation mining facility | 37.864 | 44.791 |
| Mining rights | 36.713 | 27.963 |
| **Total** | **232.325** | 222.055 |

The movements of mining assets during the period as of September 30, 2020 and 2019 are as follows;

| | **January 1, 2020** | **Additions** | **Disposals** | **September 30, 2020** |
|---|---|---|---|---|
| **Cost** | | | | |
| Lands | 60.607 | 5.151 | - | 65.758 |
| Mine site development cost | 415.548 | 19.737 | - | 435.285 |
| Deferred stripping costs | 246.609 | 15.619 | - | 262.228 |
| Rehabilitation mining facility | 184.922 | 57.921 | | 242.843 |
| Mining rights | 40.895 | 9.206 | (105) | 49.996 |
| **Total** | **948.581** | **107.634** | **(105)** | **1.056.110** |
| **Accumulated depreciation** | | | | |
| Lands | 32.647 | 3.941 | - | 36.588 |
| Mine site development cost | 310.853 | 9.965 | - | 320.818 |
| Deferred stripping costs | 229.963 | 18.154 | - | 248.117 |
| Rehabilitation mining facility | 140.131 | 64.848 | - | 204.979 |
| Mining rights | 12.932 | 351 | - | 13.283 |
| **Total** | **726.526** | **97.259** | **-** | **823.785** |
| | | | **-** | |
| **Net book value** | **222.055** | | | **232.325** |

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

## 8. Property, plant and equipment (continued)

### a) Mining assets (continued)

| | January 1, 2019 | Additions | September 30, 2019 |
|---|---|---|---|
| Cost | | | |
| Lands | 60.321 | 86 | 60.407 |
| Mine site development cost | 452.889 | 30.818 | 483.707 |
| Deferred stripping costs | 223.389 | 18.999 | 242.388 |
| Rehabilitation of mining facility | 142.728 | 29.338 | 172.066 |
| Mining rights | 28.235 | 12.638 | 40.873 |
| Total | 907.562 | 91.879 | 999.441 |
| Accumulated depreciation | | | |
| Lands | 27.027 | 4.380 | 31.407 |
| Mine site development cost | 288.594 | 14.117 | 302.711 |
| Deferred stripping costs | 186.388 | 24.331 | 210.719 |
| Rehabilitation of mining facility | 73.095 | 40.787 | 113.882 |
| Mining rights | 12.404 | 410 | 12.814 |
| Total | 587.508 | 84.025 | 671.533 |
| Net book value | 320.054 | | 327.908 |

Depreciation expenses are included in the cost of goods sold.

There isn't any mortgage on mining assets as of September 30, 2020 (December 31, 2019: None). As of September 30, 2020, the insurance amount on the tangible assets and inventories of the Group is 173.808 TL (September 30, 2019: TL 20.667).

The cost of the lands, mining rights and mine site development cost of the Group, which have been fully depreciated as of September 30, 2020, but in use, are amounting to TL 67.194 (September 30, 2019: TL 19.996).

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

## 8. Property, plant and equipment (continued)

### b) Other tangible assets

Movements of other tangible assets during the period as of September 30, 2020 and December 31, 2019 are as follows;

| | January 1, 2020 | Additions | Disposals | September 30, 2020 |
|---|---|---|---|---|
| **Cost** | | | | |
| Land, buildings and land improvements | 321.592 | 3.324 | (59) | 324.857 |
| Machinery and equipment | 683.770 | 42.446 | (87) | 726.129 |
| Motor vehicles | 137.661 | 30.596 | (240) | 168.017 |
| Furniture and fixtures | 61.859 | 5.141 | (99) | 66.901 |
| Construction in progress (*) | 12.899 | 34.891 | (1.709) | 46.081 |
| **Total** | **1.217.781** | **116.398** | **(2.194)** | **1.331.985** |
| **Accumulated depreciation** | | | | |
| Buildings and land improvements | 145.697 | 20.674 | (3) | 166.368 |
| Machinery and equipment | 514.126 | 30.867 | (8) | 544.985 |
| Motor vehicles | 91.424 | 14.661 | (97) | 105.988 |
| Furniture and fixtures | 39.501 | 4.787 | (47) | 44.241 |
| **Total** | **790.748** | **70.989** | **(155)** | **861.582** |
| **Net book value** | **427.033** | | | **470.403** |

(*) As of September 30, 2020, disposals from construction in progress account consists of the investments made by Group related to the canceled Söğüt project.

| | January 1, 2019 | Additions | Disposals | Transfers | September 30, 2019 |
|---|---|---|---|---|---|
| Cost | | | | | |
| Land, buildings and land improvements | 294.030 | 5.061 | (252) | 20.134 | 318.973 |
| Machinery and equipment | 640.091 | 28.958 | (8) | 1.205 | 670.246 |
| Motor vehicles | 134.135 | 3.932 | (420) | -- | 137.647 |
| Furniture and fixtures | 54.352 | 5.230 | (47) | 52 | 59.587 |
| Construction in progress (*) | 21.271 | 6.801 | -- | (20.782) | 7.290 |
| Total | 1.143.879 | 49.982 | (727) | 609 | 1.193.743 |
| Accumulated depreciation | | | | | |
| Buildings and land improvements | 119.411 | 16.983 | -- | 848 | 137.242 |
| Machinery and equipment | 475.436 | 28.318 | -- | -- | 503.754 |
| Motor vehicles | 73.392 | 13.699 | (320) | -- | 86.771 |
| Furniture and fixtures | 32.491 | 5.119 | (40) | 42 | 37.612 |
| Total | 700.730 | 64.119 | (360) | 890 | 765.379 |
| Net book value | 443.149 | | | | 428.364 |

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

## 9. Intangible assets

### a) Goodwill

The details of the Group's intangible assets as of September 30, 2020 and December 31, 2019 are as follows:

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| Goodwill related to Newmont Altın purchase | 11.232 | 11.232 |
| Goodwill related to Mastra purchase | 2.785 | 2.785 |
| Goodwill related to ATP Koza Turizm Seyahat ve Ticaret A.Ş. purchase | 1.340 | 1.340 |
| Other | 416 | 416 |
| **Total** | 15.773 | 15.773 |

***Purchase of Newmont Altın:***

The Group purchased 99.84% of Newmont Altın's shares in order to gain competitive advantage and create synergy by benefiting from the mining fields owned by Newmont Altın on June 28, 2010, in accordance with the "Share Purchase Agreement" with Newmont Overseas and Canmont. As of the same date, control of Newmont Altın was transferred to Koza Altın.

Koza Altın has paid Thousand USD 538 and Thousand USD 2.462 , which constitute part of the total purchase price of 8.500 Thousand US dollars, for 99.84% Newmont Altın shares, on June 28, 2010 and July 2, 2010, respectively. The remaining 5.500 thousand USD of the purchase price, Thousand US dollars 3.000 will be paid after the start of the Diyadin project, which is planned for at least one year after the balance sheet date, and the remaining Thousands US dollars 2.500 will be paid one year after the second payment.

