ANNUAL REPORT

ENERJİSA
Energy of Turkey

PREFACE

Energy is an indispensible source that accompanies us in all aspects of our daily lives, allowing us to lead a seamless, comfortable and modern life.

At Enerjisa, we deliver this valuable source to **21 million users** and **9.6 million retail customers**, through **10.9 million network connections** in **14 provinces**, spanning across **109.663 square kilometers**, in **3 distribution regions** in the country.

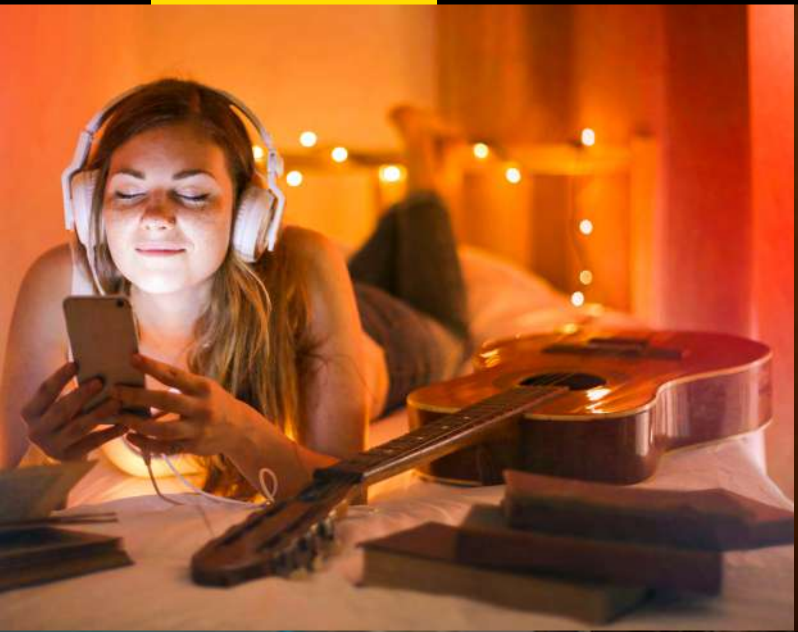
In our distribution regions, with the aim to supply sustainable and high quality energy, we are working to renovate and improve the existing grid, as well as to establish new grids for the future. Our priorities are to implement new and innovative ideas that add value to human life, by keeping abreast of technological developments, grow through customer-oriented solutions and provide tailor-made services and solutions. We undertake pioneering and exemplary novelties in digital transformation, and simplify our customers' lives with our mobile apps.

We research digital solutions and new service areas for the new world's future energy. In an attempt to pioneer this great change, we employ systems capable of interpreting big data, and invest in new business models, technology and innovation. For a sustainable future, we promote the adoption of electric cars country-wide, which will become the future's technology for mobility, create a network of charging stations for electric cars and strengthen the service model.

We are aware of our responsibilities as a player in a strategic sector, which is the driving force of the economy. Hence, we have significant goals such as "energy supply security", "supply quality", "energy competitiveness", "predictability" and "sustainability".

As the pioneer and leader of our sector, we strive to go beyond our investors' expectations by sustaining our robust performance in financial and operational areas in the aftermath of the successful public offering in 2018.

We will continue to support the economy by investing in employment, infrastructure and technology, and give energy to our country, driven by the trust and faith we have in Turkey's future.






WE ARE EVERYWHERE IN YOUR HOME.

"We value your trust."

We bring light, color and joy
to ***9.6*** million customers' homes.

ENERJİSA AT A GLANCE

50%
operational earnings growth

40%
underlying net income growth

2.3x
leverage
(net debt/operational earnings)

65%
dividend pay out ratio proposal,
0.40 TL per share

Distribution

TL6.9 billion
regulated asset base, +31%

10.9 million
network connections

Retail

41.1 TWh
retail sales volume, +17%

9.6 million
retail customers

ABOUT ENERJİSA

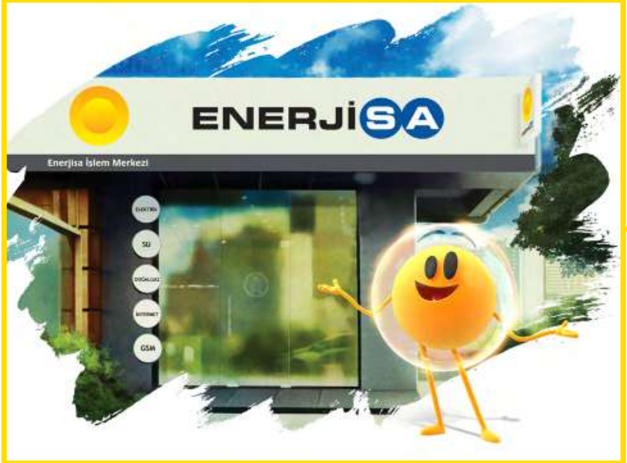
Enerjisa Enerji is the leading player in Turkey's electricity sector, active in in two core business areas: electricity distribution and retail. Operating in a regulated sector, the company serves 21 million users in 14 provinces with a team of c. 10,000 employees.

As of December 31, 2018, the Company had around 11 million network connections, approximately 26% of all network connections in Turkey and 9.6 million retail customers, about 23% of the retail electricity market. Enerjisa is the largest electricity distribution and retail company in Turkey.

Enerjisa Enerji conducts electricity distribution and retail sales through Başkent Elektrik Dağıtım A.Ş. ("Başkent EDAŞ") and Enerjisa Başkent Elektrik Perakende Satış A.Ş. ("Başkent EPSAŞ") in the Başkent Region, which covers the provinces of Ankara, Zonguldak, Kastamonu, Kırıkkale, Karabuk, Bartın and Cankırı; through İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş. ("AYEDAŞ") and Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş. ("AYESAŞ") in the AYEDAŞ Region, which covers districts on the Asian side of Istanbul; and through Toroslar Elekrik Dağıtım A.Ş. ("Toroslar EDAŞ") and Enerjisa Toroslar Elektrik Perakende Satış A.Ş. ("Toroslar EPSAŞ") in the Toroslar Region, which covers the provinces of Adana, Gaziantep, Mersin, Hatay, Osmaniye and Kilis.

Electricity distribution is carried out by Başkent EDAŞ, AYEDAŞ and Toroslar EDAŞ, while electricity retail is conducted by Başkent EPSAŞ, AYESAŞ and Toroslar EPSAŞ. Electricity distribution companies' operations are limited to their respective regions. As incumbent retail companies, electricity retail companies exclusively sell electricity to regulated customers in their regions, as well as to eligible customers across Turkey without regional limitations. The Company operates in the capital Ankara; the Asian side of Istanbul, the largest city in Turkey; and major industrial and commercial cities with high population density, such as Adana, Gaziantep and Mersin.

Electricity distribution and retail activities are carried out by Başkent Elektrik Dağıtım A.Ş., İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş., Toroslar Elektrik Dağıtım A.Ş., Enerjisa Başkent Elektrik Perakende Satış A.Ş., Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş. and Enerjisa Toroslar Elektrik Perakende Satış A.Ş., which operate under parent company Enerjisa Enerji A.Ş. Additionally, Enerjisa Müşteri Çözümleri A.Ş. was established on December 29, 2017 to operate in the areas of customer solutions and distributed generation.



ABOUT ENERJİSA

Enerjisa Enerji provides electricity distribution services to a population of 21 million in 14 cities; including the capital city Ankara, the Asian side of Istanbul, and highly populated cities such as Gaziantep, Mersin, Hatay and Adana. The Company continues to bolster its leading position in the growing and expanding electricity sector with its operations and investments focused on operational excellence.

Enerjisa Enerji is also the leader in Turkey's retail electricity market both in terms of total customer numbers and sales volume. As the incumbent retail company in 14 cities, Enerjisa Enerji sells electricity to both regulated and eligible customers and eligible customers across Turkey. It also offers innovative products and services to 9.6 million customers, from households to small or large size enterprises. The company provides its services through c. 300 customer service points, extensive field teams, via internet and on mobile platforms.

Turkey's per capita residential electricity consumption, which is well below OECD and EU averages, economic growth and urbanization dynamics, young and dynamic population present strong growth potential in energy demand. Enerjisa aims to create sustainable value for energy consumers, its business partners, its shareholders and all stakeholders. The Company meets the fast growing demand with efficient, competitive, people and technology-oriented approaches that are supported by innovative infrastructure and customer solutions. Enerjisa's operations are geared toward bolstering supply security and quality in the most effective manner.

In addition to its core business of electricity distribution and retail sales, the Company follows the global developments in the electric energy industry and adopts innovative ideas and technological developments in its businesses. It also operates in innovative business areas such as electric vehicle charging stations, electricity storage, systems that help the consumers produce their own electricity, and smart home technologies. The company carries out its operations for customer solutions and distributed generation through Enerjisa Müşteri Çözümleri A.Ş. which was established in 2017.

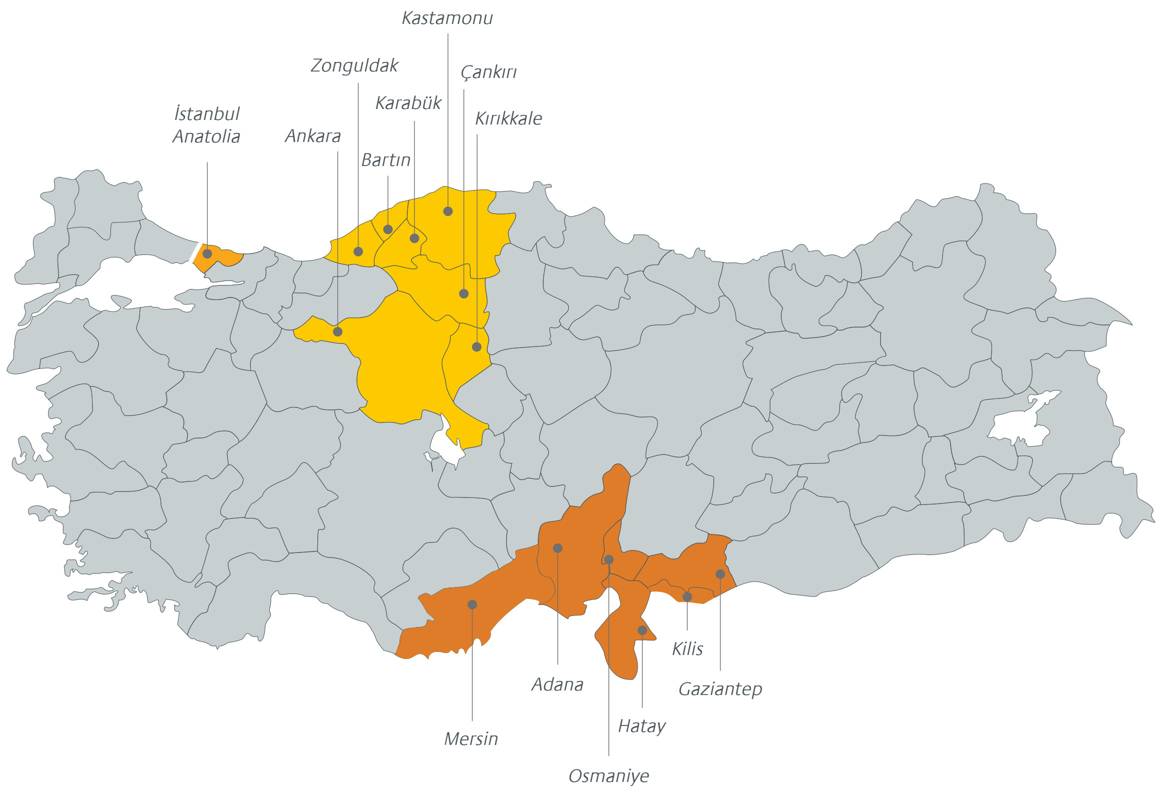
As of February 8, 2018, Enerjisa Enerji has started trading in Borsa Istanbul Star Market and BIST 30 index. Enerjisa, which offered 20% of its shares to public, experienced high investor interest with an oversubscription of 4.8 times. Following the successful IPO, Enerjisa Enerji was included in the FTSE All-World Index in June 2018 and in the MSCI Small Cap (Turkey) Index in November 2018.

The public offering of Enerjisa, realized through the sales of equal common shares of Sabancı Holding and E.ON, has gone down in the history as the largest private sector public offering on TL basis in Turkey, and has been a first for the private sector electricity distribution and retail industry. In this sense, Enerjisa's IPO has been a very valuable step in terms of the institutionalization of the energy industry, as well as the value it has created in Turkey's economy.

Enerjisa, as an agile and innovative energy company of Turkey, continues to generate solutions that touches human lives.

SERVICES OFFERED IN 14 CITIES TO A POPULATION OF AROUND 21 MILLION

Başkent	AYEDAŞ	Toroslar
7.4 million	5.3 million	8.3 million



DISTRIBUTION

TL 6.9 bilion
RAB (Regulated Asset Base)

10.9 million
Network Connections

226,981 km
Distribution network length

TL 1.6 billion
Infrastructure investments

RETAIL

41.1 TWh
Sales Volume

9.6 million
Retail customers

ENERJİSA STOCK PERFORMANCE

The stock started trading in BIST 30 Index since the successful IPO and has been included in the FTSE All-World Index in June 2018 and MSCI Small Cap (Turkey) Index in November 2018 subsequently.

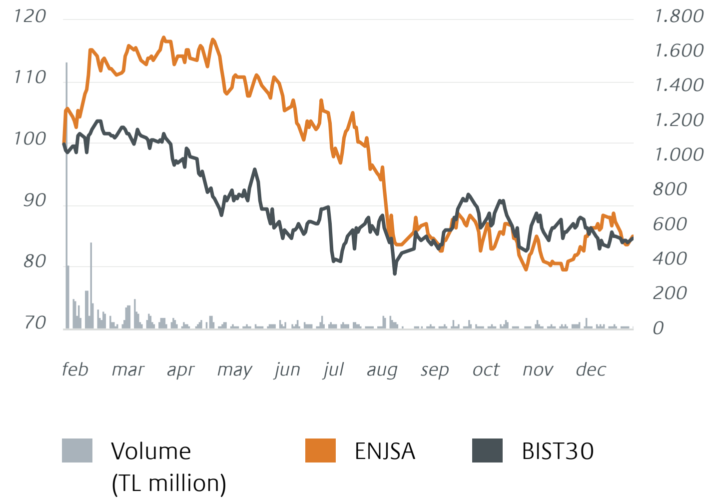
ENERJİSA SHARE PRICE DEVELOPMENT IN 2018

Enerjisa Enerji A.Ş. shares have been trading under the "ENJSA.E" ticker on the Istanbul Stock Exchange ("BIST") since February 8th, 2018.

The stock started trading in BIST 30 Index since the successful IPO and has been included in the FTSE All-World Index in June 2018 and MSCI Small Cap (Turkey) Index in November 2018 subsequently.

Until the year-end 2018, the Enerjisa share has performed in line with the overall Turkish market. At year-end, both the market (BIST 30) as well as the stock (adjusted for the dividend payment of 0.30 TL/share in April) stood at around -15% compared to the IPO date. The daily trading volume in the weeks and months directly after the IPO was very high and normalized in the course of 2018 to a level of around 0.3% of market capitalization, which is high compared to the BIST 30 index with an average liquidity ratio of 0.2%.

2018 STOCK PERFORMANCE



Stock Information	2018
Stock Exchange	Borsa İstanbul
BIST Ticker	ENJSA
Bloomberg Ticker	ENJSA TI
Reuters Ticker	ENJSA:IS
IPO Date	08.02.2018
Total number of shares	1,181 million
Free float	20%
Number of free float shares	236.2 million
Market capitalization (31.12.2018)	TL 6.02 billion
Average daily trading volume	TL 44.7 million
Highest Price (08.02.2018-31.12.2018)	TL 7.25
Lowest price (08.02.2018-31.12.2018)	TL 4.76
Year-end closing price	**TL 5.10**

Source: Bloomberg.

OWNERSHIP STRUCTURE

The Company's shareholder structure as of December 31st, 2018 is as below.

Name of Shareholder	Share in Capital (TL)	Share in Capital (%)	Voting Right (%)
Hacı Ömer Sabancı Holding A.Ş.	472,427,587.56	40.00	40.00
DD Turkey Holdings S.A.R.L	472,427,587.56	40.00	40.00
Free Float*	236,213,792.00	20.00	20.00
Total	**1,181,068,967.12**	**100.00**	**100.00**

* The indirect voting rights rate of Kairos Investment Management SpA in Enerjisa Enerji A.Ş. is above 5%.

Sabancı Holding via the legal entity Hacı Ömer Sabancı Holding A.Ş. and E.ON via the legal entity DD Turkey Holdings S.A.R.L. remain the largest minority shareholders with joint control of the company.

2017 ORDINARY GENERAL ASSEMBLY MEETING

The Company held its Ordinary General Assembly for the fiscal year 2017 on March 29th, 2018 with 83% attendance in terms of voting rights present. No agenda proposal for the meeting was made by the shareholders. The minutes of the meeting are announced to the public on our website and at the public disclosure platform (KAP). In addition, a detailed explanation for each agenda item in the agenda announcements is made and, together with other information regarding the principles of general assemblies, is provided to all investors.

Invitations to the General Assembly Meetings are issued by the Board of Directors in compliance with the Turkish Commercial Code, Capital Markets Law and the company's Articles of Association.

The public is informed on the date of the Board of Directors' decision to hold the General Assembly Meeting through the Public Disclosure Platform and Electronic General Meeting System (E-GEM). General Assembly announcements are made in line with legal regulations as well as on our website at www.enerjisainvestorrelations.com no later than 21 days prior to the General Assembly in order to reach the highest number of shareholders possible.

Pursuant to the review of the audited Consolidated Financial Statements for the year 2017 prepared in accordance with the Turkish Financial Reporting Standards, it was resolved to distribute 0,30 TL per share in cash dividend to all shareholders, equivalent to 354,320,690.14 TL. This dividend corresponds to a 68% payout of Underlying Net Income for the fiscal year 2017 of TL 522 million.

DIVIDEND DISTRIBUTION PROPOSAL FOR 2018

At the 2018 Annual Shareholders Meeting to be held on March 28, 2019, the Board of Directors will propose a cash dividend of 0.40 TL per share for the 2018 financial year. This corresponds to a payout ratio of 65% of the company's Underlying Net Income of TL 730 million for fiscal year 2018 and is therefore in line with the communicated dividend policy of 60-70% of Underlying Net Income. Based on Enerjisa's year-end 2018 closing share price, the proposed dividend is equivalent to a dividend yield of 8%.

THE TURKISH ELECTRICITY MARKET

Total spend on the Turkish electricity distribution infrastructure in 2018 was TL 27 billion.

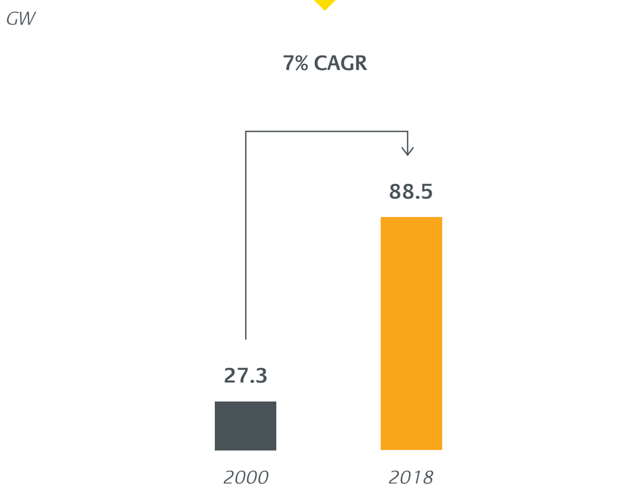
FACTS & FIGURES

On the supply side, the Turkish electricity market has continued to grow in 2018 by adding another 3.3 GW of installed capacity, which now reaches 88.5 GW in total. Over the entire period since 2000, growth in generation capacity has been relatively steady at round 7% per year leading to a more than threefold increase over the course of the past 18 years.

Turkish electricity gross demand has grown by 3% in 2018 reaching 300 TWh in total. Since 2000, gross demand has increased by around 5% per year per year, mainly driven by GDP and population growth, as well as the developing industrial production and growing services sector. While the share of household consumption remained relatively stable over the past 18 years at around 24%, the share of industrial consumption decreased from 50% to 42% driven by higher energy efficiency as well as a shift from high electricity consuming industries such as cement, steel and textile to lower electricity consuming sectors. This decline in industrial electricity consumption was overcompensated by commercial consumption, which increased its share in total electricity consumption from below 10% in 2000 to around 30%.

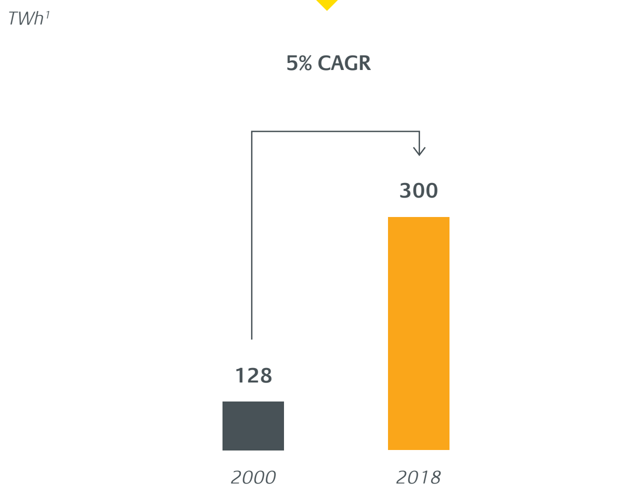
In order to distribute the generated electricity to the 42 million customers in Turkey, the country is operating a high-voltage transmission grid of 66.000 km as well as 1,4 million km of mid- to low-voltage distribution lines. In 2018, the state-owned transmission operator TEİAŞ, as well as all 21 private distribution operators have collectively spend TL 27 billion (TL 9,5 billion CAPEX and TL 17,5 billion Opex) in order to operate, maintain, expand and improve these networks with the help of more than 100,000 employees.