As of September 30, 2020, it is highly probable that a sufficient amount of visible and probable reserves will be found in the mentioned mine sites in the coming years according to the estimates of the gold price made by the management, geological and geochemical studies and expert reports,. As a result of these evaluations, no impairment is expected in the goodwill arising from the acquisition of Newmont Altın as of September 30, 2020.

***Purchase of Mastra Madencilik:***

The Group has acquired 50.43% of Mastra Madencilik, which previously owned 49.57% of its founding shares, to Dedeman Holding A.Ş. and Dedeman Family for Thousand TL 4.241 in exchange of Thousand US dollars 3.217 on August 12, 2005. The difference of Thousand TL 2.785 between the fair value of the net assets obtained in return for the purchase is reflected in the financial statements as goodwill. Mastra Madencilik has legally merged under Koza Altın as of September 15, 2005 in parallel with the Turkish Commercial Code and the Corporate Tax Law.

As a result of the impairment tests performed over the fair value after the costs required for sales, no impairment was detected in the goodwill generated by the acquisition of Mastra Madencilik as of September 30, 2020. Since the price of gold on an ounce basis is an independent market data, the Group uses the impairment test by deducting the net book value of the mining assets and other tangible and intangible assets in the site from the amount of visible and probable workable reserve amount valued at current market prices by comparing the value of the probable workable net reserve with the carried value of the goodwill.

Since the net value of the visible and probable net reserve after deducting the cost of the relevant investments is higher than the carried value of the goodwill, no impairment was detected.

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

## 9. Intangible assets (continued)

### b) Other intangible assets

| | **January 1, 2020** | **Additions** | **September 30, 2020** |
|---|---|---|---|
| **Cost** | | | |
| Rights | 11.727 | 123 | 11.850 |
| Total | **11.727** | **123** | **11.850** |
| **Accumulated amortization** | | | |
| Rights | 10.196 | 839 | 11.035 |
| Total | **10.196** | | **11.035** |
| **Net book value** | **1.531** | | **815** |

| | January 1, 2019 | Additions | Disposals | Transfers | September 30, 2019 |
|---|---|---|---|---|---|
| Cost | | | | | |
| Rights | 10.929 | 884 | (18) | (371) | 11.424 |
| Total | 10.929 | 884 | (18) | (371) | 11.424 |
| Accumulated amortization | | | | | |
| Rights | 8.446 | 1.981 | (18) | (652) | 9.757 |
| Total | 8.446 | 1.981 | (18) | (652) | 9.757 |
| Net book value | 2.483 | | | | 1.667 |

## 10. Provisions, contingent assets and liabilities

As of September 30, 2020 and December 31, 2019, the details of the Group's provisions, contingent assets and liabilities are as follows:

### a) Short-term provisions

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| State right expense provision | 151.888 | 107.470 |
| Environmental rehabilitation, rehabilitation of mining sites and mine closure provision | 78.696 | 45.582 |
| Provisions for lawsuit | 23.896 | 12.972 |
| Other provisions | 27.346 | 3.814 |
| **Total** | **281.826** | 169.838 |

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

## 10. Provisions, contingent assets and liabilities (continued)

### b) Long-term provisions

The movement table of environmental rehabilitation, improvement of mining sites and provision for mine closure is as follows;

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| Environmental rehabilitation, rehabilitation of mining sites and mine closure provision | 135.205 | 125.359 |
| **Total** | **135.205** | 125.359 |

The movement table of environmental rehabilitation, improvement of mining sites and provision for mine closure is as follows;

| | **2020** | 2019 |
|---|---|---|
| **January 1** | 170.941 | 133.385 |
| Paid during the period | (27.796) | (6.888) |
| Discount effect | 15.085 | 9.101 |
| Currency effect | 53.750 | 10.094 |
| Effect of changes in estimates and assumptions | 6.917 | 13.261 |
| Additions / (cancellations), net | (4.996) | 1.389 |
| **September 30** | **213.901** | 160.342 |

### c) Provisions for employee benefits

### i- Short-term provisions for employee benefits

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| Provision for unused vacation | 10.286 | 10.641 |
| **Total** | **10.286** | 10.641 |

The movement of provision for unused vacation is as follows;

| | **2020** | 2019 |
|---|---|---|
| January 1 | **10.641** | 7.272 |
| Additions / (cancellations), net | **(355)** | 2.193 |
| **September 30** | **10.286** | 9.465 |

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

## 10. Provisions, contingent assets and liabilities (continued)

### c) Provisions for employee benefits (continued)

### ii- Long-term provisions for employee benefits

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| Provision for employee termination benefits | 36.861 | 29.382 |
| **Total** | **36.861** | 29.382 |

Under the Turkish Labour Law, the Group is required to pay employment termination benefits to each employee who has qualified for such benefits as the employment ended. Also, employees who are entitled to a retirement are required to be paid retirement pay in accordance with Law No: 2422 dated March 6, 1981 and No: 4447 dated August 25, 1999 and the amended Article 60 of the existing Social Insurance Code No: 506. Some transition provisions related to the pre-retirement service term were excluded from the law since the related law was changed as of May 23, 2002.

The compensation to be paid is equal to the monthly salary for each service year and this amount is limited to TL 7.117,17 as of September 30, 2020 (December 31, 2019: TL 6.379,86).

The provision for severance pay is not subject to any funding and there is no funding requirement.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the real rate net of expected effects of inflation. The severance pay ceiling is revised in every six months, and the ceiling amount of TL 7.117,17 (July 1, 2019: TL 6.379,86) as of July 1, 2020 was taken into consideration in the calculation of the provision for severance pay. TFRS requires actuarial valuation methods to be developed to estimate the provision for severance pay. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| Net discount rate | %3,70 | %1,29 |
| Turnover rate related the probability of retirement (rate of employees to remain retirement) | %96,89 | %92,62 |

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

## 10. Provisions, contingent assets and liabilities (continued)

### c) Provisions for employee benefits (continued)

### ii- Long-term provisions for employee benefits (continued)

The movements of the provision for severance pay within the accounting periods of September 30, 2020 and September 30, 2019 are as follows:

| | **2020** | 2019 |
|---|---:|---:|
| **January 1** | **29.382** | 24.285 |
| Interest cost | 2.643 | 123 |
| Service cost | 6.550 | 4.864 |
| Actuarial loss / (gain) | (251) | 3.158 |
| Severance paid | (1.463) | (2.458) |
| **September 30** | **36.861** | 29.972 |

Severance pay liability is not legally subject to any funding. Provision for severance pay is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 ("Employee Benefits") stipulates the development of Group's liabilities within the scope of defined benefit plans by using actuarial valuation methods.

The sensitivity analysis of the important assumptions used in the calculation of the severance pay provision as of September 30, 2020 is as follows:

| | **Discount rate** | | **Rate of retirement** | |
|---|---:|---:|---:|---:|
| | %0,50 increase | %0,50 decrease | %0,50 increase | %0,50 decrease |
| **2020** | (2.157) | 2.431 | 598 | (538) |

### d) Important ongoing cases

### i- Lawsuits related to the Ovacık mine

For the cancellation of the EIA positive decision issued for the Ovacık 3rd waste storage facility, the İzmir 3rd Administrative Court's case numbered 2017/1432 E. was filed against the Ministry of Environment and Urbanization, and the Company intervened to the case. The court delivered a judgement of dismissal on March 12, 2020, in favor of the Company, which is open to appeal to the Council of State. It was appealed by the plaintiffs with a request for a stay of execution. The Council of State rejected the plaintiffs' request for a stay of execution with an interim decision dated June 18, 2020. The trial is ongoing.