Installed Capacity



Source: TEIAS

Gross Electricity Demand



1 Gross demand corresponds to gross generation plus imports minus exports.

Source: TEIAS

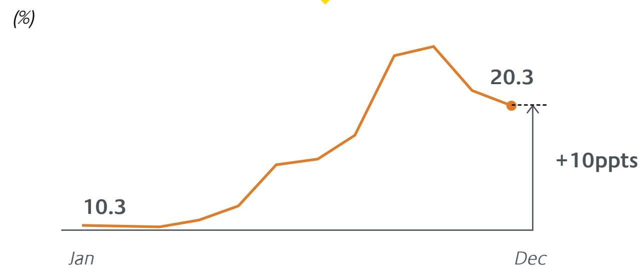
MARKET PRICE DEVELOPMENTS

2018 has been a year dominated by a turbulent macro-economic environment. With a peak in Q3, both inflation and interest rates have increased by around 10% over the course of the year. At the same time, the Turkish Lira has devalued by more than 30% against both EUR as well as USD. While these developments had many severe repercussions for the Turkish economy overall, Enerjisa was able to show its resilience to a challenging environment as well as the strength of the Turkish electricity market regulation.

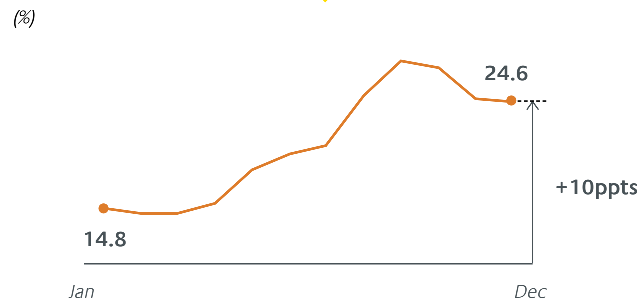
As a consequence of the depreciating currency, the market price for electricity and therefore our procurement costs have significantly increased within 2018. This development was further accelerated by the liberalization of the gas wholesale market in August 2018. Both developments have led to an increase in electricity procurement costs of 58% within 2018.

The regulator reflected the higher electricity procurement costs to regulated tariffs in multiple steps during 2018, overall increasing regulated tariffs for residential customers by 60%, for commercial customer by 100% and for industrial customers by 93%.

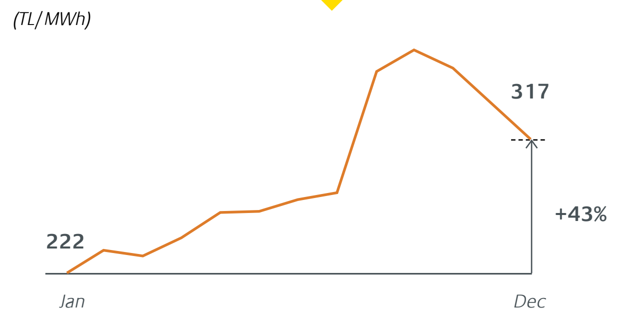
2018 Inflation (CPI)



2018 Interest Rates (6M TRLibor)



Electricity Procurement Costs



THE TURKISH ELECTRICITY MARKET

END-CONSUMER COSTS

In order to fund the cost of operating and maintaining the existing electricity system, as well as to incentivize investments into new and improved generation and grid infrastructure, the end-consumer electricity bill includes the following components:

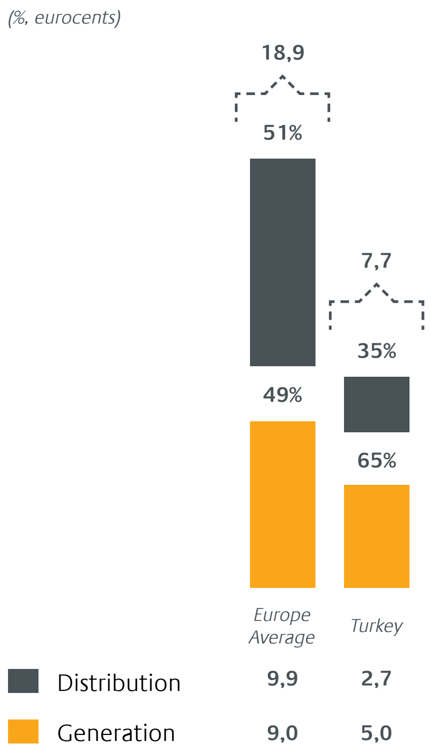
- ***Retail Energy Sales Tariff:*** This component includes the generation cost, as well as a gross profit margin for Retail companies.

- ***Distribution Tariff:*** This component includes the cost of operating, maintaining, expanding and improving both distribution and transmission grids.

- ***Tax and Levies:*** for example VAT, Energy Fund surcharge, TRT surcharge, Electricity Consumption tax

In 2018, the cost of generation and distribution has reached 7,7 eurocents/KWh, which compares to 18,9 eurocents/KWh on average in 38 European countries. Furthermore, the difference between the two individual components of the electricity value chain is even more pronounced. While in Turkey Distribution costs only make up 35% of the total cost of the electricity value chain, it is around 50% for other European countries. In a comparison of all 38 European countries, Turkey ranks 9th lowest in terms of end-user distribution costs. On the contrary, the difference between generation costs is less significant, as costs are mainly a result of primary sources of energy as input factor to electricity generation such as coal or gas, which are denominated in US dollar and therefore have similar levels for all countries.

Comparison of Europe and Turkey – Generation and Distribution Costs 2018



Source: EMRA

REGULATORY DEVELOPMENTS

There have been many important regulatory developments in the electricity market in 2018:

DISTRIBUTION

- ***WACC (Weighted Average Cost of Capital):*** Revised from 11.91% to 13.61% starting 2018.
- ***Theft Accrual Retention Rate:*** Theft accrual retention rate increased from 40% to 55% retrospectively as of beginning of 2018 (2nd revision of this regulation after increase from 20% to 40% in December 2017)
- ***Quality Bonus:*** Clarification of procedures and principles for the quality bonus incentive mechanism introduced in December 2017.
- ***Additional CAPEX Allowance:*** In August 2018, Enerjisa received the approval by the regulator to spend a further 1.3 billion TL (in October 2015 prices) on top of the initial CAPEX allowance until the end of the current regulatory period. This represents an increase of our initial CAPEX allowance of around 30%.

RETAIL

- ***Last Resort Tariff Consumption Limit:*** In April 2018, the regulator introduced the new customer segment of "Last Resort Tariff" customers with a consumption limit of 50 GWh. All customers exceeding this consumption limit would have to pay a significantly higher regulated tariff ("Last Resort Tariff") in case they choose to remain regulated customers despite the fact that they are eligible for the liberalized market. As a result, such customers are incentivized to find an electricity supplier in the liberalized market. In October 2018, the regulator communicated that the related consumption limit will be further lowered to 10 GWh starting January 2019.
- ***'Electricity Market Consumer Services Regulation':*** Regulation dated May 30th, 2018 introduced new arrangements regarding relations between consumers, suppliers and/or distribution companies regarding electricity and/or capacity sales to i) eligible, ii) non-eligible and iii) last resort customers. The new regulation introduces a new consumer segment in the electricity market for eligible customers with annual electricity consumption less than 100,000 kWh, so called 'Eligible customer with low consumption'.
- ***Eligibility Limit:*** Pursuant to the Energy Market Regulatory Authority ("EMRA") resolution dated December 20th, 2018 and numbered 8261, the eligibility limit was further reduced from 2,000 kWh p.a. in 2018 to 1,600 kWh p.a. in 2019.
- ***Price Equalization Mechanism:*** As per the revision on August 31, 2018, feed in tariff and other market costs will be reflected at their related cost without time lag (2nd revision of price equalization mechanism within 2018).

OTHER IMPORTANT DEVELOPMENTS

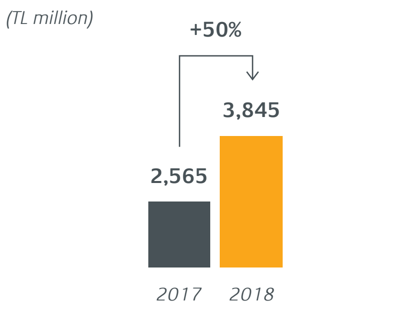
- ***'Law on the Protection of Personal Data' No. 6698:*** A compliance programme initiated to fulfill obligations with the Law and the secondary legislations. Within the scope of the mentioned law, Enerjisa Enerji A.Ş. and its subsidiaries are regarded as data controllers. Within the frame of the procedures promulgated on the website of Personal Protection Authority, the register of data controllers will be completed by September 30th, 2019.
- ***Competition Authority Administrative Fine:*** The Competition Authority conducted an examination for electricity distribution and electricity retail sales companies in the market. Within this scope the Competition Authority rendered a decision to start an investigation against our electricity distribution and incumbent retail company in the İstanbul Anatolian Side distribution region and our incumbent retail companies in the Toroslar electricity distribution region and Başkent electricity distribution region to determine whether the companies had violated Article 6 of the Law on the Protection of Competition in December 2016. The Competition Board has announced its short decision on 9 August 2018 and has imposed İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş., Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş., Enerjisa Başkent Elektrik Perakende Satış A.Ş. ve Enerjisa Toroslar Elektrik Perakende Satış A.Ş. a total administrative fine in the amount of TL 143,062. The reasoned decision of the investigation initiated by the Competition Board has been notified to the subsidiaries on 7 February 2019. As a consequence, the Group recognized a corresponding provision expense of TL 107,296 in the consolidated financial statements, after a discount of 25% can be applied to the fine in case the payment is made within 30 days as of the submission date of the reasoned decision. The board has decided that there is no need to impose an administrative fine to Enerjisa Enerji A.Ş., Toroslar Elektrik Dağıtım A.Ş. and Başkent Elektrik Dağıtım A.Ş. A lawsuit can be filed in Ankara Administrative Court within 60 days from the notification of decision of the Competition Board. With respect to the said monetary penalty, the Group will use all its legal rights among subsidiaries.

KEY FINANCIAL AND OPERATIONAL INDICATORS

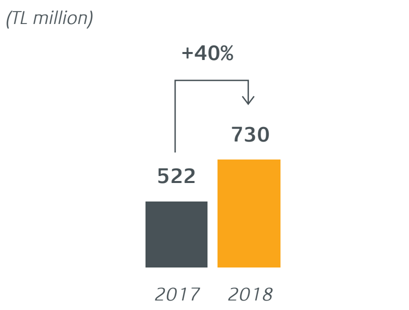
In 2018, Enerjisa was able to continue on its track record of high earnings growth. Consolidated operational earnings (EBITDA + CAPEX reimbursements excluding exceptional items) increased by 50% from TL 2,565 million in 2016 to TL 3,845 million in 2017.

FINANCIAL INDICATORS

Consolidated Operational Earnings



Consolidated Underlying Net Income



Leverage

	1 January-31 December 2018	1 January-31 December 2017	Delta TL	Delta %
Consolidated Operational Earnings (TL million)	3,845	2,565	1,280	50%
Consolidated Underlying Net Income (TL million)	730	522	208	40%
Net Debt (TL billion)	8.7	7.3	1.4	19%
Leverage (Net Debt/Operational Earnings)	2.3x	2.8x	-0.5x	
Distribution Business				
Operational Earnings (TL million)	3,490	2,344	1,146	49%
Regulated Asset Base (TL million)	6,948	5,322	1,626	31%
Infrastructure Investments (TL million)	1,605	1,573	32	2%
Network Connections (TL million)	10.9	10.9	0.1	0%
Network Length (km)	226,981	220,503	6,478	3%
Retail Business				
Operational Earnings (TL million)	389	247	142	57%
Retail Sales Volume (TWh)	41.1	35.2	5.9	17%
Number of Customers (million)	9.6	9.2	0.4	4%
Regulated Gross Profit Margin (%)	6.0%	6.4%	-0.4%	-6%
Liberalized Gross Profit Margin (%)	4.0%	3.5%	0.5%	14%

In 2018, Enerjisa recorded operational earnings of TL 3,490 million in the distribution segment and TL 389 million in the retail segment. In 2018, consolidated underlying net income increased by 40% to TL 730 million, up from TL 522 million in 2017.

DISTRIBUTION

The increase in operational earnings was mainly driven by the Distribution segment, which as of the year-end 2018 contributed 91% of operational earnings for Enerjisa. First and foremost, the increase in earnings for the Distribution segment is a result of TL 703 million higher financial income driven by both higher Regulatory Asset Base, which grew from TL 5.3 billion as of year-end 2017 to TL 6.9 billion as of year-end 2018, as well as the increase in regulatory WACC from 11.91% to 13.61% and higher inflation.

Furthermore, CAPEX reimbursements increased by TL 206 million from TL 592 million in 2017 to TL 798 million in 2018 due to higher RAB and inflation. Next to increased returns from our Regulatory Asset Base, earnings contributions from efficiency gains and regulatory outperformance items increased as well, especially driven by the newly implemented quality bonus mechanism as well as theft accrual collections. Compared to 2017, efficiency & quality contributions increased by TL 211 million mainly due to:

- TL 116 million quality bonus mainly for system performance, as a result of CAPEX realization, HSE, call center performance and technical quality parameters for 2018.
- TL 136 million higher theft accruals and collection due to retention rate increase from 20% to 55% and improved theft detection performance.
- TL 34 million higher Opex outperformance

RETAIL

The contribution of the Retail segment in operational earnings increased in 2018, mainly driven by significant increase in regulated gross profit by TL 286 million from TL 335 million in 2017 to TL 621 million in 2018 mainly due to:

- Increase in regulated volumes: Regulated volumes increased by 12.8TWh from 24.3TWh in 2017 to 37.1TWh in 2018. The higher regulated market volume is mainly a result of customers returning from the liberalized to the regulated market as well as new customer acquisitions in the corporate segment. This increase overcompensated the corresponding volume decrease in the liberalized market from 10.9TWh in 2017 to 4.0TWh in 2018.
- Higher regulated profit base: Due to inclusion of feed-in-tariff costs in regulated margin calculation as well as higher power procurement costs

Enerjisa Enerji A.Ş. Underlying Net Income increased by TL 208 million from TL 522 million in 2017 to TL 730 million in 2018. While operational earnings (excluding CAPEX reimbursements) increased by TL 1,074 million, this was partially offset by TL 696 million higher financial expenses driven by higher average loan volume, higher average cost of financing as well as higher inflation-related bond and customer deposit valuation expenses.

The average cost of financing from loans has increased from 12.8% in 2017 to 17.1% in 2018. Moreover the bond interest expense and customer deposit valuation expense have increased significantly with higher inflation level. Furthermore, the effective tax rate adjusted for income taxes related to exceptional earnings effects, increased from 26% in 2017 to 31% in 2018. This increase is a result of both, an increase in the Turkish income tax rate from 20% to 22%, as well as a deterioration of the earnings situation of our non tax-paying holding company. This deterioration is related to the absence of positive restructureing effects in 2017, as well as increase in financial expenses.

Net debt has increased from TL 7.3 billion at year-end 2017 to TL 8.7 billion at year-end 2018 as a result of negative Free Cash Flow after interest and tax, dividend payment and non-cash interest accruals.

STRATEGY AND TARGETS

We aim to increase and improve the grid quality in our distribution regions while focusing on customers' needs, boost our profits and create value for our shareholders by expanding our retail sales activities across the entire country.

As a result of the reorganization in 2017, the newly formed Enerjisa Enerji has formulated its revised strategy and targets on its way to become the first listed electricity distribution and retail company of Turkey.

Our goal is to grow profitably and create shareholder value by continuing to expand our high quality networks in our distribution regions and expanding the reach of our retail operations to the whole country, whilst focusing on customer needs.

We intend to implement the following strategic initiatives to achieve this objective:

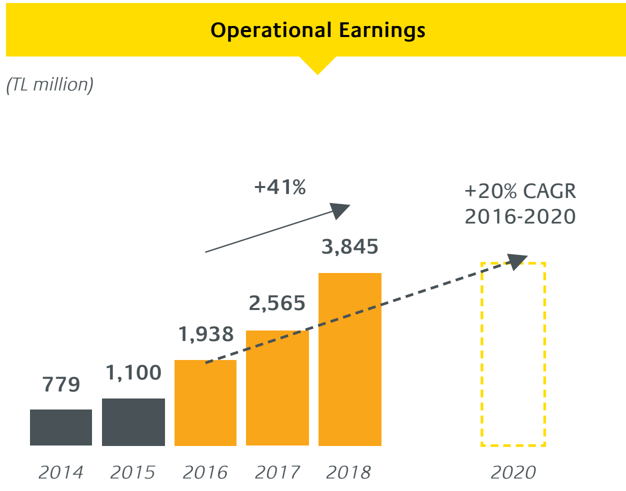
- Capitalize on investment opportunities presented by the Turkish electricity distribution market and regulatory framework;
- Focus on operational and financial efficiency with a long-term management perspective;
- Benefit from the liberalization opportunity in the Turkish electricity retail market; and
- Leverage our customer base into new services and customer solutions.

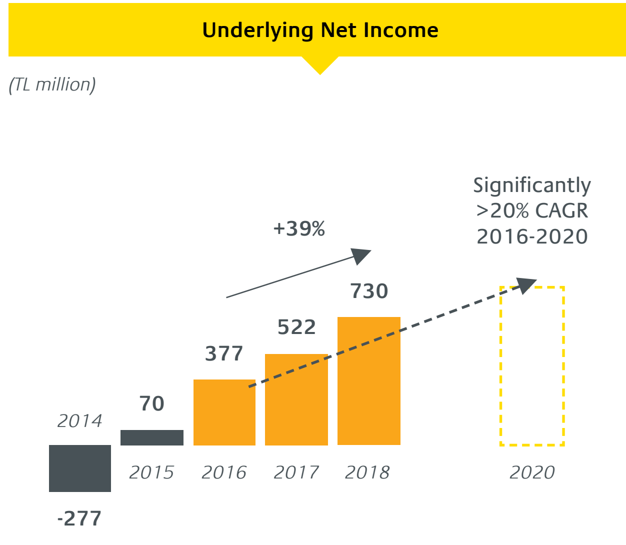
In order to benchmark ourselves against the implementation of above strategic priorities, we have committed to the following mid-term financial targets for the period 2016-2020:

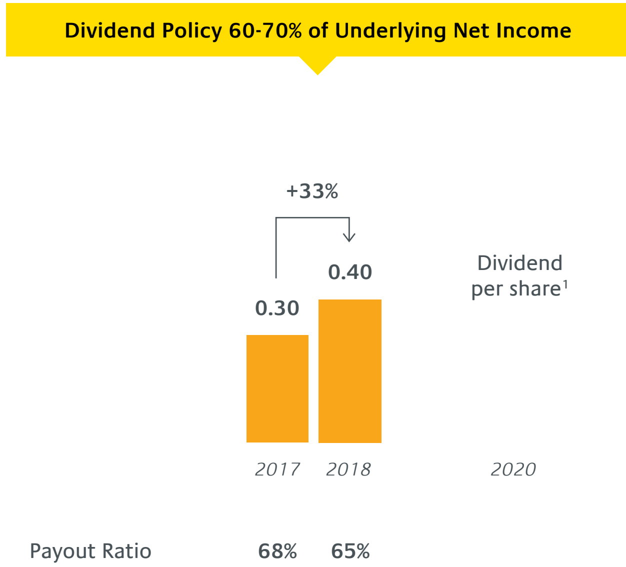
- Grow Consolidated Operational Earnings (EBITDA + CAPEX reimbursements excluding exceptional items) with a CAGR of 20% p.a.
- Grow Consolidated Underlying Net Income (Net Income excluding exceptional items) with a CAGR of significantly more than 20% p.a.
- Share 60-70% of Consolidated Underlying Net Income as dividend with shareholders starting with the fiscal year 2018
- Do not exceed a leverage (Period End Net Debt / Consolidated Operational Earnings) of 3.5x

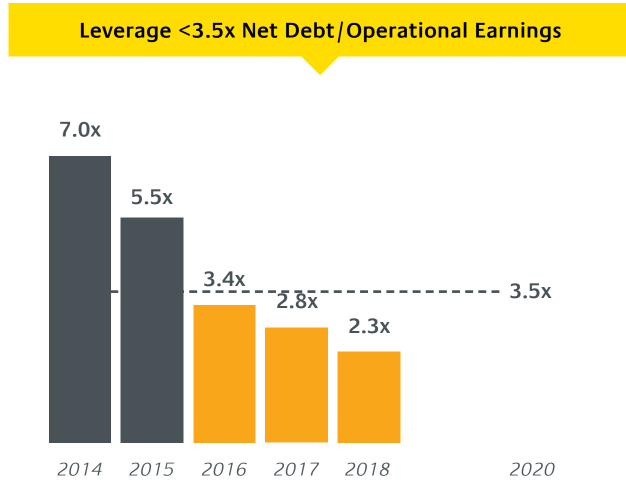
In 2018, Enerjisa has again exceeded the above targets.

MEDIUM TERM TARGETS









1 Dividend per 100 shares; total number of outstanding shares is 118,106,896,712.

Enerjisa Enerji, being the pioneering and the exemplary company of Turkey started trading on Stock Exchange Istanbul as of February 8, 2018. Following the gong ceremony, Enerjisa Enerji, which went public with 20% of its shares through an IPO that has gone down in the history as the largest initial public offering of the private sector in Turkey and in which domestic and foreign investors showed great interest, started trading with ENJSA code.

AGENDA FOR THE ORDINARY GENERAL ASSEMBLY MEETING

ENERJİSA ENERJİ A.Ş. AGENDA FOR THE 2018 ORDINARY GENERAL ASSEMBLY MEETING TO BE HELD ON 28 MARCH 2019, AT 2.00 P.M

1. Opening and formation of the Meeting Council,
2. Reading and discussion of the 2018 Annual Report of the Board of Directors,
3. Reading the 2018 Independent Auditor's Reports,
4. Reading, discussion and approval of the 2018 financial statements,
5. Presenting the members of the Board of Directors which had appointed during the year 2018 due to the occurrence of the absence in the Board of Directors' membership to serve for the remaining period for the approval of the General Assembly,
6. Release of the members of the Board of Directors with regard to the 2018 activities,
7. Determination of the usage of the 2018 profit, dividend and dividend per share to be distributed,
8. Election of the auditor,
9. Decision on the amendment of Article 6 ("Headquarter and Branch Offices") of the articles of association provided that the required permits are granted from the Capital Markets Board and Ministry of Customs and Trade,
10. Approval of the amendments to be made on the Remuneration Policy for the members of the Board of Directors and the Executives,
11. Informing the General Assembly regarding the donations and grants made by the Company in 2018,
12. Determination of an upper limit for donations to be made in 2019,
13. Granting permission to the Chairman and members of the board of directors for the activities under the Articles 395 and 396 of the Turkish Commercial Code.

WE ARE AN INTEGRAL PART OF SOCIAL LIFE!

"We add value to life together with you."

We meet electricity need of *1* of every *4* person in Turkey and improve their life quality.

CHAIRMAN'S MESSAGE

The public offering held in the first quarter of 2018 attracted great interest from local and international investors in the market and generated an incredible demand and success. It was a clear indicator of trust in Turkey and Enerjisa.

Dear shareholders,

Our valued customers, who trust us, making our investments meaningful; Our esteemed business partners, with whom we grow together; Our competent employees, the main architects of all our achievements;

2018 was a challenging year witnessing various changes and financial sustainability stood out in line with the macroeconomic developments in the energy sector in Turkey. The new CEO, management team and board of directors of Enerjisa Enerji managed to successfully complete the year, when the sector experienced major fluctuations.

The public offering held in the first quarter of 2018 attracted great interest from national and international investors in the market and generated an incredible demand and success. It was a clear indicator of trust in Turkey and Enerjisa. This trust was also strengthened by the first dividend payment in addition to the positive operational and financial results obtained in 2018.

As the leading player in the sector, Enerjisa Enerji continued its heavy investments into supply quality of electricity distribution infrastructure, while creating great value through its site operations with focus on efficiency and customer satisfaction. Enerjisa Enerji has quickly adapted to the changing conditions in the retail business, while focusing to provide the best experience to our customers in the regulated market, we are remaining prepared for full market liberalization.

We attach great importance to the approaching implementation period in promoting the development of a regulatory framework that will encourage investments, efficiency and quality in an effort to ensure a reliable and cost-effective network infrastructure in Turkey. We fully support this process by maintaining close contact with regulatory authorities and public institutions through the management team and the Board of Directors.

Throughout 2018, Enerjisa Enerji also successfully renewed the collective bargaining agreement, which includes a large part of all employees for the upcoming period until 2021, ensuring visibility for all parties and allowing employees to participate in the success of the company.

As the sector leader, Enerjisa Enerji continued to be active in the area of strategic business development within 2018. More specifically, with the acquisition on the majority stake of EŞarj, the company has expanded its activities into the e-mobility business in order to pilot e-mobility-related services and infrastructure development in Turkey, gain valuable experiences and insights and actively participate in shaping required regulation.

In the fiscal year 2018, the Board of Directors carefully performed all its duties and obligations under regulation, the company's Articles of Association, and its own policies and procedures. It thoroughly examined the company's situation and devoted particular attention to its continually changing energy-policy and economic environment.

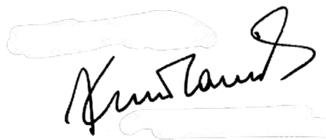
As the Board of Directors, we advised the management of Enerjisa Enerji intensively about all business decisions of key importance and continually monitored the management's activities, assuring ourselves that Enerjisa's management was legal, purposeful, and orderly. At the Board of Directors' 6 regular meetings in fiscal year 2018, we addressed in depth all issues relevant to the company, including the financial and operational performance of the business, progress on the preparation of the initial public offering and the reorganization project as well as key strategic and financial projections. Moreover, Board Committees convened multiple times during 2018, in order to discuss specific and ad-hoc issues in the areas of risk, corporate governance, personnel nomination and remuneration as well as financing. Committees advised the Board of Directors and recommended decisions for approval.

The management regularly provided us with timely and comprehensive information in both written and oral form. At the meetings of the full Board of Directors and its committees, we had sufficient opportunity to actively discuss the management's reports, motions, and proposed resolutions. After thoroughly examining and discussing the resolutions proposed by the Management, the Board of directors approved them.

Ernst & Young, the independent auditor appointed by the Annual General Meeting in 2018 and proposed by the Board of Directors, audited and submitted an unqualified opinion on the Financial Statements of Enerjisa Enerji A.Ş. for the year ended December 31st, 2018. The Consolidated Financial Statements are prepared in accordance with IFRS. At the Board of Directors meeting on February 20th, 2019, we acknowledged and approved the audited financial statements following the recommendation by the Audit Committee, which thoroughly discussed the financial statements and related audit findings with the independent auditor directly.

The Board of Directors wishes to thank the management, all committees and all the employees of Enerjisa for their dedication and hard work during 2018.

We furthermore like to thank our investors, customers and partners, who again have trusted us with providing "Turkey's Energy". Thereafter also, we will continue working to meet the expectations of all our stakeholders and with our belief in the future of Turkey, will keep adding value and energy.



Kıvanç Zaimler
Enerjisa Enerji Chairman

"We will continue working to meet the expectations of all our stakeholders and with our belief in the future of Turkey, will keep adding value and energy."

BOARD OF DIRECTORS

Kıvanç Zaimler

Chairman

Kıvanç Zaimler graduated from Istanbul Erkek High School and received his bachelor degree in Industrial Engineering Department from Istanbul Technical University in 1991. He started his career in 1992. Until 2008 he held several senior management positions in Turkish Electricity Industry, RAM Foreign Trade and Aygaz companies respectively.

Mr. Zaimler who joined Enerjisa as the Trade Director in 2008 has carried out the coordination of Enerjisa Natural Gas business line until 2013. From 2013 to 2015 he served as the General Manager of Enerjisa Distribution Companies. In this assignment, he managed the restructuring and integration process of the organization that distributes electricity to 9 million customers and 21 million people in 3 distribution regions covering 14 provinces. Between August 2015 and March 2016, in his assignment as the General Manager of Enerjisa Sales Companies, he carried out consumer-focused new brand positioning studies within the frame of preparation process of Enerjisa for the liberalization of the market.

On March 1, 2016, he was appointed the CEO of Enerjisa, which manages a large portfolio in electricity generation, distribution, trade and sales. Mr. Zaimler, also led the restructuring project in Enerjisa to split the 2 different business lines and as of September 2017 has been appointed as the CEO of Enerjisa Enerji A.Ş. In this assignment, under Zaimler's leadership, Enerjisa Enerji has become the Turkey's largest private sector IPO and started trading on BIST 30.

Mr. Zaimler is married and has a daughter. Mr. Zaimler is active in various non-governmental organizations in the energy industry and in addition to his professional basketball life and many professional development programs he has participated, he attended trainings on awareness and personal development, and pursues mentoring and coaching activities on volunteered basis. As of 1 July 2018, Mr. Zaimler has been appointed as the President of Sabancı Holding Energy Group and Chairman of Enerjisa Enerji executive board.

Eric René C. Depluet

Vice Chairman

Dr. Eric René C. DEPLUET, graduated from RWTH Aachen University from Business Administration and holds a PhD. Starting his career at Klöckner & Co. AG, he worked as Head of Controlling and Business Administration between 1990-1991 and Senior Vice President of Controlling, Business Administration and Accounting between 1992-1993. He joined Ruhrgas AG in 1994 and worked in several leading roles before he became Executive Vice President of Corporate Planning, Economical Planning, Analysis and Billing between 2001-2004. Dr. Depluet joined E.ON Hungary in 2004 as Board Member between 2004-2007. From 2007-2009 he served as Senior Vice President of Corporate Responsibility at E.ON AG. Between 2009 and 2018 he was Chairman and CEO of E.ON Hungary in Budapest. Since Mid of 2019 he took over the role as Senior Vice President Turkey of E.ON AG. In this function he is now the Chairman of the Board of Enerjisa Üretim and the Vice Chairman of the Board of Enerjisa Enerji. Eric Depluet is married and proud father of two sons.

Cenk Alper

Board Member

Cenk Alper received his bachelor's degree in 1991 and his master's degree in 1994 from the Mechanical Engineering Department of METU and completed the MBA program at Sabancı University in 2002. Having started his career as a Process Engineer at Beksa in 1996, Mr. Alper worked for Bekaert's overseas organizations at different managerial positions between the years 2000-2007. Mr. Alper, who joined Kordsa in 2007, worked as the Global Technology Director, the Vice President of Technology and the Market Development, the Vice President of Operations in Kordsa and he was appointed as the CEO of Kordsa on June 17th 2013. Mr. Alper has been serving as the Industry Group President of Sabancı Holding since April 1, 2017.

Manfred Michael Paasch

Board Member

Manfred Michael Paasch received his diploma in business administration after studying at the universities of Bochum, Cologne and Münster. His professional career started in 1983, working for the auditing company KPMG. In 1994, he joined the energy company PreussenElektra, which later merged with the E.ON group. After holding several executive positions, he was appointed as the CEO of E.ON Bulgaria AG in 2005. From 2008 until his parting from the E.ON group due to his retirement in the end of the year 2017, he was appointed as the CFO of the energy company E.DIS AG, one of the largest distribution system operators within Germany, and subsidiary of E.ON SE. Since 2010 he is also working as the honorary CEO for PRO BRANDENBURG e.V., the oldest independent economical association in Brandenburg.

Barış Oran

Board Member

Barış Oran graduated from Boğaziçi University, department of business administration, and completed his MBA studies at the University of Georgia. In 1995, he started his career as an auditor at PricewaterhouseCoopers and from 1998 to 2003, worked at Sara Lee Corp in Chicago IL, as an auditor and in finance and treasury/capital markets. Between 2003 and 2006, he worked as senior manager at Ernst and Young first at Minneapolis, MN and then in Europe, Middle East, Africa and India regions. He started working at Kordsa Global in 2006, and held positions of internal audit director, global finance director and CFO respectively. Mr. Oran was appointed as budgeting, consolidation and IR Director of Sabancı Holding in 2011; as the head of finance of Sabancı Holding in 2012 and as the CFO of Sabancı Holding in 2016. He is a member of Brisa, Enerjisa, Enerjisa Electricity Generation Company, Teknosa, Carrefoursa, Avivasa, Çimsa, Temsa and TÜSİAD (Turkish Industry and Business Association) board of directors and he is the chairman of Bimsa.

Eva-Maria Verena Volpert

Board Member

Verena Volpert is the senior vice president of group finance of E.ON. She holds a degree in business administration. She joined E.ON in 2006 and is responsible for treasury, corporate and structured finance, finance controlling, financial settlements, asset management and insurance. Volpert, is a member of the board of directors of Enerjisa Enerji A.Ş., Enerjisa Üretim Santralleri A.Ş., Vibracoustic AG, E.ON Energie AG, PreussenElektra GmbH, E.ON International Finance B.V. and E.ON Verwaltungs SE. Before joining E.ON, she headed the finance department of the media company Bertelsmann.

BOARD OF DIRECTORS

Fatma Dilek Yardım

Independent Board Member

Born in Istanbul in 1963, Fatma Dilek Yardım graduated from Sankt Georg Austrian High School and Business Administration Department of Bosphorus University and completed the joint MBA program of Manchester Business School & University of Bangor. She started her professional career as an Auditor at Interbank in 1988. She worked as the Project Finance and Corporate Banking Director at Bankers Trust between 1990-1999. She worked as the Deputy General Manager Corporate Finance at Deutsche Bank between 1999-2001. During 2001-2016, she worked as the General Manager and the Board Member at Deutsche Bank, Credit Agricole CIN and Standard Chartered Bank respectively. Since 2017 she has been working as an advisor in Experian. Ms. Yardım has served as the president of various working groups and as an alternate member of the Board of Directors in TÜSİAD since 2001. She became a member of YASED in 2001 and served as a member of the Board of Directors for three consecutive terms between the years 2007-2012. She served as a member of the Turkish-British business council in DEIK between the years 2012-2016.

Mehmet Sami

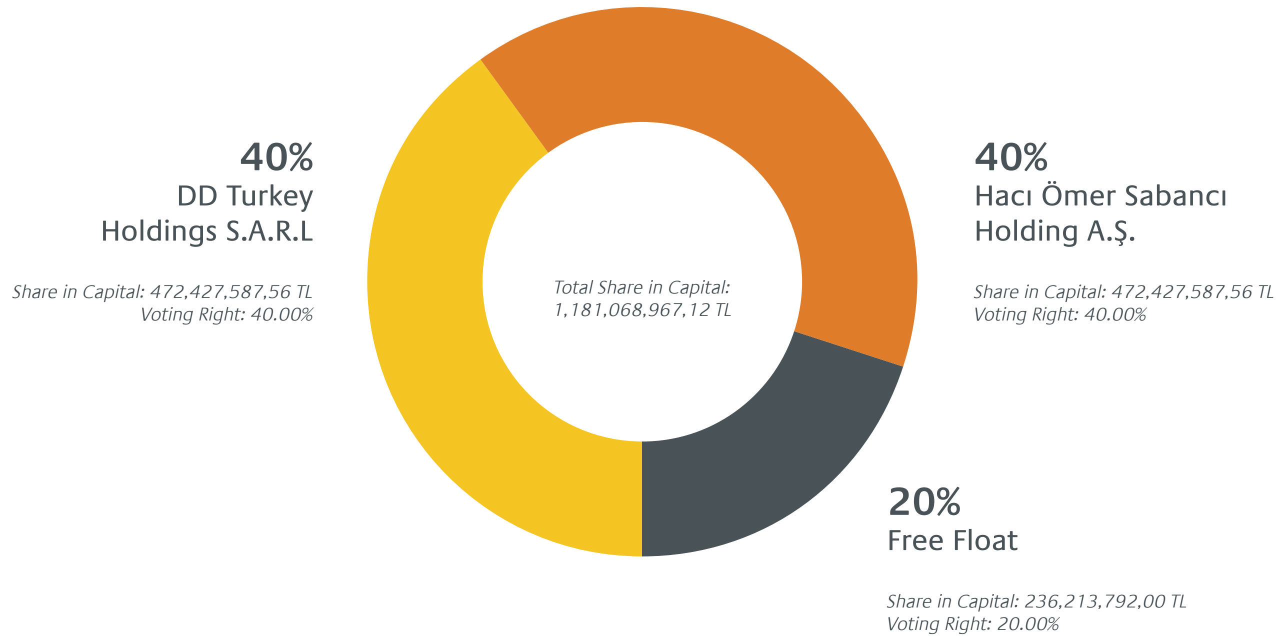
Independent Board Member

Having graduated from the Economics Department of Kingston University and completed his masters degree on Business Systems Analysis Design in the City University London, Mehmet Sami has led the Privatizations, Company Mergers, Joint Ventures and Financial Partnership projects in Turkey since 1988. Some of the outstanding institutions he served as a consultant include GE Capital, News Corp., Arcelor, T.R. Privatization Administration, JBIC, IFC, Trade Partners UK, AIG, Dubai Holding and Emirates Bank NBD.

Board Of Director	Duty	Date of Appointment	End of Duty
Kıvanç Zaimler	Chairman	01.07.2018	29.03.2021
Eric Rene C. Depluet	Vice Chairman	15.06.2018	29.03.2021
Hakan Timur	Member	20.09.2019	29.03.2021
Manfred Michael Paasch	Member	27.08.2018	29.03.2021
Barış Oran	Member	29.03.2018	29.03.2021
Eva-Maria Verena Volpert	Member	29.03.2018	29.03.2021
Fatma Dilek Yardım	Independent Member	29.03.2018	29.03.2021
Mehmet Sami	Independent Member	29.03.2018	29.03.2021

CAPITAL AND SHAREHOLDER STRUCTURE

Enerjisa continues its operations and investments with the strength it gets from its strong shareholders; E.ON, which conducts activities in the energy sector worldwide, and Sabancı Group, which is one of the leading groups in Turkey.



e·on

40%

- Global activities carried out in the field of energy networks, customer solutions and renewable energy
- Regulated Asset Base of EUR ~23 billion
- More than 31 million customers
- A 976 thousand km-long power grid
- ~1.4 million smart meters rolled out in grid areas

SABANCI

40%

- One of Turkey's leading conglomerates
- Strong retail experience and brand awareness throughout the country
- Operates in 13 countries
- Shares of 12 subsidiaries such as Akbank, Avivasa, Brisa, Carrefoursa and etc. publicly traded in Borsa İstanbul, in addition to the Holding's shares.
- Partnerships established with worldwide leading brands (Ageas, Aviva, Bridgestone, Carrefour, E.ON, Heidelberg Cement, Marubeni and Philip Morris

CEO'S MESSAGE

Dear shareholders,

I have joined Enerjisa Enerji as the CEO in a year with a full agenda both nationally and globally. In such an environment, we especially focused all efforts at Enerjisa Enerji with the purpose of creating value for both our company and our country. The figures we reported as of year-end 2018, as well as the many awards we have received at both national and international platforms are a reflection of these efforts.

Before joining Enerjisa Enerji in my current role, the company started to trade its shares on Borsa Istanbul on February 8th, 2018, following a succesful IPO. This was the largest public offering in Turkey for the past 10 years and the first public offering in Turkey in our sector. The shares of the company received high demand from pioneering and prestigious investors from both Turkey and abroad, which enabled us begin 2018 very proud. This successful public offering, which is a milestone for our company, is also a significant step towards institutionalization and transparency of our sector and yet gives us another responsibility.

Looking back at 2018, we continued to deliver on our commitments regarding growth and profitability:

In 2018, we have again invested in excess of regulatory expectations to improve distribution network quality and prevent technical and commercial losses, also we added almost 400,000 new connections to our existing grid network.

We continued our efforts to fulfill the requirements of our 9.6 million retail customers, by creating value in power supply and providing after-sale support by means of physical and digital channels. We increased the number of Enerjisa Transaction Centres (ETC) to 84 at the regions where we provide service. We also intensified the use of technology in kiosk and mobile applications, to increase self-service channels through advanced data analytics. We have begun analyzing the voice records during calls in real time and we contributed to reduce the waiting periods at our customer service points with our video call centre infrastructure.

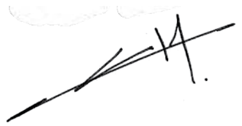
Focusing on customer relations practices with network monitoring and field operations, we continued to invest in operational excellence and digitalized processes. In 2018, we put into operation Net Promoter Score (NPS) and Customer Satisfaction (CSAT) systems to be able to track end-to-end customer satisfaction.

In 2018, we have issued TL 162 million CPI - indexed bonds to continue to diversify our financing and maintain our position as the largest and longest-term private sector local bond issuer in Turkey.

With the goal of expanding the future scope of our business, we have acquired the majority stake of Elektrikli Araçlar Şarj Sistemleri A.Ş. (EŞarj), which is the Turkish market leader in e-mobility charging stations sales and network establishment. We are looking forward to gain valuable insights into this emerging business, which is also a priority of Turkish policy makers, in order to identify and develop synergies to our existing core business and actively shape the corresponding regulation.

All of these activities have ensured that we continue on our successful path and are in the best position to capitalize on the opportunities of the Turkish energy sector.

I would like to sincerely thank and pay my respects to our shareholders, who always support us during our journey; our business partners, who share our common vision and goals; our employees, who proceed swiftly, adapt to changing conditions rapidly and add value to our company; and our customers, who always show their appreciations to us.



Ziya Erdem
Enerjisa Enerji CEO

"This successful public offering, which is a milestone for our company, is also a significant step towards institutionalization and transparency of our sector and yet gives us another responsibility."

ENERJİSA ANNUAL REPORT 2018

EXECUTIVE TEAM

1

Ziya Erdem
CEO

2

Sascha Bibert
CFO

3

Gül Erol
Chief Officer HR and Information (CHRIO)

4

Fezal Okur Eskil
Chief Officer Strategy & Business Development (CSBDO)

5

Murat Pınar
General Manager, Distribution Business Unit (GM)

EXECUTIVE TEAM

Ziya Erdem

CEO

Ziya Erdem graduated from U.S. International University at San Diego, Business Administration in 1984 and then earned his MBA degree from the same university in 1986. Having started his career in 1988 as the Board Member and Vice President of Pabalk Group, Mr. Erdem has served in senior management positions at Mansan Mantar Food Industry, TicaretNet, Türk Nokta Net, Sabancı Telecommunication, Interkom Telecommunication and CETEL Çalık Energy Telecommunication companies respectively. Between the years 2008-2017, Mr. Erdem worked at Ericsson as the Vice President Middle East and Africa Region, as the President of Global Customer Unit Responsible for Turkcell Group and finally as the Country Manager Ericsson Turkey respectively. Following that, he provided consultancy services focusing on Information and Communication Technologies and Digital Transformation. Since July 2018, he has been working as Enerjisa Enerji CEO. Mr. Erdem is 56 years old, married and has a son.

Sascha Bibert

CFO

Following his graduation from high school in the US and Germany, Sascha Bibert attended university in London, Paris and Dortmund, majoring in finance related subjects. He began his career in 1999 in the banking sector as an analyst and portfolio manager. He joined Munich Re in 2005 as Head of investor & rating agency relations and entered the energy industry in 2009 at E.ON with the same responsibility. Before joining Enerjisa as CFO in September 2014, he was responsible for group accounting & controlling at E.ON. He also served as a supervisory and advisory board member of an energy from waste company, 51% owned by the private equity firm EQT.

Gül Erol

Chief Officer HR and Information (CHRIO)

Gül Erol is a graduate of METU Industrial Engineering and has been working in Sabancı Holding for 21 years. She previously served in various positions at Bimsa between 1996 and 2009, and from 2009 onwards she has been working at Enerjisa. During her tenure as Chief Technology Officer, she assumed many responsibilities such as leading innovation strategy and culture, managing corporate initiatives, conducting customer solutions and carrying out company-wide information technology activities. As of October 2018, she has been working as the President of Enerjisa Enerji Human Resources and Information Department.

Fezal Okur Eskil

Chief Officer Strategy & Business Development (CSBDO)

Fezal Okur Eskil graduated from the Department of Industrial Engineering at Bosphorus University and completed her MBA and her MS degree in Industrial Engineering at the Georgia Institute of Technology. She started her career at AT Kearney in Chicago in 2001 and worked as a management consultant until the end of 2005, focusing on strategies and operations related tasks in many sectors. She joined Eczacıbaşı Baxter in 2006 as Operations Manager for one year. In 2007, she assumed a managerial position at Philip Morris International regional supply chains and has managed the transformation process of the supply chains in a region consisting of Turkey, Greece, Serbia and Romania. She joined Sabancı Holding Strategy and Business Development Group at the end of 2007 and was appointed as the Director of Strategy and Business Development in 2013. As of October 2018, she has been serving as the Chief Officer of Enerjisa Enerji Strategy & Business Development.

Murat Pınar

General Manager, Distribution Business Unit (GM))

Murat Pınar, having graduated from Karadeniz Technical University as an Electrics and Electronics Engineer, started his professional career in Siemens where he worked in various management positions between 1998-2006. Later, he assumed the managerial position responsible for the field operations at Nokia Siemens Networks Company in 13 different countries including Eastern Europe, Central Asia Countries and Turkey, Azerbaijan and Georgia. During his employment as the Program Director at Nokia Siemens Networks, he joined Başkent EDAŞ in April 2010. Until August 2015, he served as the Group Director of Başkent EDAŞ, AYEDAŞ and Toroslar EDAŞ. Since 2015, he has been working as the General Manager of Başkent EDAŞ, AYEDAŞ and Toroslar EDAŞ.