For the cancellation of the EIA affirmative decision issued for the Ovacık gold mine in accordance with the provisions of the 2009/7 circular, Izmir 6th Administrative Court's case numbered 2017/1317 E. was filed against the Ministry of Environment and Urbanization and the Company intervened to the case. İzmir 6th Administrative Court rejected the case in favor of the Company in the case file numbered 2017/1317 E., and the Council of State dismissed the appeal requests of the plaintiffs and ordered to change of venue by delivering the file to the local court for procedural rules of law, not for the substantive ones.. In this respect, the trial continues and does not affect the activities of the Company. Therefore, the Company continues activities of production within the scope of the relevant EIA affirmative report.

The results of other lawsuits regarding the Ovacık gold mine are not such as to affect the Company's activities.

## 10. Provisions, contingent assets and liabilities (continued)

### d) Important ongoing cases (continued)

### ii- Lawsuits related to Kaymaz mine

The Company has filed lawsuits in Eskisehir 1st Administrative Court numbered 2014/1084 E. and Eskişehir 1st Administrative Court numbered 2014/760 E. requesting cancellation and stay of execution against the operations related to the cessation of operations in the agricultural lands of the Kaymaz gold mine located in the field bearing aregistration number of 43539 and 82567. Among these lawsuits, with respect to the lawsuit numbered 2014/760 E. in Eskisehir 1st Administrative Court filed regarding the field with license number of İR 43539 and the lawsuit numbered 2014/1084 E. regarding the field with license number of İR 82567; the court ordered to the cancellation of proceedings subject to the case, with open appeal. Both cases were concluded in favor of the Company. Upon the appeal of the plaintiffs in both files, the Council of State ordered to suspend the execution of the court decisions. Substantial examination of the appeal continues in terms of both files and the trial is ongoing.

The Company intervened in the case along with the defendant Ministry of Environment and Urbanization which was filed for the cancellation and stay of execution of the EIA affirmative decision given regarding the 2nd Waste Storage Facility project planned to be made in the field site with the operation license number of 82567 and the trial is ongoing.

### iii- Lawsuits related to other mines

These lawsuits are related to the expansion of the activities in some licensed fields and / or the permits and licenses of the new areas to be operated.

**Lawsuits related to Çukuralan mine:**

A lawsuit numbered 2017/1656 E. was filed against the Ministry of Environment and Urbanization in İzmir 6th Administrative Court for the cancellation of the EIA affirmative report issued for the 3rd capacity increase project of Çukuralan mining facility, and the Company intervened in the case. In the file, an exploratory examination was carried out by the expert and court committee on April 4, 2018. On August 9, 2018, the court ordered to a stay of execution and the transaction in question was canceled with the court decision dated September 28, 2018. As a result of the appeal review by the Council of State, the decision of the local court was overturned by the decision numbered 2018/5434 E. and 2019/1606 K. dated March 5, 2019 in favor of the Company on grounds that it was inappropriate. The trial continues in Izmir 6th Administrative Court with the case number of 2019/574. The Company continues its activities with the EIA affirmative report received within the scope of 3rd capacity increase 2009/7.

**Lawsuit related to Çanakkale project:**

In the lawsuit filed for the annulment and suspension of the EIA positive decision regarding the S: 201001197 Gold and Silver Mine Project, which is planned to be made in the vicinity of Serçiler and Terziler villages in the central district of Çanakkale, the company intervenes with the Ministry of Environment and Urbanization. The trial is ongoing.

## 10. Provisions, contingent assets and liabilities (continued)

### d) Important ongoing cases (continued)

### iv- Lawsuits regarding the company's subsidiary abroad

Legal actions has been initiated against the amendment in the main contract and establishment of privileged share as well as the board change with respect to London-based Koza Ltd., in which the Company owns 100% shares, and the legal process is ongoing before London courts. On the date of January 23, 2019, it has been decided by the 10th Commercial Court of First Instance of Ankara (case file number 2017/349 E) with an open appeal within two weeks from the notification date that 60.000.000 British Pounds shall be taken from the defendants to Koza Altın İşletmeleri A.Ş. as of September 1, 2015, together with the interest to be accrued according to the article 4 / a of the law numbered 3095. Following an appeal filed by the defendants against this court decision, the 21st Civil Chamber of Ankara Regional Court of Justice, which is the court of appeal, ordered to deem the defendants' request of appeal has not been filed for procedural reasons, with the decision numbered 2019/699 E. and 2019/1189 K. An appeal has been filed by the defendants against this decision, and the appeal process continues.

### v- Liability lawsuits filed against previose management

As a result of the evaluations made by the CMB after the decision to appoint a trustee, the Company was instructed to file a liability lawsuit against previous board members for various reasons, and various liability lawsuits were filed against former managers on behalf of Ankara Commercial Courts, and the lawsuits are still pending. Lawsuits that may affect the activities of the Company are announced on the public disclosure platform in legal periods.

### vi- Other legal processes

Pursuant to the decision of the 5th Criminal Court of Peace in Ankara, the management of the Company was transferred to the Board of Trustees and then to the Savings Deposit Insurance Fund ("SDIF") on September 22, 2016. The indictment issued by the Ankara Chief Public Prosecutor's Office regarding the events that led to the appointment of a trustee was accepted by the Ankara 24th High Criminal Court and their trial was initiated with the file number 2017/44 E. and the case was resolved by the court of first instance. It has been decided by the court of first instance to confiscate the Company shares that belonged to the previous board members who were judged. Until the decision is finalized, it has been decided that the above-described measure of appointing a trustee will be continued. The decision is not finalized yet. In the case file of the Ankara 24th High Criminal Court numbered 2017/44 E., it has been further ordered by the court that the actions be severed with respect to the former members of the board of directors who could not have been tried due to their nonappearance in court and that the judgement to be continued through this new file and the aforementioned measure of the appointment of trustees to be sustained until the end of the trial. The new file severed is registered in the number of 2020/20 E under the Ankara 24th High Criminal Court's jurisdiction. .

### vii- Personnel cases and cases of receivables arising from the contract

As of September 30, 2020, the provision amount accounted for ongoing employee and other lawsuits against the Company is amounting to Thousand TL 23.896 (December 31, 2019: Thousand TL 12.972).

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

## 10. Provisions, contingent assets and liabilities (continued)

### d) Important ongoing cases (continued)

### viii- Other legal processes

Pursuant to the decision of the 5th Criminal Court of Peace in Ankara, the management of the Company was transferred to the Board of Trustees and then to the Savings Deposit Insurance Fund ("SDIF") on September 22, 2016. The indictment issued by the Ankara Chief Public Prosecutor's Office regarding the events that led to the appointment of a trustee was accepted by the Ankara 24th High Criminal Court and their trial was initiated with the file number 2017/44 E. and the case was resolved by the court of first instance. It has been decided by the court of first instance to confiscate the Company shares that belonged to the previous board members who were judged. Until the decision is finalized, it has been decided that the above-described measure of appointing a trustee will be continued. The decision is not finalized yet. In the case file of the Ankara 24th High Criminal Court numbered 2017/44 E., it has been further ordered by the court that the actions be severed with respect to the former members of the board of directors who could not have been tried due to their nonappearance in court and that the judgement to be continued through this new file and the aforementioned measure of the appointment of trustees to be sustained until the end of the trial. The new file severed is registered in the number of 2020/20 E under the Ankara 24th High Criminal Court’s jurisdiction. .