WE ARE BY YOUR SIDE ANYWHERE, ANYTIME!

"We are always ready to respond your needs"

From Ankara to the Anatolian side of Istanbul, from Gaziantep to Hatay, we provide people and customer oriented service in *14* provinces.

DISTRIBUTION

Enerjisa centrally manages and monitors all its network operations in its 3 distribution regions.

Electricity distribution is the delivery of electricity to end users via low voltage (under 36 kV) power lines. According to EMRA regulations, Turkey's distribution network is divided into 21 distribution regions. These regions have been operated by private distribution companies since the privatizations held between 2009 and 2013.

Regional distribution network operators are responsible for undertaking mandatory investments related to maintenance, repairs, environment, safety, renovation and expansion; reading and maintaining electricity meters; demand forecasting and preparing CAPEX plans; monitoring theft/loss rates; supplying electricity in the event of technical and commercial losses; taking all necessary technical and operational measures to reduce power theft/loss; and providing lighting in public areas in their respective regions.

Enerjisa centrally manages and monitors all its network operations in its 3 distribution regions. As part of grid management processes, Enerjisa undertakes efforts to expand and renovate its network and boost the network's operational efficiency; as well as carrying out research and development efforts. These various activities enable Enerjisa to standardize network management processes in its 3 regions; create centralized procedures; determine key performance indicators such as complying with EMRA's technical, commercial and supply security standards; meet outage and theft and loss targets; plan system improvements; control and monitor local networks; and perform customer service operations.

Distribution
(As of year end 2018)

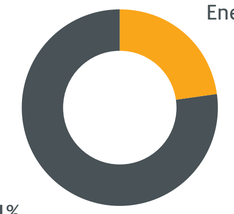
TL 6.9 billion
RAB (Regulated Asset Base)

10.9 million
Network Connections

226,981 km
Distribution Network Length

TL 1.6 billion
Infrastructure Investments

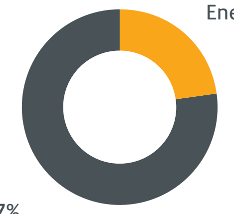
Enerjisa's Share in Turkey's Regulated Asset Base
*2017**



29% Enerjisa

71% Other Companies

Enerjisa's Share in 2016-2020 CAPEX Allowance in Turkey
Total TL 18 billion



23% Enerjisa

77% Other Companies

* National Regulatory Asset Base according to initial CAPEX allowance, Enerjisa RAB accounts for actual CAPEX.

Source: EMRA, Company.

DISTRIBUTION COMPANIES

BAŞKENT ELEKTRİK DAĞITIM A.Ş.

Başkent Elektrik Dağıtım A.Ş. (''Başkent EDAŞ'') engages in the expansion, maintenance, and operation of electricity distribution grids in the cities within the Başkent Electricity Distribution Region. The Company distributes electricity to 7.4 million persons in Ankara, Bartın, Cankırı, Karabuk, Kastamonu, Kırıkkale and Zonguldak. In 2018, Başkent distributed approximately 15.2 TWh of net electricity via a 111,967 km long distribution network.

On July 1, 2008, Enerjisa won the privatization tender for the block sale of the entire shares of Başkent Elektrik Dağıtım A.Ş. with a US$ 1,225 million bid. The share transfer was completed on January 28, 2009. Under the Transfer of Operating Rights (TOR) agreement signed with Türkiye Elektrik Dağıtım A.Ş. (TEDAŞ) on March 31, 2006, Başkent EDAŞ holds electricity distribution rights in a total of 7 cities - Ankara, Kırıkkale, Kastamonu, Zonguldak, Bartın, Cankırı and Karabuk - for a period of 30 years.

İSTANBUL ANADOLU YAKASI ELEKTRİK DAĞITIM A.Ş.

İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş. (''AYEDAŞ'') engages in the expansion, maintenance, and operation of electricity distribution networks in the districts within the Istanbul Asian Side Electricity Distribution Region. The Company distributes electricity to approximately 5.3 million persons residing on the Asian side of Istanbul. In 2019, AYEDAŞ distributed about 11.8 TWh of net electricity via a 24,340 km long distribution network.

Enerjisa won the privatization tender for the block sale of the entire shares of AYEDAŞ with a US$ 1,227 million bid. The share transfer was completed on July 31, 2013. Under the Transfer of Operating Rights (TOR) agreement signed with TEDAŞ on July 24, 2006, AYEDAŞ holds electricity distribution rights on the Asian side of Istanbul until December 31, 2042.

TOROSLAR ELEKTRIK DAĞITIM A.Ş.

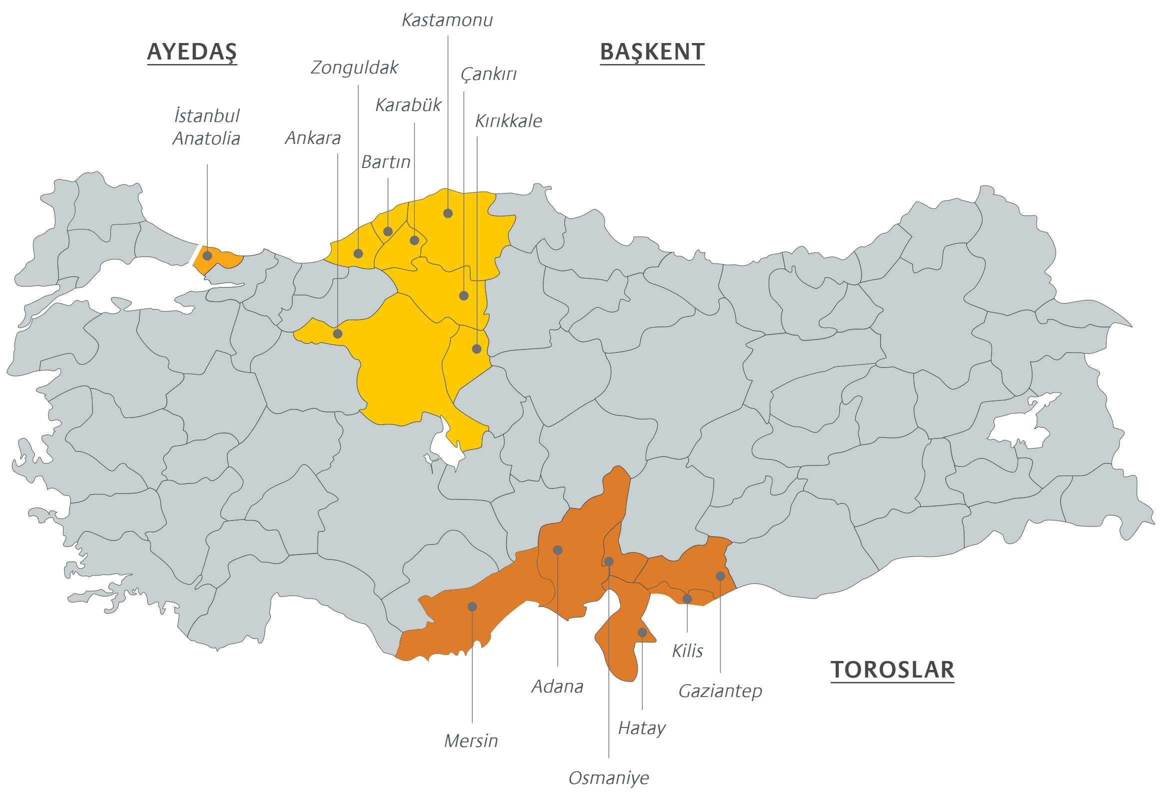
Toroslar Elektrik Dağıtım A.Ş. ("Toroslar EDAŞ") engages in the expansion, maintenance, and operation of electricity distribution networks in the cities within the Toroslar Electricity Distribution Region. The Company distributes electricity to 8.3 million persons in Adana, Osmaniye, Gaziantep, Mersin, Kilis and Hatay. In 2018, Toroslar distributed about 15.3 TWh of net electricity via a 90,672 km long distribution network.

Enerjisa won the privatization tender for the block sale of the entire shares of Toroslar with a US$ 1,725 million bid. The share transfer was completed on September 30, 2013. Under the Transfer of Operating Rights (TOR) agreement signed with TEDAŞ on July 24, 2006, Toroslar holds electricity distribution rights in Adana, Gaziantep, Hatay, Kilis, Mersin and Osmaniye until December 31, 2042.

Enerjisa provides electricity distribution services to a population of 21 million accounting for 26% of all network connections in Turkey.

	License Start Date	License End Date
Başkent	September 1, 2006	September 1, 2036
AYEDAŞ	September 1, 2006	December 31, 2042
Toroslar	September 1, 2006	December 31, 2042

DISTRIBUTION



Regulated Asset Base *(TL milion)*

2016	3,914
2017	5,322
2018	6,948

Amount of Distributed Electricity - Net *(TWh)*

2016	39.7
2017	41.8
2018	42.4

Total Distribution Network Length *(km)*

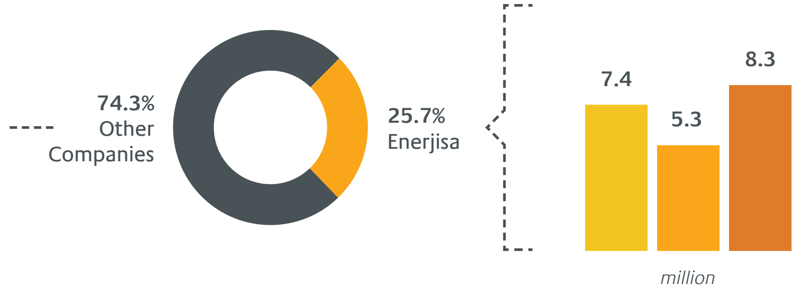
2016	213,918
2017	220,503
2018	226,981

Total Number of Network Connections

2016	10,521,557
2017	10,858,900
2018	10,930,992

DISTRIBUTION COMPANIES IN NUMBERS

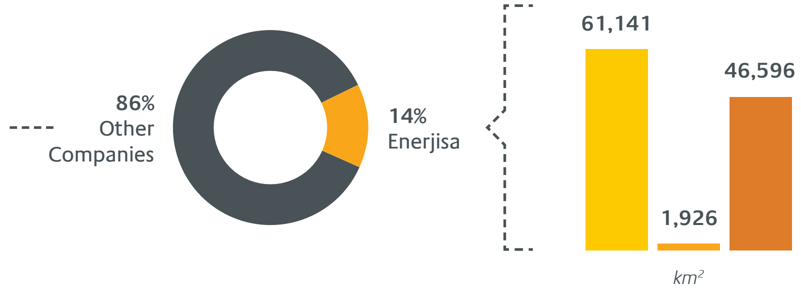
POPULATION OF TURKEY 82 MILLION



Population

21 million

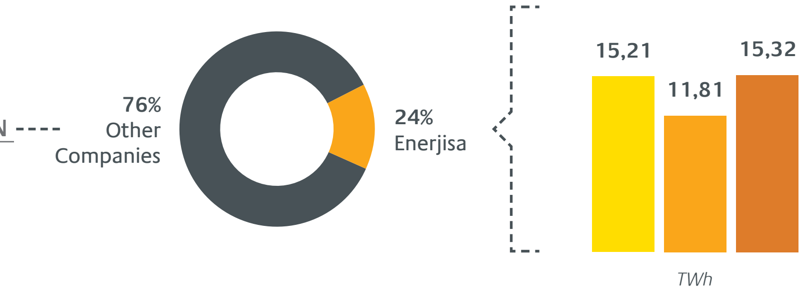
LAND AREA OF TURKEY 783,562 KM²



Area

109,663 km²

TOTAL ELECTRICITY DISTRIBUTION OF TURKEY 171,53 TWH *(2017)*



Distributed Electricity (Net)

42.4 TWh

THEFT AND LOSS AVERAGE *(2017)*

Source: TEDAŞ, 2017

Theft & Loss

8%
3 Region Theft/Loss Average (2018)

Başkent | AYEDAŞ | Toroslar

DISTRIBUTION

SECTOR DEVELOPMENTS

During the fiscal year 2018, the following key regulatory changes became effective or have been announced by the regulator EMRA.

- ***WACC (Weighted Average Cost of Capital):*** Revised from 11.91% to 13.61% starting 2018.
- ***Theft Accrual Retention Rate:*** Theft accrual retention rate increased from 40% to 55% retrospectively as of beginning of 2018 (2nd revision of this regulation after increase from 20% to 40% in December 2017)
- ***Quality Bonus:*** Clarification of procedures and principles for the quality bonus incentive mechanism introduced in December 2017.
- ***Additional CAPEX allowance:*** In August 2018, Enerjisa received the approval by the regulator to spend a further 1.3 billion TL (in October 2015 prices) on top of the initial CAPEX allowance until the end of the current regulatory period. This represents an increase of our initial CAPEX allowance of around 30%.

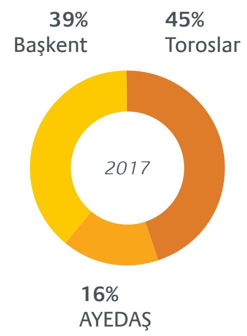
INVESTMENTS

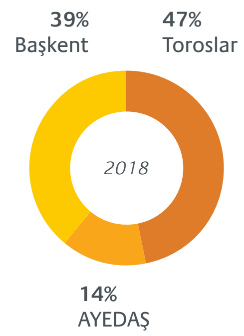
Distribution companies are responsible for preparing and implementing investment plans by taking into consideration energy demand, network requirements and all investment needs within the company. They are also responsible for managing their investment budgets in addition to preparing a 5 year investment budget, budget justification report and investment reports that are presented to EMRA.

Our investment plans are idendified by reviewing the status and operation of the network, requirements determined through field studies, energy requirements and requests from customers, local administrations, public institutions and organizations, as well as all other investment needs within the Company. Due to the dynamic structure of the network and constantly shifting field requirements, these plans are updated through out the year.

Enerjisa maintained its strong growth in 2018. Within the context of Turkey's prioritization of improving the quality of electricity supply, Enerjisa continued its investments and completed 1.6 billion TL investments in 2018. The distribution investments of Enerjisa are fully regulated, and as of 2018, the Regulated Asset Base, which constitutes the basis for regulated investment returns, reached 6.9 billion TL.

Investments by Distribution Regions
(As per June 2018 CPI price)





DISTRIBUTION

CUSTOMER EXPERIENCE ACTIVITIES AND MANAGEMENT MODEL

Enerjisa's distribution companies aim to improve service quality in order to achieve higher customer satisfaction. In this respect, we continue to invest and offer new services to our customers whilst improving our operational proceses on the basis of quality and sustainability criterias.

Customer requests and complaints are resolved quickly, and great emphasis is placed on the response quality. In order to help customers submit their requests quickly and easily, communication channels have been increased and diversified. In line with this, requests and complaints submitted through different channels, such as petition, email, telephone, website, mobile application (Mobile 186), registered electronic mail (KEP) Twitter support accounts, corporate Facebook account, corporate Sikayetvar.com account, and WhatsApp "village head service line," are easily logged and shared with operational units. Feedback received from operational units is transmitted back to customers using the feedback channel of their choice.

The following customer relations management projects were launched in 2018:

- ***CCCO (Customer Call Center Operation) Project***
  As part of the digitalization project commissioned to send information via text message to customers about power outages and to strengthen the operational ties with the call center, customers who report power outages to 186 receive text messages about the estimated restoration times and work completion information.

  In 2018, the Company received the first prize in the **"Best Customer Service" category, awarded by the Best Business Awards**, which is one of the United Kingdom's most important organizations, where many leading companies are evaluated. This award was the international recognition of our work in customer services.

"The Best Customer Service" award at the 2018 International Best Business Awards with the CCCO Project

- ***The Mobile 186 Application:*** The application has been revamped with a new design and additional features. Thanks to the up-to-date mobile application, customers can now report any problems by sharing location, report the lighting status by sending pictures and file requests in different categories (meters, connection-disconnection, index, new connection, and so on). Also, the push notification feature lets customers receive feedback about any faults, connection-disconnection and index status, without the need to log into the mobile application.

- ***Service Ticket Data Enhancement Project:***
  The customer database had to be improved in order to analyse customer habits properly. The Service Ticket Data Enhancement Project has been developed in this context.With the help of the project, customer data has been collected through customer requests and database content has been improved.

- The customer relations department has created templates for the generic response texts for customer requests, and the electronic signature process has been launched. Thanks to the Electronic Document Management System (EDMS), we have eliminated paper waste and perform job tracking electronically.

- Device dependent patients are now informed via telephone and text messages about any planned outages, provided outage blocks, and the list of device dependent patients our Company has on record has been updated, resulting in many service improvements.

- Customer relations teams have launched 30 sub-projects under 4 core processes (Understand the Customer, Foresee Customer Needs, Develop Request Management, Measure and Ensure Customer Satisfaction) to increase customer satisfaction.

- ***Ask Enerjisa Project:*** We have addressed customer experience in detail during every stage of Defect and Damage processes. All stakeholders reviewed the process from a customer view point, identified the areas for improvement and action plans have been prepared accordingly.

CALL CENTER OPERATIONS

Customers can now submit requests 24/7 through all channels to Enerjisa's distribution companies, which run a comprehensive customer service program to a growing number of customers every year.

The 186 Call Center employs 800 personnel in total in Ankara, Adana and Rize. Enerjisa's distribution companies received 21,835,525 calls through call centers in 2018. The Call Center has greatly outperformed the industry averages, with a response rate of 97.4% and a service level rating of 88.9%.

The following call center operations projects were launched in 2018:

- Customers who make repeated calls to the call center are now analyzed. Reasons for such repetitive calls have been identified and action plans have been taken to reduce them.

- We have developed a portal to improve communication between the field teams and the customer representatives working at the call center. Thanks to this portal, customer representatives are now notified about planned and unplanned outages in the field. Any updates made by the field teams on hand-held terminals, such as estimated restoration times or outage causes, are transmitted to the portal on a real-time basis, helping customer representatives relay the latest information to customers.

DISTRIBUTION

- For customers who have made repeated calls to the call center or who have an unresolved issue, a dedicated solution desk has been formed to solve these problems by contacting the operations teams on a case-by-case basis and reporting to the customer. All repeated calls are tracked by the representatives in the solution desk team, and customer requests are resolved.

- *Değer Kat Project (Speech Analytics):* Calls received by the call center are converted to text using speech-to-text technology, and pre-determined keywords are captured in the text. When a pre-determined keyword is located in a conversation text, email alerts are issued to the relevant operational units automatically. For instance, when a customer mentions they have a device dependent patient, then with the help of the email flag sent to the relevant team, our customers' requests are handled much faster.

  Speech Analytics Categories
  - Device Depended Patients
  - Damage
  -VIP Customers
  - System Outages
  - Meter to Cash Customer Journey

- Customers who have submitted a request are given an IVR-based customer satisfaction survey (interactive voice response survey). The survey asks questions about the company, services received from the call center and the process. Responses received from customers are evaluated on a weekly basis, and various actions are taken based on the results of the analysis.

Değer Kat Project won;
- Nar Award
- Big Data & Disruptive Technology Award

Değer Kat Project (Speech Analytics) Process

Customer calls **Call Center** → Call is converted to text format in **in real time** → Texts are tracked and tried to catch the pre **identified keywords** in it → When these identified keywords are caught, **an alarm** is produced

IMPROVEMENTS IN CUSTOMER OPERATIONS

The following work was completed in 2018 to ensure effective customer operations management:

- The operational capabilities of our field employees increased by renewing the hand-held terminals they use.

- Studies carried out to increase the range of operations to be performed in the field next year.

- *Automatization of Unlicensed Generator Processes:* The projects has been initiated to meet the increasing requirements of unlicensed generators and to automate the transactions. The project is expected to be completed in the first half of 2019.

TECHNICAL AND COMMERCIAL LOSS MANAGEMENT

Losses in electricity distribution are classified into two basic categories, technical and commerical:

Technical Losses:

- Losses occurring during the transmission of electricity through cables and conductors.

- Losses occurring at the transformers during voltage transformation.

- Losses caused by faulty connections.

Commercial Losses:

- Losses caused by use/theft of electricity by tampering with the meters or obtaining unauthorized access to the distribution network.

Reducing these technical losses requires the improvement of the distribution network. The Company made improvements in all regions to reduce technical losses.

Technical losses account for much less than theft usage in the theft&loss ratio. Hence, the Company shows an intensive effort to prevent unauthorized use and theft of electricity. In this context, the Company bought primary and transformer metering cabinets and has started to installing them to prevent tampering with the meters.

"Theft and Loss Project" was launched in 2018. Success rate of our inspections has increased significantly.

Theft and Loss Project: One of the major problems encountered in the fight against theft and loss has been loss of labour due to not finding the location of theft and loss. In order to minimize such losses, the "Theft and Loss Project" was launched in 2018, which involves big data screening to help increase the success rate of inspections conducted for theft and loss. Thanks to this project, the success rate of our inspections has increased significantly.

In our fight against theft, we also visit customers with high consumption volumes at least once a year for inspections. In addition to this, the data retrieved from the Automatic Meter Reading System (OSOS) users is analyzed and checked to see whether there is any suspicious consumption activity and/or error/malfunction in the measurement circuit systems.

Relocating Meters Outside Premises: One of the major problems in the regions where theft and loss rates are high is that the meters are located inside the premises and thus unauthorized connections are usually not detected. For that reason, 7,326 meters have been moved outside the premises in Reyhanlı, Hatay. As a result of this project, the average consumption of these customers increased by nearly 50%.

Thanks to the above mentioned theft and loss measures, the Company can now track the theft and loss rates and try to reduce them below the targets set by the Energy Market Regulatory Authority (EMRA).

DISTRIBUTION

IMPROVEMENTS TO THE INDEX READING PROCESS

The difference between the amount of energy that enters the distribution system and the amount displayed on the end-user index is called technical and commercial loss. This difference is critical for the minimization of the index reading loss, which is used as the basis of invoicing. Therefore, in order to minimize the number of subscribers whose index meter cannot be read, we started posting sticky notes at customer sites where the meter is not accessible and send them informative text messages. Besides its effect on theft and loss, index reading is important for customer satisfaction as well. In order to increase customer satisfaction and comply with regulations, a report has been developed to perform index readings every 25 to 35 days, and the process is currently being monitored.