### e) Commitments and contingent liabilities

### i- Letter of guarantees given

The details of the letter of guarantees given by the Group as of September 30, 2020 and December 31, 2019 are as follows:

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| A. CPM’s given on behalf of own legal personality | *52.378* | 41.806 |
| *- Guarantee* | *52.378* | *41.806* |
| *- Pledges* | - | - |
| B. CPM’s given given in favor of partnerships which are fully consolidated | - | - |
| C. CPM’s given for assurance of third parties debts in order to conduct usual business activities | - | - |
| D. Total amount of other CPM’s given | - | - |
| i. Total amount of CPM’s given in favor of the parent company | - | - |
| ii. Total amount of CPM’s given in favor of the group companies which are not in scope of B and C | - | - |
| iii. Total amount of CPM’s given on behalf of third parties which are not in scope of C | - | - |
| **Total** | **52.378** | 41.806 |

### ii- Letter of guarantees received

The details of the Group's letter of guarantees received as of September 30, 2020 and December 31, 2019 are as follows:

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| Guarantee cheques | 420.733 | 323.865 |
| Guarantee letters | 84.853 | 139.401 |
| Security bonds | 30.575 | 27.884 |
| **Total** | **536.161** | 491.150 |

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

## 10. Provisions, contingent assets and liabilities (continued)

### e) Commitments and contingent liabilities

### iii- Government grants

The 80% percentage of the income tax calculated on the social security employer's share and wages calculated for the Group's employees in the mine processing facility in Mastra-Gümüşhane, is covered by the Treasury within the scope of the Law No. 5084 on "Incentives for Investments and Employment and Making Amendments to Certain Laws". The Group also benefits from 5% insurance premium on employer's share incentive at all workplaces within the scope of "Social Insurance and General Health Insurance Law" numbered 5510.

The Group benefits from the investment incentive in the Çukuralan - İzmir. The Group benefits from the 80% and 40% corporate tax reduction rate and investment contribution rate, respectively, within the scope of incentive.

An incentive certificate was obtained for Himmetdede on May 8, 2018. The aforementioned document has a duration of 3 years as of December 21, 2017.

## 11. Equity

### a) Share capital

As of September 30, 2020, the Group's paid-in capital is amounting to Thousand TL 259.786 (December 31, 2019: Thousand TL 259.786) and 25.978.556.100 shares with a nominal share value of 1 Kuruş (December 31, 2019: 25.978.556.100). The registered capital ceiling of the Group is Thousand TL 400.000 (December 31, 2019: Thousand TL 400.000).

In accordance with the Capital Markets Board's document regarding the Registration of the shares to be issued by the Joint Stock Companies for the Capital Increase dated February 2, 2012 and numbered 5/10, the Group was registered at the Ankara Trade Registry Office on February 2, 2012 and has increased its issued capital from Thousand TL 129.893 to Thousand TL 259.786.

The breakdown of shareholders holding capital is as follows:

| | **September 30, 2020** | | December 31, 2019 | |
|---|---|---|---|---|
| **Capital** | **Share percentage (%)** | **Share amount** | Share percentage (%) | Share amount |
| Koza İpek Holding A.Ş. | 62,12 | 161.383 | 62,12 | 161.383 |
| Publicly traded | 37,72 | 98.003 | 37,72 | 98.003 |
| Other | 0,16 | 400 | 0,16 | 400 |
| **Paid-in capital** | **100** | **259.786** | 100 | 259.786 |

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

## 11. Equity (continued)

### a) Capital (continued)

The privileges given to shares representing the capital are as follows:

| Group | Registered / Bearer | Par value | Concession Type (*) |
|---|---|---|---|
| A | Registered | 22.052 | 3-4 |
| B | Bearer | 51.455 | 3 |
| C | Bearer | 186.279 | -- |

(*)Concession Type:
1. Dividend privilege
2. Voting privilege
3.Privilege in the election of the board of directors
4. Privilege in the selection of the supervisory board
5. Limitations on priviliges about buy new shares, transfer etc.
6. Other privileges

There are no privileges for (A) and (B) type shares with registered and bearer type shares other than the privileges stated above, and a trustee was appointed to the Group pursuant to the decision of Ankara Criminal Court of Peace on October 26, 2015. Subsequently, the Group was transferred to the SDIF on September 22, 2016. For this reason, the privileges of (A) and (B) share groups cannot be used.

Share premiums represent the cash inflows generated by selling the shares at market prices. These premiums are accounted under equity and cannot be distributed. However, it can be used for future capital increases.

According to the Turkish Commercial Code, legal reserves consist of first and second legal reserves. The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is 10% of the distributed profit in excess of 5% of the paid-in share capital. According to the Turkish Commercial Code, as long as the legal reserves do not exceed 50% of the paid-in capital, they can only be used to offset the losses, it is not possible to use them in any other way.

Public companies make their dividend distributions according to the CMB's "Dividend Communiqué" numbered II19.1, which entered into force as of February 1, 2014.

According to "Communiqué on Procedures and Principles Regarding the Implementation of Provisional Article 13 of the Turkish Commercial Code No. 6102" published in the Resmi Gazete dated May 17, 2020 and numbered 31130:

- Capital companies will be able to decide to distribute only up to 25 percent of the net profit for the year 2019 in cash until September 30, 2020. Retained earnings and free reserves cannot be included. This limitation will not be applied for capital increase to be made from internal resources in accordance with Article 462 of the Turkish Commercial Code.

- Dividend advance power will not be authorized by the general assembly until September 30, 2020 in capital companies. If the board of directors was authorized by the General Assembly to distribute dividend advance payments, advance payments will be postponed until September 30, 2020.

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

## 11. Equity (continued)

### a) Capital (continued)

- If a dividend distribution decision has been taken before April 17, 2020, when the temporary article 13 of the Turkish Commercial Code came into force and the shareholders have not yet been paid or partial payments have been made, all payments regarding the unpaid portion will be postponed until September 30, 2020 if the distribution decision is taken from the free reserves, although the payments exceeding 25% of the net profit of the 2019 period have been lost in the accounting period. No interest will be accrued on deferred payments.

Companies distribute their profits within the framework of profit distribution policies to be determined by their general assemblies and in accordance with the provisions of the relevant legislation, by the decision of the general assembly. Within the scope of the said communique, a minimum distribution rate has not been determined. Companies pay dividends as specified in their articles of association or profit distribution policies. In addition, dividends can be paid in installments of equal or different amounts and dividend advances can be distributed over the profit in the financial statements.