IMPROVEMENTS TO METER OPERATIONS

Distribution companies are responsible for the calibration of meters used by the subscribers and the replacement of any broken meter. In this context, distribution companies replace meters that are 10 years old with new ones. The Company started its service-route optimization work for periodic meter replacements and customer requests for broken meter replacements in 2018, with the aim of improving operational efficiency.

The inspection of broken meters by the Ministry of Industry and Technology and the subsequent notification of customers took a considerable amount of time, leading to customer dissatisfaction. To avoid this problem, the Company has cooperated with the Ministry of Industry and Technology and started to conduct the tests in the laboratory and report them collectively. This way, the meter fault detection times and customer response times have been shortened.

IMPROVEMENTS TO THE NEW CONNECTION PROCESS

Pursuant to the Connection System Usage Regulation issued in 2017, the new connection process has been redesigned, and systematic developments on the subject have been implemented.

In order to help customers easily submit their requests for new connections and power increases, an appointment booking system has been introduced on the Mobile 186 application for applicants to use.

With the new zoning peace introduced in 2018, we witnessed a significant increase in the number of new connection applications. Thanks to the devoted work of our employees, this process has been handled successfully.

IMPROVEMENTS IN DISCONNECTION/ RECONNECTION

In order to comply with the regulatory changes made in 2018, we have adopted the practice of assigning on-duty personnel to reconnect most of our customers who pay their outstanding bills. In order to duly notify our customers about a disconnection, if any, we have started to send text messages within one hour of disconnecting their power. In addition, when a customer makes a disconnection request, the customer is notified after their request has been processed and the power has been disconnected.

In particular, the payment habits of consumers with high consumption have been regulated. In order to fight theft, customers owing 10,000 Turkish lira or more were served with a notice, and their power was disconnected on the same day.

RETAIL

With the awareness that electrical energy is an indispensable and essential aspect for human life, Enerjisa continues to offer innovative services with the most advanced technology in order to improve its products and services and provide the best service to its customers.

As incumbent retail companies, retail companies sell electricity exclusively to non-eligible customers within the company's distribution regions as well as to eligible customers in their respective regions and in other parts of Turkey without regional limitations.

Enerjisa Retail Companies operate in **14 cities in three regions** as incumbent retail companies within the regulated electricity market, under the supply license issued by the Energy Market Regulatory Authority (EMRA). Enerjisa's incumbent retail companies operate in the following regions:

- ***Enerjisa Başkent Elektrik Perakende Satış A.Ş.:*** Ankara, Kırıkkale, Çankırı, Kastamonu, Karabük, Bartın, Zonguldak
- ***Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.:*** İstanbul Anadolu Yakası
- ***Enerjisa Toroslar Elektrik Perakende Satış A.Ş.:*** Adana, Mersin, Gaziantep, Hatay, Osmaniye, Kilis

At the core of Enerjisa's services to its customers is to increase their quality of life and to reach world standards. With the awareness that electrical energy is an indispensable and essential aspect for human life, Enerjisa continues to offer innovative services with the most advanced technology in order to improve its products and services and provide the best service to its customers.

As an incumbent retail company, Enerjisa conducts retail activities in its regions. The Company's customer portfolio consists of residential, industrial and commercial customers. Additionally, Enerjisa engages in wholesale and retail sale of electricity to eligible customers across Turkey. Providing service to about **9,6 million customers** and **more than 21 million users** via both physical and digital channels, Enerjisa strives to fulfill customers' needs in the best manner possible, add value to electricity supply, and provide after-sales support.

As of 2018, the Company has an extensive physical service network covering **68 Customer Service Centers, 84 Enerjisa Transaction Centers, and 24/7 Call Center,** and also digital service channels convenient for the needs of both individual and corporate customers on web and mobile platforms.

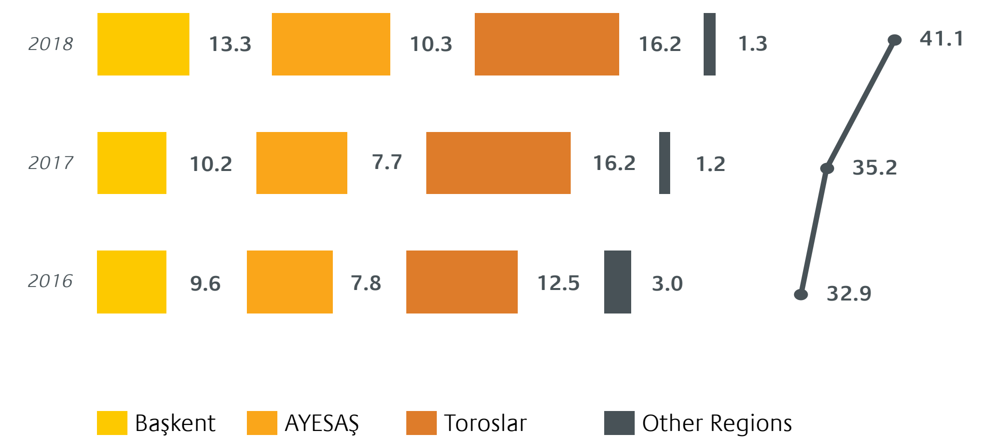
In addition to these, the Company provides customer-oriented solutions, such as on-site generation facilities and increasing energy efficiency in the workplace, by means of the business models developed by following the successful trends around the world.

In all its activities, Enerjisa will continue to take steps to increase its effectiveness, flexibility and efficiency in line with the principle of operational excellence.

Retail

41.1 TWh	9.6 million
sales volume in 2018	*customers as of 2018 year-end*

Electricity Sales *(TWh)*



RETAIL COMPANIES

ENERJİSA BAŞKENT ELEKTRİK PERAKENDE SATIŞ A.Ş.

The shares of Enerjisa Başkent Elektrik Perakende Satış A.Ş. were transferred to Enerjisa through privatization after the share purchase agreement was signed on January 28, 2009.

Enerjisa Başkent Elektrik Perakende Satış A.Ş. provides services to more than **3.7 million** customers, composed mainly of residential and commercial customers, in the Başkent Region (Ankara, Kırıkkale, Çankırı, Kastamonu, Karabuk, Bartın, Zonguldak) where it is the incumbent supplier. The company invests in the development of existing systems as well as the works contributing to customer experience.

ENERJİSA İSTANBUL ANADOLU YAKASI ELEKTİK PERAKENDE SATIŞ A.Ş.

The shares of Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş. were transferred to Enerjisa through privatization after the share purchase agreement was signed on July 31, 2013.

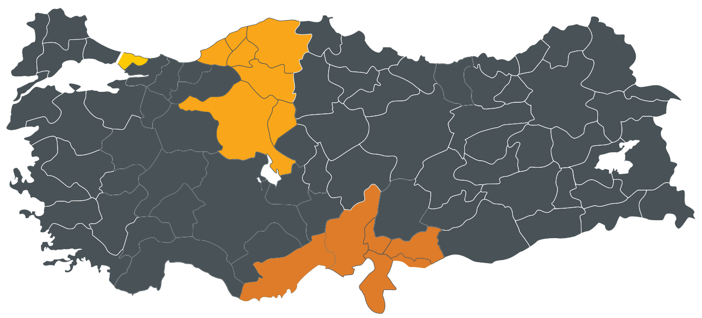
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş. provides services to more than **2.3 million** customers, composed mainly of residential and commercial customers residing on the Asian side of Istanbul. The company invests in the development of existing systems as well as the works contributing to customer experience.

ENERJİSA TOROSLAR ELEKTRİK PERAKENDE SATIŞ A.Ş.

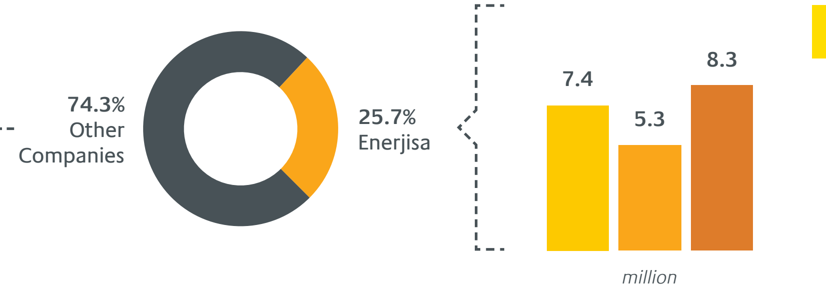
The shares of Enerjisa Toroslar Elektrik Perakende Satış A.Ş. were transferred to Enerjisa through privatization after the share purchase agreement was signed on September 30, 2013.

Enerjisa Toroslar Elektrik Perakende Satış A.Ş. provides services to more than **3.5 million** customers, composed mainly of residential and commercial customers, in the Toroslar Region (Adana, Mersin, Gaziantep, Hatay, Osmaniye and Kilis). The company invests in the development of existing systems as well as the works contributing to customer experience.

RETAIL



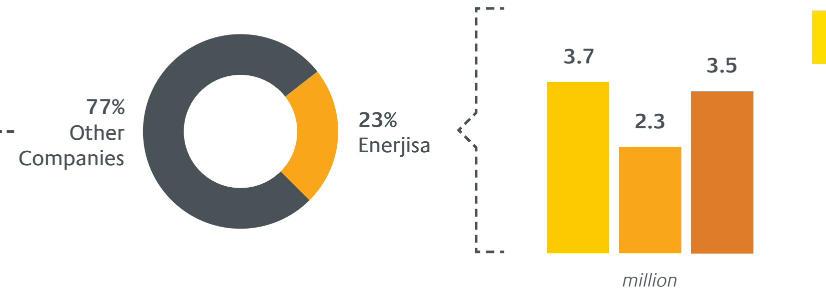
POPULATION OF TURKEY 82 MILLION



Population

21 million

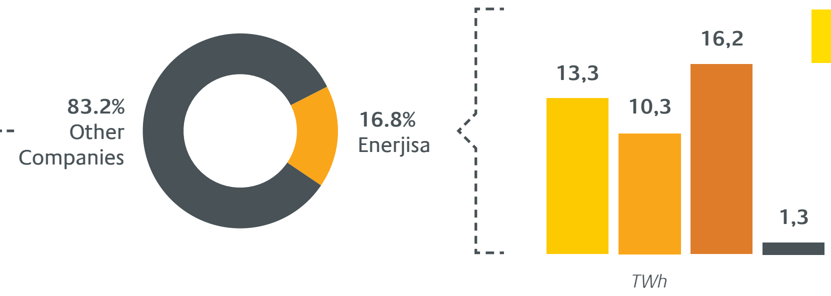
TOTAL CUSTOMERS IN TURKEY 41,3 MILLION



Number of Customers

9.6 million

TOTAL ELECTRICITY SOLD IN TURKEY 245 TWH



Electricity Sales

41.1 TWh

SALES VOLUME

Total sales volume consists of sales made to eligible and non-eligible customers by incumbent retail companies in 3 regions as well as liberalized market sales in other regions. In 2018, sales volume increased 16.7% YoY.

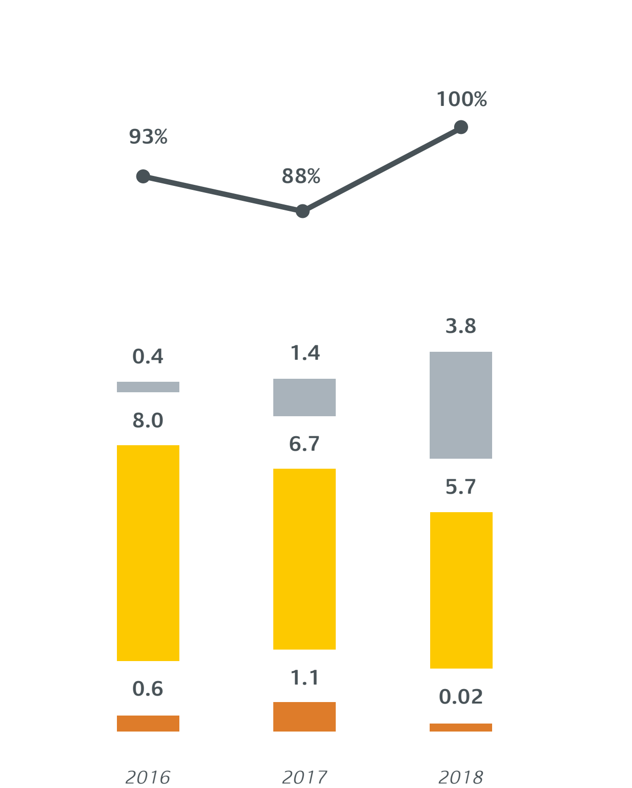
COLLECTION RATE

As a result of effective collection management, collection rates increased by 0.2% YoY to reach 99.69% in 2018.

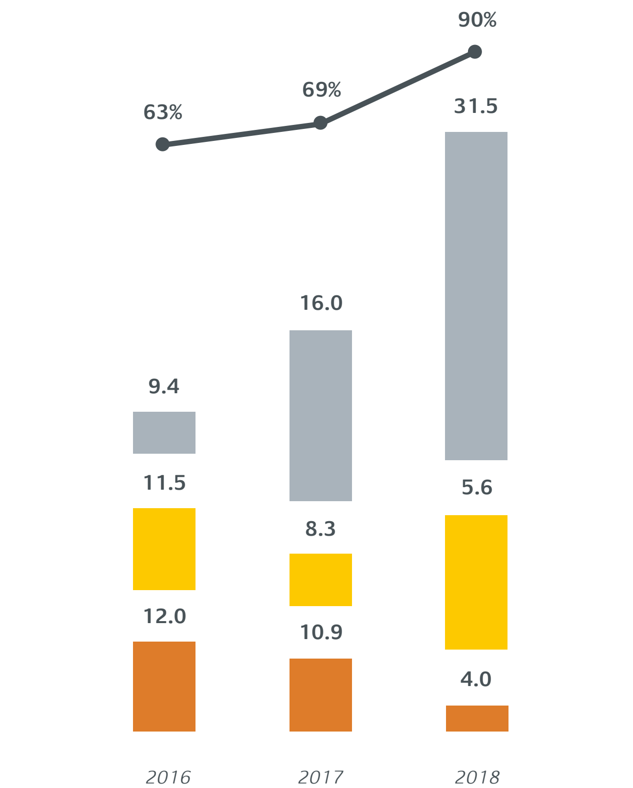
NUMBER OF INVOICES

Enerjisa issues more than 85 million invoices per year centrally and in the field.

Number of Customers by Type *(million)*



Sales Volume by Customer Type *(TWh)*



Eligible Customers | Non-eligible Regulated | Eligible Regulated | Regulated Customer Ratio

* Eligiable customer limit for 2016, 2017 and 2018 is 3,600, 2,400 and 2,000 KWh respectively.

RETAIL

CUSTOMERS AND SUPPLIER TYPES THAT EMERGED IN THE MARKET WITH THE LIBERALIZATION PROCESS

Eligible Customers

Eligible Customers Using the Right to be Liberalized

- Customers whose electricity consumption exceeds the eligibility limit and who are therefore free to choose their supplier.
- Prices are determined according to liberalized market conditions.
- Residential, commercial and industrial customers who consume large amounts of electricity.

Eligible, but Regulated Customers

- Customers who continue to purchase electricity at regulated prices even though their electricity consumption exceeds the eligibility limit.
- Consumers who purchase electricity only from incumbent retail companies and at regulated prices.
- Mostly residential, commercial and industrial customers who consume large amounts of electricity.

Non-eligible Customers

Non-eligible Regulated Customers

- Customers who purchase electricity only from incumbent retail companies and at regulated prices.
- Mostly residential customers.
- In 2018, they accounted for approximately 10% of total sales and about 75% of the total customer base.

STRATEGY DEFINED ACCORDING TO CUSTOMER SEGMENTS

Key Features

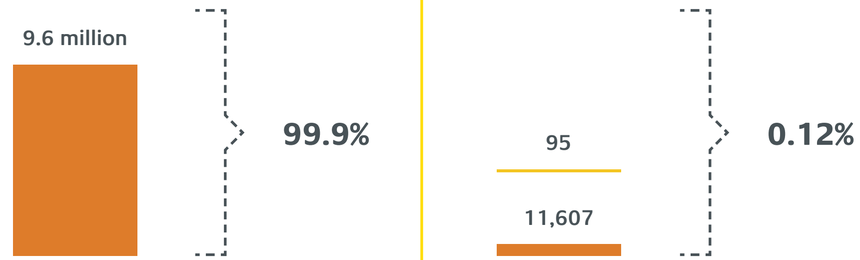
RESIDENTIAL & COMMERCIAL

- Customers below the eligibility limit or customers who continue to buy energy at the regulated tariff in spite of exceeding the eligibility limit,
- Strong customer base with different needs and expectations
- Service and support need from different types of channels.

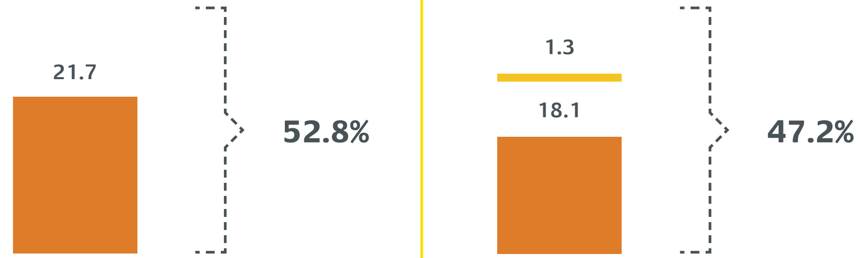
CORPORATE

- Mostly industrial and commercial customers with high electricity consumption
- Customer based solutions and specialized service need

Number of Customer*
(Percentage in Total Enerjisa)



Sales Volume
(Percentage in Total Enerjisa)



Sales Volumes By Customer Type
(Liberalised-Regulated)

Incumbent Regions | Other Regions

* The number of individual customers (residential and commercial) is based on the number of installations, and the number of corporate customers is based on the number of addressees.

RETAIL

PRODUCTS AND SERVICES

Enerjisa manages its products and services according to residential, commercial and corporate customer segments' different needs and expectations.

In addition to providing different services and compaigns to residential and commercial segments periodically, Enerjisa provides the most advantageous offers with different payment terms, considering the market and sector developments.

Commercial products are offered to corporate customers at either fixed or variable rates to meet their expectations and needs. Enerjisa also offers its' customers project-based (independently of technology) energy solutions other than electricity sales, such as energy efficiency, tariff consultancy and electricity generation at the consumption point.

Enerjisa offers products, services and various tailored energy solutions to meet customer needs. Enerjisa's approach to customer service is to first and foremost benefit its customers.

SALES CHANNELS AND CUSTOMER SEGMENTS

Enerjisa follows a two-pronged strategy to provide its customers with the best experience: (i) provide the most efficient use of energy resources, (ii) diversify channel and service structures. With this in mind, the Company constantly reviews and improves its processes. In 2018, we strengthened our channel structure, and expanded both product range and service network.

CUSTOMER

RETAIL CHANNEL

- Customer Service Centers (CSC)
- Enerjisa Transaction Centers (EIM)
- Alternative Sales Channels

CALL CENTER

Call Center

DIGITAL CHANNEL

- Mobile Applications
- Website

CORPORATE

- Managers responsible for each corporate customer
- Personalized services

Residential and Commercial	Retail Channel	• Subscription and termination transactions for residential and commercial customers, as well as responding to applications and requests • Completing subscription and termination transactions over the telephone • 125 Customer Service Points
	Call Center	• Acquiring new customers via outbound calls and mobile
	Digital Channel	• Sending email and text messages as part of customer service/marketing efforts
Corporate	Medium-sized Customers	• Electricity Sales • Customized Solutions • VIP Support Line • Tariff Consulting
	Large-scale Customers	• Electrical Energy Sales • Tariff Consulting Services • Distributed Production Solutions (Cogeneration, Trigeneration, Energy Efficiency, Solar PV Solutions) • Market Access Service
	Specific-sized Customers	• Electrical Energy Sales • Tariff Consulting Services • Distributed Production Solutions (Cogeneration, Trigeneration, Energy Efficiency, Solar PV Solutions) • Market Access Service

RETAIL

PHYSICAL CHANNELS

CUSTOMER SERVICE CENTERS AND ENERJİSA TRANSACTION CENTERS

Around 2 million transactions are performed annually at 41 Customer Service Centers and 84 Enerjisa Transaction Centers, which are visited by approximately 3 million customers.

Transactions carried out in Service Points;

- Subscription and contracts
- Billing transactions
- Petition transactions

In addition to these services, Service Points began to handle all kinds of electricity applications and complaints, and improved customer satisfaction by promptly fulfilling customer demands.

In 2018, with the addition of high-potential locations, the number of Enerjisa Transaction Centers have been increased. Additionally, the channel structure has been diversified with electricity subscription, termination and transfer (relocation) services.

In order to increase the service availability in remote locations where there are no Customer Service Centers or Enerjisa Transaction Centers, the Company started using **12 mobile service vehicles (Mobile CSC)** in Başkent and Toroslar regions to offer high quality customer services.

Around 2 million transactions are performed annually at 41 Customer Service Centers and 84 Enerjisa Transaction Centers.

DIGITAL CHANNELS

Enerjisa, the pioneering brand in the energy industry, continued to lead the industry in 2018 by expanding its service reach through online platforms. Enerjisa focuses on innovative solutions to make life easier for its customers and encourages them to save through new-generation energy solutions and smart products which will soon enter the homes/workplaces of end users.

ALTERNATIVE SALES CHANNELS

By allowing access to the Company through alternative channels such as telephone, WhatsApp, mobile application, www.enerjisa.com.tr and the Online Service Center, we were able to improve customer satisfaction by developing customized solutions. In 2018, the Alternative Sales Channels Department within the Company began to handle subscription and termination transactions by telephone, diversifying our channel and service structure.

Transactions that can be performed through this channel are:

- Subscription and termination transactions completed by telephone,
- Approval transactions for sending bills electronically,
- Customer information updates, permissions/approval of requests.

ENERJİSA ONLINE SERVICES CENTER (OSC)

From invoice review to consumption comparison, debt inquiry to bill payment, online appointments and subscription/termination/transfer applications to complaints and requests, individual and corporate customers can complete most of their electricity-related transactions through the Enerjisa Online Services Center (online.enerjisa.com.tr). In 2018, our customers heavily used the OSC, with the number of OSC users rising to approximately 644,000, up by 39% compared to 2017.

ENERJİSA MOBILE

In order to offer state-of-the-art technologies to its customers and deliver fast and easy solutions, Enerjisa launched its own mobile app: Enerjisa Mobile. Many transactions and follow-ups done at physical channels can be done easily with the touch of a button on Enerjisa Mobile, which can be downloaded free of charge from the App Store or Google Play. Regularly updated with convenient new features, this user-friendly application has reached half a million downloads, setting a benchmark for many brands.

With Enerjisa Mobile, you can do the following:

- Review consumption history and compare with other users in the region.
- Create an online appointment to complete a transaction faster, without having to wait in line at Enerjisa service points.
- Pay bills up to TL 500, and find the nearest Enerjisa service points.
- Review saving tips in the “Save Your Energy” section.
- Check any scheduled power cuts in your region.

CALL CENTER (444 4 372)

Our Retail Company’s Call Center provides services in the following areas:

- Contract Transactions
- Billing
- Payments
- Free Consumer Transactions
- Information Updates
- Appointments
- Technical Support

In 2018, a total of 3,581,095 calls were received. 44% of these calls were completed through the IVR system, and 97% of the 2,017,062 calls received from the IVR queue were answered.

The average response time was 16 seconds. The most frequently received calls were about billing (37%), followed by subscriptions (28%).

RETAIL

CUSTOMER EXPERIENCE ACTIVITIES AND MANAGEMENT MODEL

The "Customer Experience" approach has quickly gained prominence in the world and Turkey, with changes happening in customer behavior and requirements. In the investments undertaken and the strategies established by Enerjisa since its foundation, customer satisfaction and service quality have always been a priority.

At the beginning of 2018, Enerjisa formed a new management model and perspective to create a sustainable customer experience in the changing world. All our processes were designed and improved with the customers' viewpoint in mind. End-to-end digital processes were designed for customers who do not prefer physical channels. Furthermore, we aim to allow customers to quickly do everything they need in the case of an address change/relocation over the telephone or the Internet, regardless of location and time. In addition, real-time satisfaction measurements have started in over 25 contact points where customers and Enerjisa come together. The data obtained from the satisfaction measurements were used to conduct analyses leading to further improvements. In the first quarter of 2018, more than 30 action plans were developed for further improvements in processes with customer contact.

CUSTOMER SOLUTION CENTER

Customer requests, complaints and inquiries received through all channels are followed by the Solution Center and responded to via the customer's preferred communication channel. All communications are logged into the SAP-CRM system and transferred to the corresponding department directly through the system. The department analyzes the issue, finds a solution, and provides the Solution Center a description of the solution. The Solution Center shares the solution with the customer through the customer's preferred channel.

In 2018, The Solution Center received 251,075 applications to be processed and responded. The center responded to 96 percent of these applications within the legal time period. The average completion time of applications was 5 business days.

Preparation, confirmation and communication of Solution Center responses have been digitalized in 2018. In this system, responses are prepared on an application and become ready to be shared after e-signature. Printing/delivery stages will be added to the system in 2019. By doing so, preparation, confirmation, printing and delivery of texts will become completely digital.

The communication language and texts of the Solution Center was also improved in 2018. A new approach to communication was adopted based on a customer survey. As a result of this action, customer satisfaction in "solution communication" was improved by using shorter and clearer texts with a friendlier tone.

BRAND POWER

In the transformation of the energy industry, customers' and stakeholders' expectations of electricity sales and distribution companies are changing. In line with this, Enerjisa has taken its brand investment as a long-term journey. With the objective of being the most innovative brand, creating value for every stakeholder, and enjoying the highest reputation and customer satisfaction in the industry, the Company has continued to focus on group/segment communication with this objective in mind.

The main objectives of the Enerjisa brand investment are: (i) have the highest awareness and best image in the industry, (ii) ensure customers perceive Enerjisa as a brand that cares about its customers and creates value for them, and (iii) be reliable and innovative. In line with these objectives, the Company has formed and begun to implement a long-term brand strategy.

Aimed at creating awareness and appreciation about energy efficiency, which is key for the sustainability of energy resources today, our "Save Your Energy" movement forms a significant pillar of the strategy. Launched in 2016, the project employs a communication strategy covering both traditional and digital media on a national scale.

According to the Enerjisa Brand Awareness research, these communication and media investments pushed the brand's top-of-mind awareness score and spontaneous awareness score to 85% and 97% respectively in January 2018 (from 22% and 47% respectively in April 2015).

SECTOR DEVELOPMENTS

The changes in eligibility limit should be evaluated in two separate stages, pre and post 2013. In 2013, the eligibility limit has been decreased from 25,000 kWh to 5,000 kWh as a major step towards market liberalization. This change marked important progress in expanding eligibility limit from medium to large size commercial and corporate customers to SMEs and residential customers.

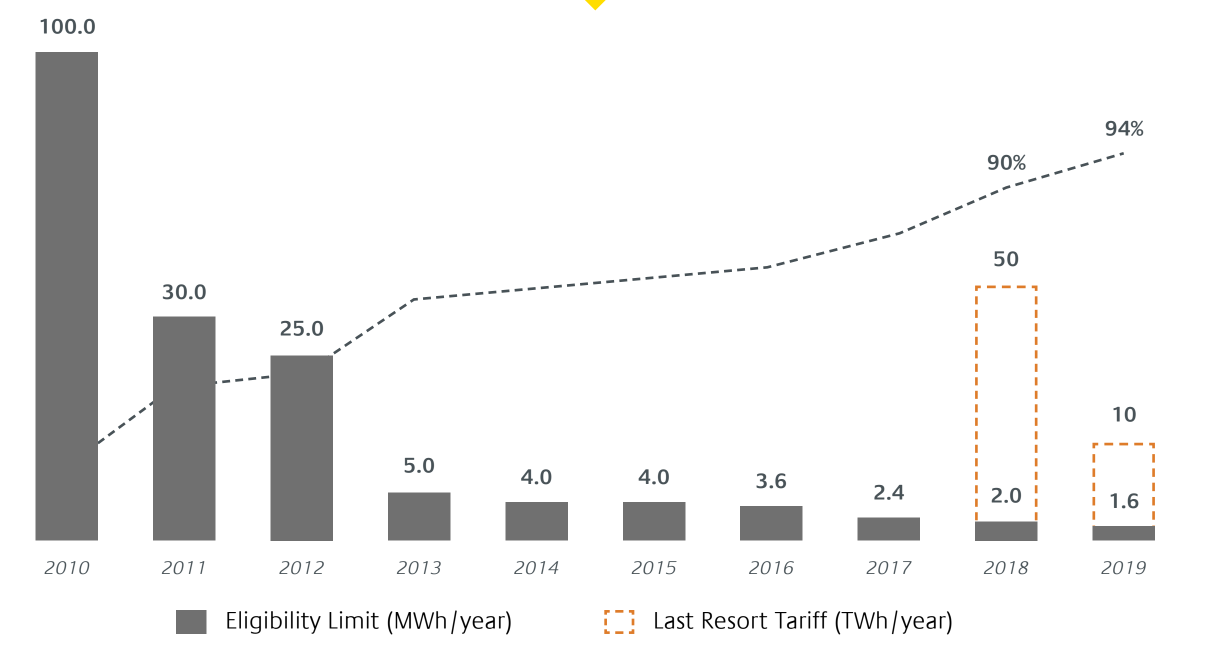
Pursuant to EMRA's decision dated November 30, 2017 and numbered 7474, the eligibility limit has been decreased to 2,000 kWh for the 2018 calendar year and following that pursuant to EMRA's decision dated December 20, 2018 the eligibility limit has been further decreased to 1,600 kWh for the 2019 calendar year. In terms of eligible customer numbers, the market share has increased to 25% in 2017 following the eligibility limit decrease to 2.400 kWh and around 33-35% following the eligibility limit decrease to 2.000 kWh, from 10% in 2016.

In terms of consumption volumes, the theoretical market openness increased to 94% following the eligibility limit decrease to 2.000 kW, from 90% in 2017.

Another major step towards liberalization has been the **"Last Resort Tariff (LRT)",** which has been enacted as of April 2018, pursuant to EMRA communique No. 30307 dated January 20th. Based on this communique, customers with an annual consumption level above 50 thousand MWh/Year will be subject to a higher regulated tariff. The main objective of the LRT mechanism is to shift customers from regulated market and supply electricity through bilateral agreements in the free market.

Pursuant to EMRA decision numbered 8135 and dated October 18th, 2018 the LRT limit has been determined as 10 thousand MWh/Year, to be enacted in January 2019 onwards.

Development of Liberalized Segment



HUMAN RESOURCES

In line with its vision to become "the most preferred employer in the energy industry and to rank in the top 15 employers among all industries," Enerjisa implements human resources processes and practices that are embraced by all employees.

DEMOGRAPHIC INFORMATION

Number of Employees

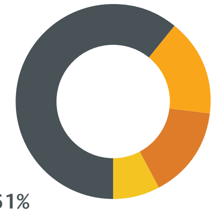
9,734

Demographic Distribution

Average Age: 34
Average Seniority: 4.2

Education*

3,104*



The Company's HR practices are designed to:

- Create a meaningful working environment that cultivates a positive organizational climate, communication and culture,
- Develop leaders and good management practices,
- Within the context of Human Resource processes, offer all kinds of opportunities to all potential and existing employees, in full equity and without discrimination,
- Offer training and development opportunities that provide different growth and career advancement paths,
- Attract and retain talent by improving corporate reputation
- Ensure organizational excellence to maximize stakeholder loyalty and satisfaction.

* Data shows the details of white-collar employees.

TALENT MANAGEMENT

Enerjisa sees talent management as a way to create value for the Company by giving all employees the opportunity to discover, understand and appreciate themselves, and use their skills in the most accurate and efficient way in support of self-actualization.

With almost 10,000 people comprising four generations working side by side at the Company, Enerjisa invests heavily in the diversity of its employees. Trusting that every employee is a talent, Enerjisa follows new trends in many different areas and introduces new approaches in line with its priorities to attract employees with diverse profiles.

Enerjisa aims to hire young talents and experienced professionals and develop its existing talent pool with talent management practices that support its vision. Enerjisa utilizes different talent management systems to determine and evaluate employee performance and competence, as it belives that organizational success is driven by individual successes.

LEADERSHIP DEVELOPMENT PROGRAMS AND TOOLS

Leadership Acceleration Program (LEAP)
The Leadership Acceleration Program (LEAP) utilizes the experiential learning methodology to accelerate the leadership development processes. It allows our leaders to study and learn new tools and methods needed to cope with the business challenges of today and tomorrow. The first group of 16 participants in the program graduated in October 2018 after a long, intensive and strenuous program flow.

STEP Program
In line with the same objective, the STEP program was designed in collaboration with Sabancı University for our mid-level managers. The first STEP program completed its first training cycle with 15 people.

JUMP Program
Similarly, the JUMP development program was designed for Enerjisa employees appointed to managerial positions. The program, which began in December 2017, utilizes the combined learning method to help increase the effectiveness of participants in their current roles and to develop their leadership skills. The program offers a flexible, social and individual development environment through the use of different learning techniques such as distance learning courses, workshops and simulations. 400 participants enrolled in the program will be completing their self-development journey soon. Their participation rate is very high (over 90%) compared to similar programs.

Young Energy Program
The Young Energy program was designed to support and accelerate the development of young, high-potential Enerjisa staff who are at the beginning of their careers. The fourth-generation participants completed the program at the end of 2018, and the "Young Advisory Board" was formed from among these participants.

Other Programs
Formed to energize and inspire the organization with the passion, perspective, potential and diversity of the young Enerjisa staff, the "Young Advisory Board" will serve our leadership team in an advisory capacity. The board members who took office in January 2019 will meet with the Enerjisa Leadership Team several times during the year, taking part in various projects and assignments to add value to Enerjisa.

Enerjisa managers also had the opportunity to participate in the leadership development programs organized by Sabancı Holding. 2 of Enerjisa's senior executives started the X-CELERATE leadership development program organized by Sabancı Holding. 4 of our employees graduated from the Young Sabancı Program.

HUMAN RESOURCES

In 2018, 3 Enerjisa employees participated in the leadership development program, which consists of training, mentoring, coaching and networking sessions. The program was organized by the Yenibirlider Association in collaboration with Boğaziçi University.

With the introduction of the Enter project, our new generation talent management program, seniors and graduate students in electrical/electronics engineering were offered the opportunity to get a glimpse of the energy industry as well as the Enerjisa Distribution processes. During this one-year period, future engineers were assigned to different tracks (investment, customer and grid) and had the opportunity to experience and learn about the engineering processes involved in the power distribution business. They were mentored by talent coaches and explored individual areas of interest. In 2018, 24 future engineers started their one-year industry journey in 3 regions.

PERSONAL DEVELOPMENT PROGRAMS AND TOOLS

YODA Mentoring and YODA Reverse Mentoring Program

With the YODA Mentoring and YODA Reverse Mentoring programs designed in 2017, a platform was created to enable different generations of Enerjisa employees to learn from each other. The first group of participants completed the YODA mentoring program in 2018. In the YODA Reverse Mentoring program, which is one of the firsts in the industry, the new generation of employees had the opportunity to mentor the Senior Management at Enerjisa.

Wings Up Program

The Wings Up program aims to ensure the leaders at Enerjisa, men and women, embrace a balanced and equitable approach to life in all its aspects. The program reached 142 female staff in 2018. The Wings Up journey for men started with 110 male leaders.

EnAkademi

Our development platform EnAkademi provides individual development tools to everyone at Enerjisa to help them fulfill their career goals. The program continues to be a highly effective development tool.

Personal Awareness Journey Platform

The Personal Awareness Journey platform, which has been initiated in 2018 will become fully operational at the beginning of 2019 and will help Enerjisa staff to discover their strengths and competencies, as well as the improvement areas. EnAkademi Individual Development Platform will be utilized for sharing tools such as e-learning, video and articles with Enerjisa staff to help them develop. With the help of this platform, employees will be able to plan one-on-one meetings with their managers for goal setting and reviews. It will be possible to design individual training plans for development areas by grouping together the areas that need improvement.

PERSONAL DEVELOPMENT PROGRAMS AND TOOLS

Advanced Data Analytics Academy

17 Enerjisa employees enrolled in Sabancı's "Advanced Data Analytics Academy," founded by Sabancı Holding, Sabancı University and Sabancı EDU. Out of a class of 62 atendees from all Sabancı Group employees who attended this 2.5-month intensive program, 5 Enerjisa employees have been awarded prizes for their successful work.

Future Forums

The Future Forums are part of Sabancı Holding's development program. The forums were launched with the aim of encouraging a paradigm shift, which entails thinking beyond the boundaries of the industry and the market and placing a market and customer-oriented perspective at the core of every activity to support the sustainable growth target of Sabancı Group. 5 Enerjisa employees participated in this program in 2018.

I-Champ

In 2018, 3 our employees graduated from the I-Champ program, which aims to build critical thinking skills for proper implementation of innovation projects.

In-house Trainer Program

The In-house Trainer Program was launched in 2018 to help Enerjisa staff exchange knowledge, know-how and experience at the Sales School. This was done through the development programs aimed at improving sales skills and customer focus. Enerjisa staff who want to be an in-house trainer have to complete an intensive training program.

Enerjisa supports personal development with tranings provided for all levels.

Other Programs

Through the trainings in the Compass development program, where training and development processes of Distribution Companies were carried out, employees were given the opportunity to attend personal, professional, technical development and OHS trainings.

The Engineering Development School aims to develop the skills of engineers who work at Enerjisa's distribution companies. The school started its theoretical and practical training at the beginning of 2018. The Engineering Development School also aims to improve the technical capacity and efficiency of Enerjisa engineers and to prevent occupational accidents by creating a training system for the distribution operations. In 2018, 237 engineers took part in this training.

The "Our Clients" training was designed for our employees in the field who perform the distribution operations. This training helped Enerjisa take a major step towards improving customer satisfaction, one of Enerjisa's key priorities. More than 5,500 employees have participated in the training programs organized by the Sabancı University Executive Development Unit since January 2018.

Another training program to improve customer experience was the "Smiling Customer" program, organized in collaboration with the Customer Relations, Call Center and Human Resources departments for our Call Center employees. The two-day customer representative training aims to provide a quality service experience at every point customers come into contact with Enerjisa.

The Customer Operations Group conducted process training as part of the Compass professional development training. Nearly 1,000 customer operations field employee participated in the training programs aimed at increasing the quality of process efficiency and results.

The distribution companies organized the "Purchasing Academy" program for our employees involved in the strategic procurement and logistics processes. 60 employees participated in the training, which was offered on 8 different topics.

The Distribution Mobile Training Center continued to roam around the country to provide mobile training programs in 2018, in support of our employees' continuous development, and visited various operations centers in the Toroslar region, providing technical training for our employees in field operations. Also, Enerjisa signed the Vocational Training Collaboration Agreement with the Ministry of Education and organized basic electrical training for more than 1,000 vocational high school/academy students during 2017. The Company introduced them to the electricity distribution industry at its technical training centers as well as at the Mobile Training Center.

In the "Vocational High School Coaches Program," which is a voluntary program organized through the Ministry of Education and Vocational and Technical Education Directorate with the participation of private companies since 2012, Enerjisa's volunteer employees coached 10th and 11th grade students from vocational high schools. At each meeting, different personal development topics are discussed. This two-year program aims to increase the awareness level of vocational high school students. Through this interaction, volunteer Enerjisa coaches who contribute to the project share the satisfaction of fulfilling social responsibilities. Within the scope of the program, 61 coaches reached 214 students in Ankara, Istanbul and Adana.

Enerjisa collaborates with universities because the Company believes that the scientific potential of universities adds value to the distribution industry and that Enerjisa's technological potential adds value to the

HUMAN RESOURCES

universities. An example of these projects is the "Design Factory" course, offered as part of a collaboration with the Middle East Technical University (METU). Enerjisa contributed to the electrical and energy topics in the course, which included students from different disciplines. The Company provided mentoring to students in sub-projects in order to produce innovative solutions.

Another study undertaken in collaboration with METU is the renovation work. Enerjisa helped renovate one of the largest lecture halls at METU, providing a pleasant educational environment for future engineers. Enerjisa provided support for the improvement of infrastructure because the Company believes engineering students in Turkey deserve quality education opportunities.

The "En-Biz" Project for people with disabilities was conceived as a social responsibility project by the Human Resources team. Within the scope of this project, personal development training programs are organized to encourage individuals with disabilities to participate more in social life. At the end of this program, the Company provides employment in certain cases. In the second cycle of the program, which was completed in 2018, 54 people from 3 regions received training, and 13 of them were hired.

Employee Group	Total Training Hours
White Collar	114,146
Blue Collar	292,451
Total	406,597

In 2018, the Company continued to support the professional and personal development of Enerjisa employees with technical and professional training programs. These include master's programs, online foreign language courses, and training courses on information security, competition law and ethics, among others.

DIGITAL TRANSFORMATION OF PEOPLE MANAGEMENT

Enerjisa focuses on digitalizing all HR processes, continuously renewing and improving itself in this sense. The Company gets faster results with its digitally streamlined workflow, focusing more on operational excellence by reducing time-consuming operational work.

In February 2018, the Digital Human Resources Platform IKON went live. IKON ensures that 10,000 employees in different regions are on the same page at all times about developments in the Company. Formed as part of the IKON platform, our appreciation system "You're Worth It" allows our employees to recognize and reward each other for their achievements instantly. In addition, the Company can get employees' opinions and suggestions at any time by conducting instant surveys through IKON, which also provides information about Enerjisa and its human resources processes.

Enerjisa started the "Human Resources Digital Transformation" project at the end of 2018, in collaboration with the Sabancı Group Human Resources Directorate and Sabancı DX. The project aims to transform human resources systems and processes into a user-friendly, fast and practical integrated decision support mechanism. The main objective is to add value through flexibility and agility in order to fulfill the expectations of the modern-day world and the generations to come. User experience and feedback from all stakeholders — primarily employees and managers — will be put at the center to quickly and effectively process the data with the use of web and mobile-based systems and applications, within a technological framework.

Enerjisa uses online resume databases, online interviews and online tests during the recruitment phase, depending on the requirements of the position. This way, the Company can accelerate the hiring process and cut costs while reaching candidates in different locations.

REWARDS AND BENEFITS

AVITA EMPLOYEE SUPPORT PROGRAM

The Avita Employee Support Program launched in 2018 for Enerjisa employees and family members, providing psychological, medical, financial and legal expert support. The flexible working model implemented at the end of 2018 in Enerjisa Başkent Elektrik Dağıtım A.Ş. aims to increase employees' productivity by helping maintain work-life balance. In the coming period, we plan to expand the flexible working model to our headquarters in other regions as well.

COLLECTIVE LABOR AGREEMENT

The work and wage conditions of approximately 6,631 employees in 3 distribution regions were resolved through a Collective Labor Agreement signed between the authorized labor and employer unions in the relevant business branch.

The collective labor agreement was signed on August 1, 2018, for 3 years between the Distribution Companies and the TES-İŞ (Turkish Energy, Water and Gas Workers' Union). With its 60,627 members (as of July 2018), the TES-İŞ union is the third largest labor union in Turkey and the biggest in the energy industry in terms of the number of union members.

PROTECTION OF EMPLOYEE RIGHTS

The rights of Enerjisa's employees are protected and administered in accordance with the employment contracts and ethical rules signed between the employee and the employer. All the requirements under the personal data protection law are duly fulfilled and reported. All employee rights are fully honored in compliance with the applicable legislation. In accordance with our Code of Ethics, we ensure that our employees' personal rights are fully protected and properly administered. Employees are treated honestly and fairly, and a non-discriminatory, safe and healthy working environment is ensured. We provide opportunities for the personal development of our employees. We also support our employees so they can voluntarily participate in social and community activities. We encourage our employees to pursue a healthy work-life balance.

PREVENTION OF DISCRIMINATION AND ABUSE

All activities and Business Ethics guidelines and principles at Enerjisa are performed in accordance with applicable legal regulations and rules. We avoid all businesses and activities that involve bribery, extortion, favoritism, corruption, collusion and all other illegal activities, and forbid any interest and relationship that can be perceived as such.

One of our most important priorities is to establish and maintain a fair working environment where employees are not discriminated against or abused. We have established an Ethics Committee to ensure any and all actions that may be construed as discrimination or abuse are reported by employees under the protection and safeguard of the principles of confidentiality and all necessary actions are taken.

In all our applications and processes, an equitable, fair and performance-based configuration is essential. As stated in our recruitment procedure, Enerjisa recruits and hires the most suitable candidate for the position based on the requirements of our corporate culture, Company objectives, position-specific competencies, knowledge and experience without discriminating based on gender, nationality, belief or ethnic origin. In addition, employees are encouraged to take full advantage of opportunities offered by the Company throughout their career.