Unless the reserves that should be set aside according to the TCC and the dividend determined for the shareholders in the articles of association or in the profit distribution policy are reserved; it cannot be decided to allocate other reserves, to transfer profits to the next year, and to distribute dividends to dividend owners, members of the board of directors, company employees and persons other than shareholders, and no dividends can be distributed to these persons unless the dividend determined for shareholders is paid in cash.

### b) Restricted reserves

Group's restricted reserves are as follows:

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| Restricted reserves | 49.204 | 49.204 |
| **Total** | **49.204** | 49.204 |

According to the Turkish Commercial Code, legal reserves consist of first and second legal reserves. The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is 10% of the distributed profit in excess of 5% of the paid-in share capital. According to the Turkish Commercial Code, as long as the legal reserves do not exceed 50% of the paid-in capital, they can only be used to offset the losses, it is not possible to use them in any other way.

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

## 12. Revenue and cost of sales

The details of the Group's revenue and cost of sales as of January 1 - September 30, 2020 and 2019 are as follows:

| | **January 1 – September 30, 2020** | January 1 - September 30, 2019 | July 1 – September 30, 2020 | July 1 – September 30, 2019 |
|---|---|---|---|---|
| Sales | 2.350.922 | 1.942.412 | 907.379 | 835.527 |
| Exports | 16.708 | 17.751 | 3.984 | 4.935 |
| Other sales | 1.689 | 2.106 | 810 | 874 |
| **Total sales** | **2.369.319** | 1.962.269 | 912.173 | 841.336 |
| Sales returns | (679) | (790) | (217) | (472) |
| Sales and other discounts | (40) | (48) | - | -- |
| **Net sales** | **2.368.600** | 1.961.431 | 911.956 | 840.864 |
| **Cost of sales** | **(809.084)** | (685.723) | (288.416) | (258.629) |
| **Gross profit** | **1.559.516** | 1.275.708 | 623.540 | 582.235 |

The distribution of the Group's revenues by product type as of January 1 – September 30, 2020 and 2019 is as follows:

| | **January 1 – September 30, 2020** | January 1 – September 30, 2019 | July 1 – September30, 2020 | July 1 – September 30, 2019 |
|---|---|---|---|---|
| Sales of gold bullion | 2.299.664 | 1.889.218 | 888.659 | 816.913 |
| Sales of silver bullion | 10.973 | 9.457 | 4.944 | 4.945 |
| Other | 58.682 | 63.594 | 18.570 | 19.478 |
| **Total** | **2.369.319** | 1.962.269 | 912.173 | 841.336 |

## 13. Income / (expenses) from investing activities

### a) Income from investment activities

| | **January 1 – September 30, 2020** | **January 1 – September 30, 2019** | July 1 – September 30, 2020 | July 1 – September 30, 2019 |
|---|---|---|---|---|
| Interest income | 365.041 | 441.089 | 136.290 | 162.015 |
| Foreign exchange income | 107.393 | 50.144 | 14.084 | (11.248) |
| Other | 7.507 | 9.168 | 2.497 | 2.572 |
| **Total** | **479.941** | 500.401 | 152.871 | 153.339 |

### b) Expenses from investment activities

| | **January 1 – September 30, 2020** | **January 1 – September 30, 2019** | July 1 – September 30, 2020 | July 1 – September 30, 2019 |
|---|---|---|---|---|
| Loss from sale of financial asset | 3.747 | - | - | - |
| Other | - | 3.893 | - | 1.287 |
| **Total** | **3.747** | 3.893 | - | 1.287 |

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

## 14. Income taxes

### Current income tax

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, dividend income from domestic companies, other exempt income and investment incentives utilized.

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

20% tax rate that is specified in the first paragraph of Article 32 of the Corporate Tax Law No. 5520 and the Law No. 7061 "Amending Some Tax Laws and Some Other Laws" adopted on November 28, 2018 will be applied as 22% for corporate earnings for the 2018, 2019 and 2020 taxation periods has been added with a provisional article. Also with the same regulation and stated in 5520 numbered Law No, 5, 75% of exemption from corporate tax rate the profits arising from the sale of real estates (immovables) which is in assets for at least two full years has been changed to 50%.

In Turkey, tax returns are filed on a quarterly basis. Corporate income tax rate applied in 2020 is 22% (2019: 22%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between April 1-25 following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

### Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between April 24, 2003 and July 22, 2006 is 10% and commencing from July 22, 2006, this rate has been changed to 15% upon the Council of Minister's' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of 19,8% is still applied to investment allowances related with investment incentive certificates obtained before April 24, 2003. No tax withholding is imposed on investment expenditures without incentive certificate after this date.

Corporate tax liabilities recognized in the balance sheet as of September 30, 2020 and December 31, 2019 are as follows:

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| Current tax expense | 416.810 | 523.986 |
| Prepaid taxes and funds | (271.097) | (383.270) |
| **Current income tax liability** | **145.713** | 140.716 |

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

## 14. Income taxes (continued)

Tax expense details recognized in the income statement as of September 30, 2020 and 2019 are as follows:

| | **September 30, 2020** | September 30, 2019 |
|---|---|---|
| Current tax expense | (416.810) | (366.590) |
| Deferred tax expense / (income) | (6.245) | 36.466 |
| **Total tax expense** | **(423.055)** | (330.124) |

### Deferred taxes

The Group recognizes deferred tax assets and liabilities for temporary differences arising from differences between its tax base legal financial statements and its condensed consolidated financial statements prepared in accordance with TMS / TFRS. The aforementioned differences are generally due to the fact that some income and expense items are included in different periods in the financial statements subject to tax and the condensed consolidated financial statements prepared in accordance with TMS / TFRS, and these differences are stated below. In the calculation of deferred tax assets and liabilities, the tax rates expected to be applied in the periods when assets are converted into income or debts are paid are taken into account. (December 31, 2019: 22%).

| | **September 30, 2020** | | December 31, 2019 | |
|---|---|---|---|---|
| | **Cumulative temporary differences** | **Deferred tax** | Cumulative temporary differences | Deferred tax |
| Investment incentives | - | - | 24.539 | 24.539 |
| Tangible and intangible assets | 439.926 | 87.985 | 328.948 | 72.370 |
| Provision for employee termination benefits | 36.861 | 7.372 | 28.791 | 6.334 |
| State right provision | 151.888 | 30.378 | 107.470 | 23.643 |
| Provisions for doubtful receivables | 90.972 | 18.194 | 57.559 | 12.663 |
| Provision for unused vacation | 10.286 | 2.057 | 10.641 | 2.341 |
| Lawsuit provision | 13.459 | 2.692 | 12.970 | 2.853 |
| Expense accruals | 1.007 | 201 | 27.380 | 6.024 |
| Other | 1.784 | 358 | 14.561 | 3.203 |
| Deferred tax assets | | **149.399** | | 153.970 |
| Deferred tax liabilities | | **(162)** | | -- |
| **Deferred tax assets, net** | | **149.237** | | 153.970 |

Movement of deferred tax is as follows::

| | **2020** | 2019 |
|---|---|---|
| **January 1** | 153.970 | 105.691 |
| Deferred tax expense recognized in income statement | (6.245) | 36.466 |
| Deferred tax expense recognized in equity | 1.512 | (1.490) |
| **September 30,** | **149.237** | 140.667 |

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

## 14. Income taxes (continued)

The reconciliation of the tax is as follows:

| | **2020** | 2019 |
|---|---|---|
| **Profit before tax** | **1.797.171** | 1.601.876 |
| Effective tax rate | %22 | 22% |
| Tax calculated using effective tax rate | 395.378 | 352.413 |
| Effect of investment incentive allowance | (6.600) | 15.334 |
| Different tax rate effect | 14.178 | - |
| Temporary differences not subject to deferred tax | 8.981 | (31.773) |
| Effect of non-deductible expenses | 3.964 | 1.871 |
| Effect of tax deductible losses | 7.265 | - |
| Other | (111) | (7.721) |
| **Corporate tax provision** | **423.055** | 330.124 |

## 15. Earnings per share

Earnings per share is calculated by dividing the current year net profit of the parent company by the weighted average number of shares traded throughout the year.

Companies in Turkey have right to increase its capital through the distribution of bonus shares to be met from the re-valuation fund or accumulated profits. During the calculation of earnings per share, these increases are accepted as shares distributed as dividends. Dividend distributions added to the capital are also evaluated in the same way. Therefore, while calculating the average number of shares, it is assumed that such shares are in circulation throughout the year. For this reason, the weighted average of the number of shares used in calculating the earnings per share is determined by considering the retroactive effects.

The earnings per share of the Group as of September 30, 2020 and 2019 are as follows:

| | **January 1 – September 30, 2020** | **January 1 – September 30, 2019** | July 1 – September 30, 2020 | July 1 – September 30, 2019 |
|---|---|---|---|---|
| Net profit attributable to the owners of the Group | **300.036** | 291.086 | 114.743 | 119.514 |
| Weighted average number of share certificates | **25.978.556.100** | 25.978.556.100 | 25.978.556.100 | 25.978.556.100 |
| **Earnings per 100 share** | **1,155** | 1,120 | 0,442 | 0,460 |
| Total comprehensive income attributable to the owners of the Group | 294.491 | 297.070 | 114.865 | 118.855 |
| **Earnings per 100 shares from total comprehensive income** | **1,134** | 1,144 | 0,442 | 0,458 |

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

## 16. Related party disclosures

Trade receivables from related parties generally arise from sales transactions. Receivables are unsecured, interest is paid in every 3 months.

Trade payables to related parties generally arise from purchase transactions and their maturity is approximately two months. Payables are not subject to interest.

The other trade payables and other receivables of the Group consist of the payables and receivables given and received in order to meet the financing needs of the Group and its related parties during the year. Other payables and other receivables do not have a certain maturity, and the Group accrues interest on the related payables and receivables at the end of the period, using the current interest rate determined monthly, taking into account the evaluations made by the Group management and the developments in the markets. In this context, the current interest for September 2020 was applied as 10,39% per year (September 30, 2019: 14,78%).

Transactions with related parties are classified according to the following groups and include all related party disclosures in this note:

(1) Main shareholders
(2) Subsidiaries of other company of the main shareholders
(3) Other

The details of the transactions between the Group and other related parties are explained as below.

### a) Related party balances

Other receivables of the Group from related parties as of September 30, 2020 and December 31, 2019 are as follows:

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| Koza İpek Holding A.Ş. (1) | 105.556 | 93.073 |
| Other (3) | 3.003 | 3.799 |
| **Total** | **108.559** | 96.872 |

Other payables of the Group to related parties as of September 30, 2020 and December 31, 2019 are as follows:

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| Koza İpek Sigorta Aracılık Hizmetleri A.Ş. (2) | 104 | 262 |
| Other (3) | 949 | 1.271 |
| **Total** | **1.053** | 1.533 |

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

## 16. Related party disclosures (continued)

### b) Transactions with related parties

The purchases of the Group from related parties between January 1 - September 30, 2020 and 2019 are as follows;

| | **January 1 - September 30, 2020** | | | January 1 - September 30, 2019 | | |
|---|---|---|---|---|---|---|
| | **Interest** | **Service** | **Other** | Interest | Service | Other |
| Koza İpek Holding A.Ş. (1) | 897 | - | 743 | 1.572 | 535 | 320 |
| Koza İpek Sigorta Aracılık Hizmetleri A.Ş. (2) | - | | 3.169 | - | 2.483 | 192 |
| Other | - | - | - | - | 2.107 | 320 |
| | **897** | **-** | **3.912** | 1.572 | 5.125 | 832 |

Sales of the Group to related parties between January 1 - September 30, 2020 and 2019 are as follows;

| | **January 1 - September 30, 2020** | | | January 1 - September 30, 2019 | | |
|---|---|---|---|---|---|---|
| | **Interest** | **Service** | **Other** | Interest | Service | Other |
| Koza İpek Holding A.Ş. (1) | 8.317 | - | 148 | 12.699 | - | 114 |
| Koza İpek Sigorta Aracılık Hizmetleri A.Ş. | - | - | 29 | - | - | - |
| Other (3) | - | - | 24 | - | - | 48 |
| | **8.317** | **-** | **201** | 12.699 | - | 162 |

**c) Compensations provided to key management;** The group's key management consist of the general manager and assistant general managers. Compensation provided to senior management include short-term benefits such as wages and bonuses. Total amount of wages and similar benefits paid to key management between January 1 - September 30, 2020 is amounting to Thousand TL 7.350 (January 1 - September 30, 2019: Thousand TL 5.144).

## 17. Nature and level of risks arising from financial instruments

The main financial instruments of the Group consist of cash and short-term deposits. The main purpose of financial instruments is to provide financing for the Group's activities. Apart from these, the Group has financial instruments such as trade receivables and payables that arise as a result of its activities.

The Group is exposed to market risk, which consists of currency, cash flow and interest rate risks, capital risk, credit risk and liquidity risk, due to its operations. Risk management policy is to focus on unexpected changes in the financial markets.

The management policy of financial risks should be made by the Group's senior management and commercial and financial affairs department in line with the policies and strategies approved by the Board of Directors. The Board of Directors should prepare general principles and policies for the management of currency, interest and capital risks, and closely monitor financial and operational risks (especially arising from fluctuations in gold prices). The Group does not have an Early Risk Detection Committee.

The purpose that the Group should set to manage financial risks can be summarized as follows:

- Ensuring the continuity of the cash flow obtained from the activities and main assets of the Group, taking into account the exchange rate and interest risks,
- Keeping a sufficient amount of credit resources available to be used effectively and efficiently under the most appropriate conditions in terms of type and maturity,
- Keeping the risks arising from the counterparty at a minimum level and following them effectively.

The main risks arising from the financial instruments of the Group are interest rate risk, foreign currency risk, credit risk and liquidity risk. The policies of the management regarding to manage these risks are summarized below.

### a) Credit risk:

The risk of financial loss of the Group due to the failure of one of the parties to the financial instrument to fulfill its contractual obligation is defined as credit risk. Financial instruments of the Group that may cause a significant concentration of credit risk mainly consist of cash and cash equivalents and trade receivables. The maximum credit risk that the Group may be exposed to is up to the amounts reflected in the consolidated financial statements.

The Group has cash and cash equivalents in various financial institutions. The Group manages this risk by continuously evaluating the reliability of the financial institutions.