EMPLOYEE PARTICIPATION IN MANAGEMENT

Employee participation in management involves attendance at periodic Company meetings, annual goal setting and performance evaluation meetings and taking part in the decision-making mechanisms, committees and projects within the powers and responsibilities assigned. Employees can also share their requests, suggestions and views through various channels such as intranet, mobile applications (IKON) and other software, communication forms, suggestion systems (Fikir Kumbarası), 360 and 180 feedback systems and surveys. The results obtained through these platforms are analyzed and action plans are drafted to apply required changes. In line with the Suggestion, Recognition and Appreciation procedures, employees nominated for recognition are reviewed by authorized teams and rewarded if necessary. Participation by high-potential employees in management decisions is particularly encouraged. Developments within the company are communicated to employees through different communication channels. Employees are informed about the company through CEO meetings and annual management meetings.

R&D, INNOVATION, TECHNOLOGY AND DIGITILISATION

Believing in the importance of investing in innovation and digitalization, Enerjisa continued to work for innovative services and solutions that add value to the lives of its customers in 2018.

Enerjisa makes use of technology effectively in all its projects and processes with the aim of providing world-class service quality. The top priorities of Enerjisa in setting objectives include implementing new innovative ideas to add value to people, growing with customer-oriented solutions, and offering innovative, customized services and solutions to customers by closely following the technological developments in the world.

DISTRIBUTION

MOBILE SCADA CONTROL CENTER

In order to provide uninterrupted quality energy, the Mobile SCADA Control Center was designed and commissioned as an alternative to the current SCADA Control Centers. In all cities that have Mobile SCADA Control Centers, energy is monitored continuously. A first in the industry, the Mobile SCADA has been designed to provide uninterrupted energy, especially in crisis situations. It uses state-of-the-art technology.

DEVELOPING VIRTUAL REALITY BASED SIMULATIONS FOR OCCUPATIONAL HEALTH AND SAFETY IN THE ELECTRICITY DISTRIBUTION INDUSTRY (EDSİS)

Supported by TÜBİTAK 1501 and EPDK R&D funds, the EDSİS project started in 2016. This project aims to test situations that can be hazardous for both work and employees under safe conditions and to create awareness of the risks involved. Within the scope of the project, we have reviewed the electricity distribution processes, analyzed the risks and assessed their impact, and created scenarios based on high-risk and high-impact situations. For these scenarios we have also developed software for virtual reality and augmented reality devices.

For instance, in order to create a realistic work environment, platforms on vehicles with lift buckets were replicated one-to-one. The platform and software were integrated to enable the person wearing the virtual reality goggles to feel every motion on the platform.

After completion of the tests, the platform and the virtual reality system will be moved to the Mamak Training Center in Ankara.

SAFE CLIMBING

In order to minimize work-related accidents during maintenance work performed on the wooden poles which connect the overhead lines in a power grid, we have conducted field tests and applied comparative analysis on different technologies used to test the poles before workers climb the poles.

Also, in order to prevent the wooden poles breaking or toppling during maintenance work, a locally designed pole support device was developed within the scope of the project, and a prototype was constructed and tested in the field.

SHORT CIRCUIT CURRENT LIMITING

Within the scope of the Short Circuit Current Limitation Project supported by the EPDK R&D Fund, a Ground Fault Neutralizer (GFN) was installed in the Toroslar region. The GFN eliminates the need to cut the power, by resetting the current and voltage at the fault point in a phase-to-earth fault. In persistent faults the continuity of supply is ensured until the fault location is found.

PERSONAL ENERGY ADMINISTRATION KIOSK APPLICATION

The project, which funded by the Horizon 2020 European Commission Framework program, is jointly undertaken by 10 partners from 7 countries. The aim is to develop an user friendly mobile application to manage electricity demand without the need for extra investment. Because 80% of users in Europe are expected to switch to smart meters by 2020, this mobile application ensures users have a say in customized energy saving and energy-consumption controls without the need for additional equipment. The aim of this project is to correctly estimate the demand that would affect electricity prices and make users aware of how much electricity devices consume. Furthermore, in markets with variable electricity prices, users are informed about the hours of low-cost energy. Currently, this practice is being tested by pilot groups in Austria, Estonia, Latvia and Sweden. This project received the achievement prize from TUBITAK.

DEVELOPMENT OF LOCAL METERS

In the smart meter prototype project developed by Enerjisa, the Company developed and produced 12 pieces of domestic smart meters with twin communication modules and 3 different communication infrastructures (PLC/GSM/RF) designed for different consumption structures based on the most recent technological requirements. These meters come with software that can be updated remotely and have advanced security features, a remote control cut-off relay, demand management, physical security, an alarm for magnetic interference, and interruption detection.

CAPACITIVE EFFECTS OF 380-33 KV TRANSFORMERS

Prior to the project, relay coordination could not be achieved on the medium voltage (MV) grid where 380/33 kV transformers are located in the AYEDAŞ region, and the faults that had to be detected and repaired on the distribution grid were reflected onto the transmission level. In order to solve this problem within the scope of the project, the literature was reviewed and analyses conducted through the grid model. At the end of the project, it was found that protection coordination could not be achieved by changing the relay setting values, and the grounding method of power transformers had to be changed. Technical and regulatory recommendations on the subject were produced and shared with the institutions and organizations involved.

SMART INSULATOR SYSTEM

In areas where terrain conditions are difficult and consumers are far from each other, radial distribution systems are usually used. In radial systems, when a fault occurs in any of the mainline-fed branches, all users in the mainline are left without power. These systems have a disadvantage. The detection of defective branches takes a long time and is usually costly in difficult terrain. Within the scope of this project, an easy-to-communicate, low-cost, local, easy-to-use, SF6 gas-free, smart insulator prototype was produced on the SCADA connection in 2018.

DETERMINATION OF CRITERIA TO CONNECT POWER PLANTS TO GRID

In order to avoid any problems in the system configuration, the distribution system must have a smart configuration that can monitor and control the integrated channels of production. For this reason, the Company set the connection criteria for the embedded power plants (licensed and unlicensed) in the grid and drafted the documents (regulations, specifications, procedures and principles, and so on) to standardize the link suggestions.

As of September 2018, the project was completed, and the link criteria were determined. The relevant proposed legislation was drafted for all plants integrated into the distribution grid, such as embedded SPP, WPP, HPP, biomass, cogeneration, trigeneration, microgeneration, geothermal, biogas and similar power plants and energy storage systems connected to the distribution grid within the scope of the project.

R&D, INNOVATION, TECHNOLOGY AND DIGITILISATION

MULTI-TIME DISTRIBUTION TARIFF

Turkey has long had mono-cycle (fixed) electricity tariffs across the country. In order to adopt a multi-cycle system and to study its effects on the distribution system, distribution companies and subscribers, Enerjisa selected pilot regions and developed respective load profiles and response scenarios with yearly analyses within hourly accuracy for different local subscriber and load characteristics of a given distribution company.

According to the results of the analysis, the invoiced amounts would decrease due to the demand behavior of customers. It is foreseen that losses could be minimized depending on how peak demand shifts, and the planned capacity increases are postponed at certain locations in the short term.

COMPARISON OF ENERGY STORAGE TECHNOLOGIES

The quality of electricity provided at any given time in the electricity distribution business must be within certain quality standards. The number of renewable energy sources, such as wind, solar and so on, connected to the grid increases every day. Because the supply from these resources is intermittent during the day, intermediate storage systems are needed. Within the scope of this project, storage systems will be built on the distribution grid for different purposes, configuration and capacity, ensuring that the grid is operated in accordance with its objectives and the applications are compared. Within the scope of this project, a proposal document will be prepared to help prepare legislation.

This project is expected to supply energy at an optimum cost, increase the share of storage systems and renewable energy systems in production, and build more effective grids.

GRID SECURITY

The SECUREGRID project, funded by the European Union ITEA cluster, started in 2018, with the aim of detecting theft and loss using artificial intelligence-based software designed for smart grids to identify cybersecurity attacks to and anomalies in meters, and to analyze technical losses.

RETAIL

NAR CORPORATE ENTREPRENEURSHIP PROGRAM

NAR Corporate Entrepreneurship Program launched to promote corporate entrepreneurship, has completed its 4th season in 2018. Out of the 68 applications, 22 projects were awarded the "Startup Acceleration Training" in Istanbul Technical University (ITU) Seed Programme. 7 projects were presented to the jury from the Energy Leadership Team on the NAR investment day in May 2018, and 5 of these were granted approximately 2.5 million TL investments.

"Değer Kat -Call Center Speech Analytics" project, which has recieved a grant, has received 2 awards in "Big Data Analytics" and "Disruptive Technologies" categories at the 2018 IDC IoT, Big Data, Analytics, & Cognitive/AI Computing Conference.

Additionally, "Değer Kat" and "Beni Al (Company Vehicle Sharing Platform)" projects have been selected to represent Enerjisa at Sabancı Holding's Golden Collar Awards.

ITU BIG BANG

Determined to act on the ideas that add value to the industry, Enerjisa started a collaboration with ITU Arı Teknokent and assembled innovative ideas on the energy industry on the ITU Çekirdek Early Stage Incubation Center website. After the project collection period, which attracted great attention from entrepreneurs, successful enterprises were awarded the "Enerjisa Entrepreneurship Special Award" in the 7th Big Bang Start-up Challenge organized on November 29, where a total of 200,000 Turkish lira prize money was awarded.

SABANCI UNIVERSITY INOVENT A.S.

In 2018, Enerjisa Innovation collaborated with Sabancı University Inovent AS on 3 main branches: startup acceleration programme SUCool, BiGGinner within the scope of TUBITAK 1512 BiGG programme, and Innoenergy PowerUp Entrepreneurship Competition which is one of the biggest energy-focused innovation networks of Europe. Europe's largest energy-focused entrepreneurship competition PowerUp! Startup Competition was realized for the first time in Turkey by Sabancı University Inovent A.Ş. PowerUp!, conducted concurrently in 24 countries across Europe. Enerjisa was one of the main sponsors in 2018 of which, in 14 countries country finals are organized. While 299 applications were collected in total, Turkey was the country with the highest application with 37 applicants.

PLUG AND PLAY

Enerjisa is an important partner of the Plug and Play Energy & Sustainability program. As a result, we have taken our open innovation activities to a global level. In line with our innovation strategy, we work closely with our key industry stakeholders and disruptive enterprises to find the best solutions under the guidance of this partnership. Plug and Play is an international innovation platform which brings together corporations and tech center enterprises and invests in more than 100 enterprises. Expanding throughout the world since its foundation in 2006, the platform is actively engaged in helping enterprises in 10 countries and 20 cities succeed in Silicon Valley and providing them with necessary resources. We have created an ecosystem that covers many industries with the help of 6,000 enterprises and 130 pioneering institutions in our network. The companies in the platform's ecosystem have generated over $4 billion in funds. Dropbox, PayPal, SoundHound and Zoosk are among the successful enterprises supported by Plug and Play.

ARTIFICIAL INTELLIGENCE AND DATA PROGRAM IN THE ENERGY INDUSTRY

A vertical artificial intelligence program was launched in collaboration with the Chicago-based start-up Sente, which specializes in investment prospecting and discovery. As part of the program, enterprises founded in various regions of the world and operating in the field of Artificial Intelligence and Machine Learning were researched and evaluated. The aim of the program is to select the finalists and invest in them or set up a Proof of Concept, pilot work or partnership arrangement. In this context, 59 companies were reviewed in detail, and teleconference meetings were arranged with 33 selected enterprises. At the end of this stage, we decided that 10 enterprises would continue with the program. A technical evaluation performed by Sente and Enerjisa is underway for the selected companies, and the program will be completed in 2019 after completion of these processes.

EŞARJ

Sales of electric vehicles, a revolutionary breakthrough in the automotive industry, are growing rapidly in Turkey and worldwide. The need for charging stations is increasing in line with the development of electric vehicles. Recognizing the growing need for charging, Enerjisa has become the controlling shareholder of Elektrikli Araçlar Şarj Sistemleri A.Ş. ("EŞarj") by acquiring the majority of the company's shares. In addition to its leadership in distribution and sales in the electricity industry, Enerjisa aims to play an active role in the transformation of the industry with this acquisition, by undertaking an innovative and pioneering role in this field.

NEW PRODUCTS AND SERVICES

Smart Box is an IoT-based energy efficiency product, which Enerjisa developed in-house and owns all rights to. The development, testing and certification stages have been completed, and it is now in the pilot installation stage. The Smart Box and Smart Plug are expected to be introduced to the B2C market in 2019. The Smart Box was awarded the second prize in the 2018 IDC IoT, Analytics, Big Data & Cognitive/AI Computing Conference in the "Internet of Things" and "Innovation" categories.

R&D, INNOVATION, TECHNOLOGY AND DIGITILISATION

DIGITAL TRANSFORMATION JOURNEY

Digital transformation is viewed as one of the most strategic initiatives in Enerjisa, and the first step taken in this direction during the year was the foundation of the Digital Transformation Office. The customer has been placed at the center of the digital transformation journey, focusing on the perfection of our customer services, and the introduction of advanced data analytics and new technologies. Intense efforts were made to adopt pioneering technologies such as augmented reality, robotics, artificial intelligence, block-chain and chatbot through pilot projects throughout the year.

All customer journeys at Enerjisa were redefined and redesigned end-to-end, and actions were taken to improve every single experience. Customer experience analytics and data/root cause analysis ensured that right actions were performed at the right time, and real-time customer satisfaction measurements were taken end-to-end, at every point.

Advanced data analytics played a prominent role in Enerjisa's 2018 digital investments. In-house efforts were made to increase awareness on improving the competencies required for data sciences, advanced analytics and the power of data, and financially effective diversified analytical projects were introduced. In the journey to get to know the customer better, data quality is improved and maintained as part of data enhancement. Also, customer segments were restructured using analytical models based on consumption habits and other behavioral parameters.

Our distribution companies continue to optimize their theft and loss operations and increase their revenues. In order to increase customer satisfaction in call center services, repeated calls were regularly analyzed, and significant improvements were made. Additionally, call quality improved with the real-time voice analysis, ensuring quick service by automatically grouping call categories. Likewise, real-time analysis of customers on social media helped provide quick customer support in this medium as well. Adding the subject of artificial intelligence to the innovation radar helped us continue to pilot studies by conducting research on enterprises at the global level.

We continued our efforts to use the Internet of Things (IoT) to effectively and centrally manage the meters, network and lighting, which are the most important physical assets of the Company. Smart meters make it possible to track 40% of the entire consumption at over 80,000 points on a real-time basis. In the meantime, we continued various pilot studies to support the expansion of smart meter usage and cut investment costs. As part of the Digital Asset Management program, we undertake projects to improve data quality, ensuring all network assets are verified. In addition, in order to track power cuts in low voltage transformers on a real-time basis, new IoT projects were introduced, and the effectiveness of network maintenance planning was increased by taking into account any fault records. In order to quickly identify faults in the lighting system, the lighting energy is routed over the IoT projects, contributing to customer satisfaction and operational excellence, with the real-time tracking infrastructure installed.

Customers are now notified about any planned and unplanned outages, and video call center services are now piloted. Using the Mobile 186 App, customers can now report any problems by sharing location, report the lighting status by sending pictures and file requests in different categories (meters, connection-disconnection, index, new connection, and so on).

With online appointment and online subscription, customers can now complete transactions without visiting branches. Enerjisa invoices were redesigned so customers can easily understand them. At the same time, Enerjisa's growing infrastructure was moved to the Turkcell data center to offer flexibility, continuity and cost advantages without any disruption in critical operations.

On the subject of information security, which is increasingly becoming more important in the digital world, our documentation activities continue to comply fully with industry standards, and we make sure that security awareness is increased and security guidelines are fully implemented at every stage of the applications developed.

Several projects aimed at achieving operational excellence and improving customer satisfaction were implemented in the Enerjisa retail and distribution companies in 2018 to meet the regulatory requirements.

TECHNOLOGY PROJECTS

Several projects aimed at achieving operational excellence and improving customer satisfaction were implemented in the Enerjisa retail and distribution companies in 2018 to meet the regulatory requirements. Some of the projects managed by the IT department, which also added value to Enerjisa, are listed below.

NETWORK OPERATIONS MANAGEMENT SYSTEM (NOMS)

The aim of the project is to detail the processes designed on the information systems that are in use for managing fault, maintenance and repair processes in Enerjisa distribution companies and to make sure they are in line with the field requirements.

The project has helped expand on the processes running on the IT systems, ensuring that field events are tracked and recorded. In this way, business processes such as call center, customer notifications, team management, field operations management and reporting, which are driven by field processes, were improved.

AGREEMENT MANAGEMENT SYSTEM (AMS)

Enerjisa's Agreement Management System allows digital and physical end-to-end tracking of retail consumer contracts. AMS consists of certain basic steps such as scanning and checking the signed contracts, simultaneously displaying them on the CRM systems, as well as reconciling and mapping with the physical archives. Original agreements are accessible with the touch of a button if needed, and single or multiple downloads are possible.

OPS

This is a project launched to increase the operational efficiency in accounting, finance and purchasing processes. This project aims to integrate basic departmental processes, ensuring that the processes are tracked and managed end-to-end, using the approval, validation and control functions integrated into the system. This project has helped systematically automate many transactions that was previously done manually and required assistance from staff. All purchasing and procurement processes, contract and budget controls, progress payments, payment transactions, accounting records, and cash-flow and bank reconciliations have been integrated and are now tracked on the system.

ENVISION

This is a system developed to draft the responses to customer complaints received through the EPDK and other channels. This system integrates and accelerates the retrieval and registration of Registered Electronic Mail (KEP) requests posted in the system, offers the ability to sign and archive KEP requests and outgoing documents electronically, ensures documents are retrieved faster and that potential fines are prevented by mitigating delays with the help of a warning system. Approximately 50% of

R&D, INNOVATION, TECHNOLOGY AND DIGITILISATION

work has been eliminated with the use of the new system and KEP integration.

PSIGMA

The aim of the PSIGMA project is to systematically plan predictive maintenance and periodic maintenance processes, issue work orders, and track and report completed work on the system. The project ensures that the maintenance plan is followed in a controlled way and the risks and losses due to maintenance failures are mitigated.

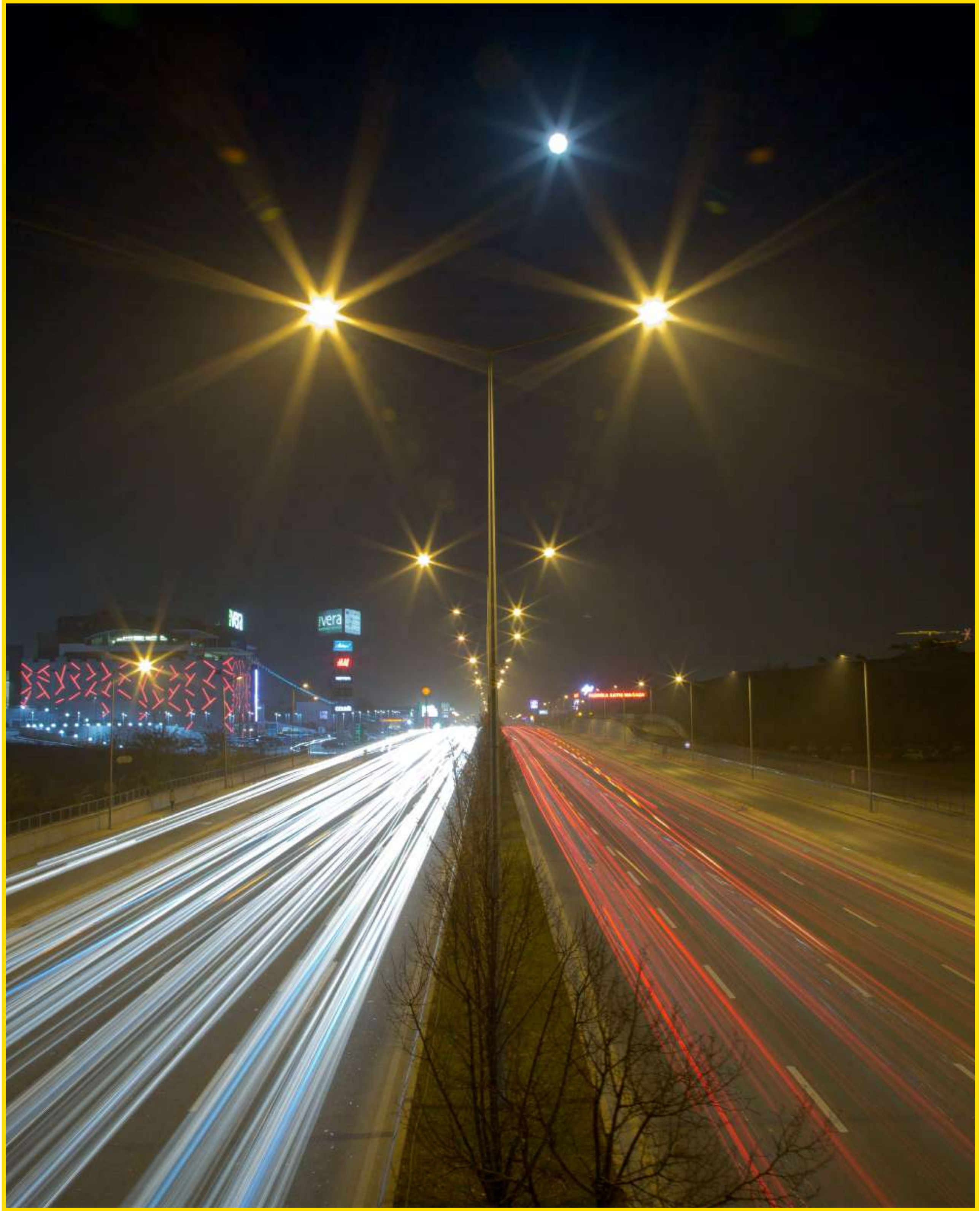
EDVARS

Within the scope of the "Procedures And Principles Of Ensuring Authority's Remote Access To Informatic Systems Of Distribution License Owners In Electricity Market," issued by the EPDK in accordance with its resolution No. 7422 dated November 2, 2017; data distribution companies have installed the Electric Distribution Data Warehouse And Reporting System (EDVARS) and provided remote access rights to the Authority in order to ensure that the data they are required to report to the Authority and any other additional data is tracked and reported on a real-time basis.

OUTAGE MANAGEMENT SYSTEM (OMS)

The OMS project has helped with the integration of customer outage calls into the system, displaying outage calls and orders on Geographical Information Systems maps and assigning the orders to teams over OMS.