The credit risk that may arise from trade receivables is limited due to the high customer volume and the Group management's restriction of the loan amount applied to customers. The Group generally needs a guarantee to increase the amount of credit applied to its customers.

In order to measure the expected credit loss, the Group first grouped its trade receivables and contract assets by considering their maturity and credit risk characteristics. The expected credit loss rate for each class of trade receivables and contract assets is calculated by using past credit loss experiences, current conditions and prospective macroeconomic indicators and the expected credit loss allowance is calculated by multiplying the determined rate with the totals of trade receivables and contract assets.

The Company sales consist gold dore bars with a right of first refusal to domestic banks on consignment to be sold to the Central Bank of the Republic of Turkey and silver to a domestic refinery on consignment. Due to the fact that the sales are made on demand and the customer is corporate, the Company effectively manages the receivable risk, taking into account the past experiences.

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

## 17. Nature and level of risks arising from financial instruments (continued)

### a) Credit risk (continued)

The analysis of the Group's credit risk as of September 30, 2020 and December 31, 2019 is as follows:

| | **Trade receivables** | | **Other receivables** | | **Cash and cash equivalents** |
|---|---|---|---|---|---|
| **September 30, 2020** | **Related party** | **Third party** | **Related party** | **Third party** | **Deposits in banks** |
| **Maximum credit risk exposure as of the reporting date (A + B + C + D + E))*** | **-** | **31.451** | **108.559** | **28.997** | **5.810.369** |
| *Portion of the maximum risk that is guaranteed with a collateral, etc* | - | - | - | - | - |
| A. Net book value of financial assets that are not overdue or not impaired | - | 31.451 | 108.559 | 28.997 | 5.810.369 |
| B. The book value of financial assets whose conditions have been renegotiated or that would be deemed overdue or impaired | - | - | - | - | - |
| C. Net book value of assets that are overdue but not impaired | - | - | - | - | - |
| D. Net book values of impaired assets | - | - | - | - | - |
| Overdue (gross book value) | - | - | - | - | - |
| Impairment (-) | - | 76.234 | - | - | - |
| The part of net value under guarantee with collateral, etc | - | (76.234) | - | - | - |
| Not due (gross book value) | - | - | - | - | - |
| Impairment (-) | - | - | - | - | - |
| The part of net value under guarantee with collateral, etc. | - | - | - | - | - |
| E. Off-balance sheet items with credit risk | - | - | - | - | - |

(*) In determining the amount, factors that increase credit reliability, such as guarantees received, have not been taken into account.

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

## 17. Nature and level of risks arising from financial instruments (continued)

### a) Credit risk (continued)

| | Trade receivables | | Other receivables | | Cash and cash equivalents |
|---|---|---|---|---|---|
| December 31, 2019 | Related party | Third party | Related party | Third party | Deposits in banks |
| Maximum credit risk exposure as of the reporting date (A + B + C + D + E)* | - | 26.569 | 96.872 | 63.222 | 4.627.043 |
| *Portion of the maximum risk that is guaranteed with a collateral, etc* | - | - | - | - | - |
| A. Net book value of financial assets that are not overdue or not impaired | - | 26.569 | 96.872 | 63.222 | 4.627.043 |
| B. The book value of financial assets whose conditions have been renegotiated or that would be deemed overdue or impaired | - | - | - | - | - |
| C. Net book value of assets that are overdue but not impaired | - | - | - | - | - |
| D. Net book values of impaired assets | - | - | - | - | - |
| Overdue (gross book value) | - | - | - | - | - |
| Impairment (-) | - | 71.259 | - | - | - |
| The part of net value under guarantee with collateral, etc | - | (71.259) | - | - | - |
| Not due (gross book value) | - | - | - | - | - |
| Impairment (-) | - | - | - | - | - |
| The part of net value under guarantee with collateral, etc | - | - | - | - | - |
| E. Off-balance sheet items with credit risk | - | - | - | - | - |

(*) In determining the amount, factors that increase credit reliability, such as guarantees received, have not been taken into account

### b) Market risk

Due to its operations, the Group is exposed to financial risks related to changes in exchange rates and interest rates. Market risks encountered at the Group level are measured on the basis of sensitivity analysis. In the current year, there isn't any change in the market risk that the Group is exposed to, or the method of handling the encountered risks or the method used to measure these risks, compared to the previous year.

*Currency risk*

Transactions in foreign currency cause exchange risk. The Group controls this risk through a natural precaution that occurs by netting foreign currency assets and liabilities.

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

## 17. Nature and level of risks arising from financial instruments (continued)

### b) Market risk (continued)

The distribution of the monetary and non-monetary assets and monetary and non-monetary liabilities of the Group in foreign currency as of the date of financial position is as follows:

| **September 30, 2020** | **TL Equivalent** | **Usd** | **Euro** | **Gbp** |
|---|---|---|---|---|
| Cash and cash equivalents | 111.261 | 14.097 | 125 | 5 |
| Trade receivables | 13.854 | 1.275 | 426 | 1 |
| Other receivables | 6.481 | 745 | 9 | 58 |
| Prepaid expenses | 14.050 | 617 | 818 | 176 |
| Current assets | 145.646 | 16.734 | 1.378 | 240 |
| **Total assets** | **145.646** | **16.734** | **1.378** | **240** |
| Trade payables | 17.408 | 775 | 1.187 | 52 |
| Other payables | 42.952 | 5.501 | - | - |
| Current liabilities | 60.360 | 6.276 | 1.187 | 52 |
| **Total liabilities** | **60.360** | **6.276** | **1.187** | **52** |
| **Net foreign currency asset / (liability) position** | **85.286** | **10.458** | **191** | **188** |

| December 31, 2019 | TL Equivalent | Usd | Euro | Gbp |
|---|---|---|---|---|
| Cash and cash equivalents | 661.187 | 110.810 | 15 | 367 |
| Other receivables | 58.383 | 9.525 | 271 | - |
| Prepaid expenses | 2.302 | 79 | 272 | 3 |
| Current assets | 721.872 | 120.414 | 558 | 370 |
| Total assets | 721.872 | 120.414 | 558 | 370 |
| Trade payables | 10.164 | 166 | 1.311 | 59 |
| Other payables | 85 | 12 | 2 | - |
| Current liabilities | 10.249 | 178 | 1.313 | 59 |
| Total liabilities | 10.249 | 178 | 1.313 | 59 |
| Net foreign currency asset / (liability) position | 711.623 | 120.236 | (755) | 311 |

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

## 17. Nature and level of risks arising from financial instruments (continued)

### b) Market risk (continued)

*Sensitivity analysis;*

The Group is exposed to currency risk mainly in US Dollars and Euro.

The table below shows the sensitivity of the Group to 10% increase and decrease in US Dollar and Euro exchange rates. The sensitivity analysis includes only monetary items in open foreign currency at the end of the year and shows the effects of the 10% exchange rate change at the end of the year. Positive value indicates an increase in profit / loss and other equity items.

| | Profit / Loss | | Equity | |
|---|---|---|---|---|
| **September 30, 2020** | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| **In case of 10% appreciation / depreciation of USD against TL** | | | | |
| 1- USD net asset/liability | 8.166 | (8.166) | 8.166 | (8.166) |
| 2- Portion protected from USD risk (-) | - | - | - | - |
| 3- USD net effect (1+2) | 8.166 | (8.166) | 8.166 | (8.166) |
| **In case of 10% appreciation / depreciation of EUR against TL** | | | | |
| 4- EUR net asset/liability | 174 | (174) | 174 | (174) |
| 5- Portion protected from EUR risk (-) | - | - | - | - |
| 6- EUR net effect (4+5) | 174 | (174) | 174 | (174) |
| **In case of 10% appreciation / depreciation of GBP against TL** | | | | |
| 7-GBP net asset/liability | 189 | (189) | 189 | (189) |
| 8- Portion protected from GBP risk (-) | - | - | - | - |
| 9- GBP Net effect (7+8) | 189 | (189) | 189 | (189) |
| **Total (3+6+9)** | **8.529** | **(8.529)** | **8.529** | **(8.529)** |

| | Profit / Loss | | Equity | |
|---|---|---|---|---|
| December 31, 2019 | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| In case of 10% appreciation / depreciation of USD against TL | | | | |
| 1- USD net asset/liability | 71.423 | (71.423) | 71.423 | (71.423) |
| 2- Portion protected from USD risk (-) | - | - | - | - |
| 3- USD net effect (1+2) | 71.423 | (71.423) | 71.423 | (71.423) |
| In case of 10% appreciation / depreciation of EUR against TL | | | | |
| 4- EUR net asset/liability | (502) | 502 | (502) | 502 |
| 5- Portion protected from EUR risk (-) | - | - | - | - |
| 6- EUR net effect (4+5) | (502) | 502 | (502) | 502 |
| In case of 10% appreciation / depreciation of GBP against TL | | | | |
| 7-GBP net asset/liability | 242 | (242) | 242 | (242) |
| 8- Portion protected from GBP risk (-) | - | - | - | - |
| 9- GBP Net effect (7+8) | 242 | (242) | 242 | (242) |
| Total (3+6+9) | 71.163 | (71.163) | 71.163 | (71.163) |

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

## 17. Nature and level of risks arising from financial instruments (continued)

*Price risk*

The most important operational risk of the Group is the gold price risk.

The operational profitability of the Group and the cash flows it provides from its operations are affected by the changes in gold prices in the markets. If the gold prices decrease comparing under the cash-based operational production costs of the Group and continue in this way for a certain period, the operational profitability of the Group may decrease.

The Group reviews the market prices regularly in terms of active financial and operational risk management. The Group does not have an Early Risk Detection Committee..

### c) Capital risk management:

While managing the capital, the goals of the Group are to ensure the continuation of the Group's activities with the most appropriate capital structure in order to provide return and benefit to its partners and to reduce the cost of capital.

In order to return capital to shareholders, the Group could maintain or reorganize its capital structure, issue new shares, and sell assets to reduce borrowing.

The Group monitors capital by using the ratio of net debt / total equity, parallel to other companies in the industry. Net debt is calculated by deducting cash and cash equivalents from the total debt amount (including loans and other debts to related parties as shown in the balance sheet).

The Group management follows the net debt / total capital ratio regularly and updates it when necessary. The Group does not have an Early Detection of Risk Committee.

| | **September 30, 2020** | December 31, 2019 |
|---|---:|---:|
| Financial liabilities | 14.135 | 4.447 |
| Less: Cash and cash equivalents (Note 4) | (5.810.794) | (4.627.315) |
| **Net debt** | **(5.796.659)** | (4.622.868) |
| Total equity | 7.445.385 | 6.076.606 |
| **Net debt / equity ratio** | **(%78)** | (%76) |

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

## 18. Financial instruments (fair value disclosures and disclosures within the framework of hedge accounting)

Fair value of the financial instruments

The Group classifies the fair value measurements of the financial instruments measured at their fair values in the consolidated financial statements according to the source of the inputs of each financial instrument class, using a three-level hierarchy as follows.

- First level: Quotation prices (unadjusted prices) in active markets for identical assets and liabilities that the entity can reach at the measurement date.

- Second level: These are directly or indirectly observable inputs for the asset or liability and other than quoted prices within Level 1.

- Third level: These are unobservable inputs to the asset or liability.

*Level classifications of financial assets measured at their fair values:*

| **September 30, 2020** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Assets:** | **-** | **-** | **218.423** | **218.423** |
| Measured at fair value through other comprehensive income | - | - | 218.423 | 218.423 |

| December 31, 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | 12.069 | -- | 218.423 | 230.492 |
| Measured at fair value through other comprehensive income | 12.069 | -- | 218.423 | 230.492 |

## 19. Subsequent events after the balance sheet date

The recent outbreak of Coronavirus, a virus causing potentially deadly respiratory tract infections originating in China and spreading in various jurisdictions, may negatively affect economic conditions regionally as well as globally, disrupt operations situated in countries particularly exposed to the contagion. The ultimate severity of the Coronavirus outbreak is uncertain at this time and therefore the Company/Group cannot reasonably estimate the impact on Company's/Group's operations.

## 20. Other matters that significantly affect the consolidated financial statements or are required to be disclosed for the consolidated financial statements to be clear, interpretable and understandable

The Group's independently audited consolidated financial statements for the years ended December 31, 2016, 2017, 2018 and 2019, the possible cumulative reflections of the business and transactions of the previous financial periods, the judgment process of which are ongoing, on the statements of the Turkish Commercial Code No.6102 ("TCC"). ") Excluding the provisions of article 401/4, it has been approved and published by the Board of Directors with the resolutions dated April 24, 2018, April 30, 2018, 28 February 28, 2019 and February 27, 2020, respectively. Independently audited consolidated financial statements for the year ended December 31, 2015, on the other hand, were not approved by the Board of Directors in accordance with the provisions of Article 401/4 of the TCC. Ordinary general assembly meetings of the Group for the years 2015, 2016, 2017, 2018 and 2019, as explained in detail in footnote number 10, in accordance with the decision of the Ankara 5th Criminal Court of Peace, dated October 26, 2015, the management of the Group, the Board of Trustees, followed by the Board of Trustees on September 22, 2016. was transferred to the Savings Deposits Insurance Fund ("SDIF"). As of the date of the report, due to the fact that various examinations and studies are ongoing by the Prosecutor's Office, the Police Department of Financial Crimes and the CMB, the consolidated financial statements of the relevant periods were not submitted to the approval of the General Assembly.

### Uncertainties Regarding the Covid-19 Outbreak

The necessary actions have been taken by the Group management to minimize the possible effects of COVID-19, which originates in China, spreads to various countries around the world, and causes potentially fatal respiratory infections, on the Group's activities and financial status.

The Group evaluated the possible effects of the COVID-19 outbreak on the consolidated financial statements and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements, while preparing the interim consolidated financial statements dated September 30, 2020, In this context, no impairment has been identified in the amounts of the assets included in the interim consolidated financial statements dated September 30, 2020. Due to the uncertainty of the duration of the impact of the Covid-19 epidemic on the economy, the impairment tests will be updated again as part of the annual consolidated financial statements dated December 31, 2020.