With the integration of remote monitoring systems (SCADA and OSOS), detecting and responding to outages have become quicker.



OCCUPATIONAL HEALTH SAFETY AND ENVIRONMENT

Enerjisa, not compromising on Occupational Health and Safety and Environmental issues, has carried out many improvement studies in cooperation with its employees and stakeholders.

OUR OCCUPATIONAL HEALTH SAFETY AND ENVIRONMENT POLICY

In our sales & distribution activities, we as Enerjisa aim to become the pioneer energy company both in the industry and in the world with the attention we pay to Occupational Health & Safety and Environment, and thus:

- We adopt Occupational Health & Safety as a natural part of our business.
- We aim to maintain and develop our Occupational Health & Safety culture and Environment awareness.
- We adopt the principles of sustainable development and pollution prevention as we carry out our activities.
- We meet our legal and other obligations regarding Occupational Health & Safety and Environment.
- Believing that all occupational accidents and diseases can be prevented, we take all necessary measures by pre-identifying all the risks that may harm the integrity of employees' health.
- We periodically audit and keep the environmental impacts of our activities under control.
- We reduce the waste, created as a result of our activities, as much as possible in the source; we make sure that waste is recycled, recovered and disposed in a manner that does not harm the environment.
- We take the best sectoral and global practices into consideration; we set measurable targets regarding Occupational Health & Safety and Environment; we regularly review the results, and continuously improve our performance and management systems.
- With the support of the management, we make sure our employees and stakeholders from every level of our organization collaborate and take part in the activities carried out to improve Occupational Health & Safety and Environment practices.
- We do not compromise on Occupational Health & Safety and Environment.

DISTRIBUTION & RETAIL OCCUPATIONAL HEALTH & SAFETY AND ENVIRONMENTAL IMPROVEMENT ACTIVITIES

VIDEO CONFIRMATION SYSTEM

Especially in critical work undertaken in our distribution networks, compliance with the rules of working at height, checking energy status prior to starting work and fulfilling the requirement to use arc flash personal protective gear, is of great importance for occupational health and safety. Thanks to the visual validation system installed in 2018, more effective implementation and control of these requirements is now possible. More effective implementation and control of these critical requirements have an important role in minimizing potential accidents.

A new generation push to talk system was installed to take the risks during the manoeuvre under control. During the manoeuvre, possible accidents were avoided with the support of a second eye when the system was put into operation.

CONTRACTOR LEADERSHIP TRAINING

Occupational health and safety leadership training provided to the contracting company owners and their coordinators as part of 2018 OHS culture development.

ACCIDENT INVESTIGATION TRAINING

Occupational accidents with grave consequences can happen in the electricity distribution business in which we operate. The process of reviewing/inspecting these accidents is of great importance for developing current operational practices further and in preventing the recurrence of these accidents by learning from them. In order to improve the efficiency of this process further, the competency of the organization has been improved by organizing accident review/inspection training specific to certain management levels in 2018 with the support of a professional team.

ISO 14001 ENVIRONMENTAL MANAGEMENT SYSTEM

We have recently switched to ISO 14001:2015, the current version of the ISO 14001 environmental management system. Thanks to the Environmental Management System, we have initiated waste management practices in all our locations in 14 provinces based on a shared standard. We have fulfilled all requirements to ensure compliance with the Environmental Law. We are also striving to improve our environmental performance by tracking our resource consumption and waste generation. We are Turkey's leading distribution companies when it comes to OHS, and in this regard, we embrace a proactive approach, performing preventive activities to bolster the industry's efforts to reduce environmental pollution.

EON VISIT

In order to ensure the operational safety of the process, highly efficient work was carried out in 2018 to identify major areas for improvement. One of these visits was to a company in Hamburg, Germany, which operates in the electricity distribution industry and with whom our partner company, E.ON, collaborates. During this visit, we were able to compare their practices with our own, both from the operational point of view and in terms of safety of operation.

OHS WEEK ACTIVITIES

Activities and events with significant OHS messages were held at all locations as part of OHS Week (May 4-10).

ENVIRONMENTAL TRAINING SESSIONS

In 2018, we provided ISO 14001:2015 Overview and Internal Auditor training for 300 employees across three regions.

We also organized training sessions pertaining to environmental and waste management for our 2,827 employees within three regions.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Enerjisa received national and global awards in 2018 for its social responsibility projects on energy efficiency.

APPROACH TO SOCIAL RESPONSIBILITY

Committed to adding value to life, Enerjisa undertakes significant improvements and introduces value-added innovations related to the environment, education and energy in order to improve the quality of life. The Company strives to build a sustainable future through such social responsibility efforts and acts with a sense of responsibility toward life and the environment.

In addition to social responsibility efforts, the Company participates in special initiatives by taking employees' suggestions and societal needs into consideration.

SOCIAL RESPONSIBILITY PROJECTS

SOCIAL RESPONSIBILITY PROJECT "I'M PROTECTING THE ENERGY OF THE WORLD"

With the energy efficiency project, Enerjisa aims to raise awareness of energy efficiency and saving among children since 2010, by providing training to elementary school students in regions where it operates. For this purpose, training aimed at creating awareness of energy efficiency and saving has been given to more than 250,000 elementary school students from 550 schools in 14 provinces since 2010, with the support of 330 energetic volunteer Enerjisa employees, through the social responsibility project "I'm Protecting the Energy of the World." Every year, the project continues with new innovations and values. For more detailed information about the project please visit: www.enerjimikoruyorum.org

Every year, the project continues with new innovations and values. In 2018, we participated in the Creative Children's Festival, which was organized for the first time in Turkey, with our workshop on saving energy. During the event, children listened to the fairy tale called "Don't Make The Stars Sad," designed to create awareness about saving energy, and attended workshops to consolidate what they learned. Everyone who attended the event was given the book **"Don't Make The Stars Sad"** as a gift.

In 2018, the social responsibility project "I'm Protecting the Energy of the World" won its second international award with the Best Energy Management Award in the International CSR Excellence Awards, which is one of the world's most important social responsibility award programs, organized with the slogan "Companies With Heart." At the same time, the project received the **Golden Compass**, Turkey's most prestigious award in the field of public relations, organized by the Turkish Association of Public Relations Agencies (TÜHİD).

Based upon the idea of cultivating energy efficiency with the help of art, Enerjisa continues to develop new social responsibility projects in the field of arts and culture. The Energy Efficiency Theater, which is performed by professional theater actors, was brought to life by the adaptation of the Bremen Town Musicians with the theme of energy efficiency. The Energy Efficiency Theater was founded in 2015 by volunteer actors who lead the way and performed a play for the Enerjisa Youth. Packed with fun moments for the young audience, the play incorporates the topics covered in the workshops.

AWARDS

CAPITAL MOST ADMIRED COMPANIES SURVEY
"The Most Admired Energy Company" for the 10th time

INOVA AWARDS
Silver Inova, "The Best Investor Relations Web Site" Category

STEVIE INTERNATIONAL BUSINESS AWARDS
Gold Stevie, "The Best Investor Relations Web Site" Category

BEST BUSINESS AWARDS
The Best Customer Services Award

CRYSTAL APPLE 2018
Bronze Apple, Digital, Social Media and Activation / Creative interaction contents with "Energy Saving Comments" project - in Service Category

ARC AWARDS
3 Awards with Our 2017 Annual Report
- Gold - Non-English Annual Report Category
- Silver - Printing and Production Category
- Honor - Interior Design Category

STEVIE AWARDS GREAT EMPLOYERS
Bronze Stevie, "HR Technologies" Category

CAPITAL 500 SURVEY
20th Largest Company of Turkey

INTERNATIONAL CSR EXELLENCE AWARDS
"Best Energy Management" Award with I'm Protecting My Energy Project

FORTUNE 500
19th Largest Company of Turkey

CREDIBILITY INDEX OF TURKEY 2017
"Most Credible Brand of Turkey" in Energy Industry

SABANCI GOLDEN COLLAR AWARDS
"Sabancı of the New Generation" Award with One Customer Project

KIRMIZI ADVERTISING AWARDS
Special Jury Award in the Kırmızı Campaign category and the Best Other Category Campaign award with the "Protect Your Energy" Campaign

TURKISH ASSOCIATION OF PUBLIC RELATIONS (TUHİD) GOLDEN COMPASS AWARDS
Golden Compass, CSR Category

FORTUNE MAGAZINE
"Most Effective CFO" for Sascha Bibert, Enerjisa CFO in the Most Efficient 50 CFO Survey

CAMPAIGN TURKEY
"Brand of the Year" Award, Energy Category

INTERNATIONAL BONDS & LOANS TURKEY AWARDS
Runner Up Award, Local Bond Deal of the Year Category

WE ARE YOUR SOLUTION PARTNER

"We are accessible and provide solutions."

With *10.9* million distribution points in *3* distribution regions, we reach an area of *109,663* kilometers.

DISTRIBUTION FINANCIAL DEVELOPMENTS

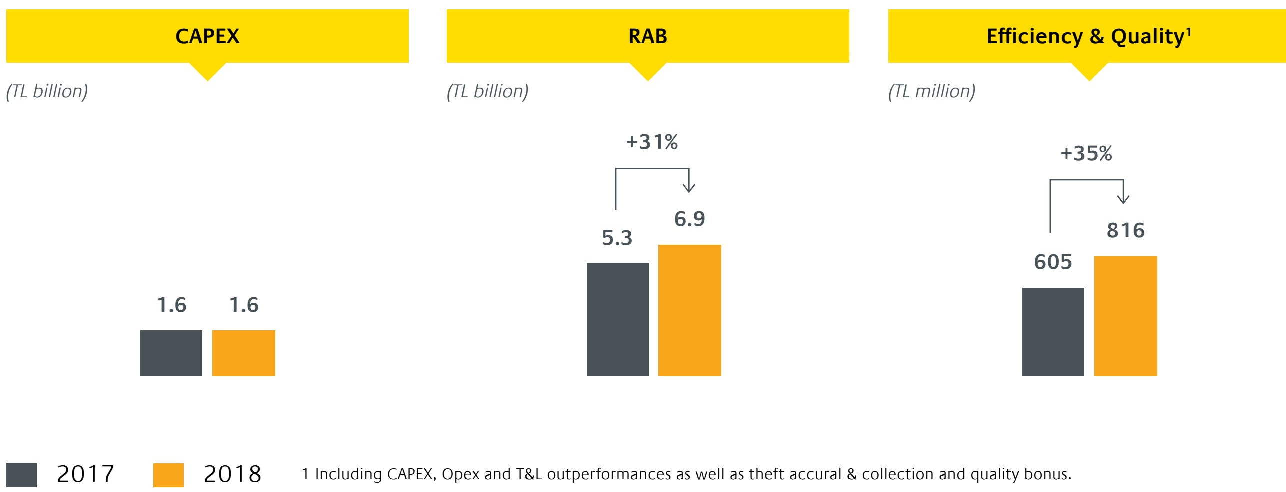
Operational Earnings (EBITDA + CAPEX reimbursements excluding exceptional items) of our Distribution business increased by 49% from TL 2,344 million in 2017 to TL 3,490 million in 2018. As a result, the Distribution business unit contribution remained constant at 91% of the consolidated Operational Earnings of Enerjisa.

DISTRIBUTION: RECONCILIATION OF OPERATIONAL EARNINGS

(TL million)	1 January-31 December 2018	1 January-31 December 2017	Delta TL	Delta %
Sales Revenue	6,986	4,934	2,052	42%
Financial income	*1,717*	*1,014*	*703*	*69%*
Distribution revenue	*4,281*	*3,147*	*1,134*	*36%*
Pass-through transmission revenue	*760*	*597*	*163*	*27%*
Lighting sales revenue	*228*	*176*	*52*	*30%*
Cost of Sales	-1,690	-1,402	-288	21%
Energy purchases (Lighting, T&L)	*-930*	*-795*	*-135*	*17%*
Pass-through transmission cost	*-760*	*-597*	*-163*	*27%*
Other	*0*	*-10*	*10*	
Gross Profit	**5,296**	**3,532**	**1,764**	**50%**
OPEX	-1,272	-1,072	-200	19%
Other Income/(Expense)	-240	-143	-97	68%
Operating profit before finance income/(expense)	**3,784**	**2,317**	**1,467**	**63%**
Adjustment of depreciation and amortization	26	16	10	63%
Adjustment related to operational FX gains and losses	44	0	44	
Interest income related to revenue cap regulation	-44	1	-45	
EBITDA	**3,810**	**2,334**	**1,476**	**63%**
CAPEX Reimbursements	798	592	206	35%
EBITDA+CAPEX Reimbursements	**4,608**	**2,926**	**1,682**	**57%**
Fair value changes of financial assets	-984	-467	-517	111%
Competition Authority penalty provision	8	0	8	
Non-recurring income related to previous fiscal years	-142	-115	-27	23%
Operational Earnings	**3,490**	**2,344**	**1,146**	**49%**

The significant increase in earnings was mainly a consequence of higher financial income, which grew by 69% from TL1,014 million in 2017 to TL1,717 million in 2018. This sharp increase in the return on investment was itself driven by continued high investment levels increasing the Regulated Asset Base (RAB), an increase in the regulated real return rate from 11.91% to 13.61%, as well as high inflation rates leading to both higher nominal investment returns, as well as a higher asset base. The Regulated Asset Base increased by 31% from TL 5.3 billion in 2017 to TL 6.9 billion at the end of 2018.The overall investment level was again TL 1.6 billion implying an overspending relative to the initial allowed CAPEX for 2018 of around 39%. The inflation rate (CPI) was announced at 15.4% for June 2018 compared to 11.9% for 2017 June adding to both the nominal investment return as well as the nominal Regulated Asset Base itself.

According to the company judgement, the above explanation using RAB and the regulated WACC, approximates the development of financial income well. It is however a simplification from the actual accounting, which works based on the financial asset and the IRR of existing and future investments until the end of the concession period.



1 Including CAPEX, Opex and T&L outperformances as well as theft accrual & collection and quality bonus.

CAPEX reimbursements, the second guaranteed component of investment income representing the return of principal, has increased by 35% from TL 592 million in 2017 to TL 798 million in 2018 in line with actual investments in previous regulatory periods, as well as the initial CAPEX allowance in the current regulatory period. Furthermore, it is also a consequence of high actual inflation rates.

Next to guaranteed investment returns, earnings from efficiency & quality have increased as well. The total of CAPEX and Opex as well as Theft & Loss (T&L) outperformances, theft accrual & collection income and quality bonus grew again by 35% from TL605m in 2017 to TL 816 million in 2018. This was mainly a result of around 50% higher theft accrual & collection income as a consequence of both, more favorable regulatory parameters, and higher theft detection. Again, theft accrual & collection income contributed 50% of the total efficiency & quality earnings component in 2018.

The second driver of the increase in efficiency & quality earnings is the newly introduced quality bonus mechanism, which contributed more than TL 100 million in 2018. Within this mechanism, Distribution companies are eligible to receive up to 5% of their total regulated revenue requirement as a bonus in case certain quality parameters in the area of health & safety, technical and call center quality as well as investment execution are met. For the year 2018, Enerjisa was eligible to receive a

DISTRIBUTION FINANCIAL DEVELOPMENTS

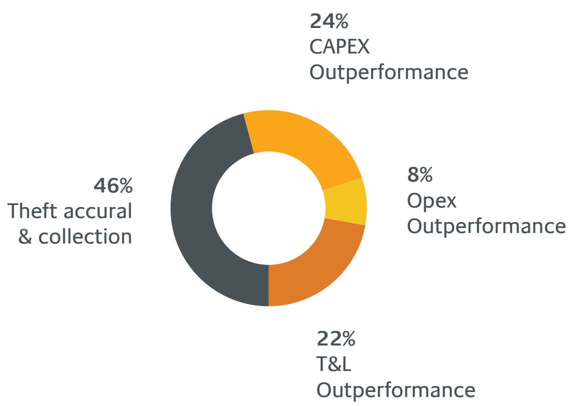
bonus of 3.2% of the regulated revenue requirement. The remaining 1/3 of efficiency & quality earnings in 2018 came from CAPEX, Opex and T&L outperformance. While Opex outperformance slightly improved compared to 2017, both CAPEX and T&L outperformance contributions decreased. Although the investment volume remained unchanged, the percentage procurement outperformance decreased from 9% in 2017 to 7% in 2018 as a result of unit cost developments in a very volatile market environment that were not fully compensated by the regulatory indexation methodology. T&L outperformance decreased as the percentage outperformance of on average 1.8% in 2017 decreased to a level of around 1.2% in 2018.

Operating cash flow before interest and tax increased by TL 728 million from TL 1,646 in 2017 to TL 2,374 million in 2018. The increase in operating cash flow was lower compared to the increase in operational earnings. The main reason is that the company continued to invest at a higher pace than initially assumed by the regulator. Therefore, the financial income accrued on the additional investments of the fiscal year 2018 is only partially immediately cash-effective. The remaining, not yet cash-effective part, will become cash-effective over the remaining 2 years of the regulatory period as the cumulative investment for the current regulatory period until year-end 2018 has not yet exceeded the initial CAPEX allowance.

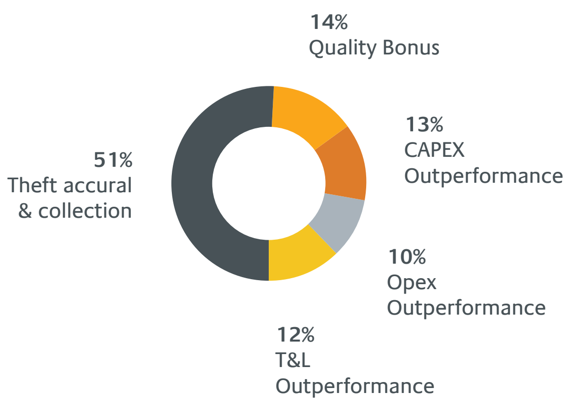
Cash-effective CAPEX decreased from TL 1,705 million in 2017 to TL 1,549 million in 2018 despite an almost unchanged actual allowed CAPEX. This is mainly a result of higher remaining unpaid CAPEX at the end of 2018, that almost fully compensates investment-related VAT payments.

As a consequence, Free Cash Flow before interest and tax for Distribution significantly increased from TL -59 million in 2017 to TL 825 million in 2018.

Efficiency & Quality 2017



Efficiency & Quality 2018



DISTRIBUTION: OPERATIONAL EARNINGS BREAKDOWN AND RECONCILIATION TO FREE CASH FLOW BEFORE INTEREST AND TAX

(TL million)	1 January-31 December 2018	1 January-31 December 2017	Delta TL	Delta %
Financial income	1,717	1,014	703	69%
CAPEX reimbursements	798	592	206	35%
Efficiency & quality	816	605	211	35%
Tax correction	133	86	47	55%
Other	26	47	-21	-45%
Operational Earnings	**3,490**	**2,344**	**1,146**	**49%**
Financial income not yet cash effective	-1,082	-577	-505	88%
CAPEX outperformance	-105	-142	37	-26%
Working Capital and VAT	71	21	50	245%
Operating Cash Flow before interest and tax	**2,374**	**1,646**	**728**	**44%**
Actual allowed CAPEX (nominal)	-1,605	-1,573	-32	2%
CAPEX outperformance	105	142	-37	-26%
Unpaid/previous year CAPEX and VAT	-49	-274	225	-82%
Cash-effective CAPEX	**-1,549**	**-1,705**	**156**	**-9%**
Free Cash Flow before interest and tax	**825**	**-59**	**884**	**-1.500%**

RETAIL FINANCIAL DEVELOPMENTS

Operational Earnings (EBITDA) from our Retail business increased by 58% from TL 247 million in 2017 to TL 389 million in 2018. As this growth is roughly in line with the Distribution business unit, the Retail business contribution to the consolidated Operational Earnings of Enerjisa remained at less than 10%.

RETAIL: RECONCILIATION OF OPERATIONAL EARNINGS

(TL million)	1 January-31 December 2018	1 January-31 December 2017	Delta TL	Delta %
Sales Revenue	11,361	10,520	841	8%
Regulated	*10,301*	*5,075*	*5,226*	*103%*
Liberalised	*1,044*	*2,256*	*-1,212*	*-54%*
Customer Solutions	*16*	*0*	*16*	
Pass-through grid revenue	*0*	*3,189*	*-3,189*	
Cost of Sales	-10,690	-10,109	-581	6%
Regulated	*-9,679*	*-4,740*	*-4,939*	*104%*
Liberalised	*-1,003*	*-2,180*	*1,177*	*-54%*
Customer Solutions	*-8*	*0*	*-8*	
Pass-through grid cost	*0*	*-3,189*	*3,189*	
Gross Profit	671	411	260	63%
OPEX	-341	-253	-88	35%
Other Income/(Expense)	-306	4	-310	-7.750%
Operating profit before finance income/(expense)	24	161	-137	-85%
Adjustment of depreciation and amortization	23	8	15	188%
Adjustments related to fair value difference arising from deposits	243	79	164	208%
EBITDA	**290**	**247**	**43**	**18%**
Competition Authority penalty provision	99	0	99	
Operational Earnings	**389**	**247**	**142**	**58%**

Revenues excluding pass-through grid costs significantly increased from TL 7,3 billion in 2017 to TL 11,4 billion in 2018 as a result of both, significantly higher volumes and prices. While profitability for the regulated segment remained largely unchanged, liberalised gross profit margins recovered compared to 2017 as a consequence of power procurement hedges executed at the end of 2017. As the liberalized segment fundamentally remained unattractive due to regulated retails tariffs not leaving sufficient margin potential to market-based power procurement costs, Enerjisa has focused to serve its customers in the regulated segment in 2018, generating revenues in the regulated segment at the expense of the liberalized business. Furthermore, previously lost corporate customers continued to return to Enerjisa as the incumbent regulated supplier, as competitors were unable to offer liberalized contracts at prices below the regulated National Tariff with the current level of power procurement costs. As a result of all of the above, 6,5TWh from the liberalized customer portfolio in 2017 shifted to the regulated segment with another 6,3TWh of new customers, increasing the total regulated volume by 53% from 24,3TWh in 2017 to 37,1TWh in 2018.

Regulated Segment | **Liberalized Residential & SME Segment**

RETAIL: SALES VOLUMES

(TWh)	1 January-31 December 2018	1 January-31 December 2017	Delta TL	Delta %
Regulated	37.1	24.3	12.8	53%
Corporate	*16.5*	*9.9*	*6.6*	*67%*
Residential & SME	*20.6*	*14.4*	*6.2*	*43%*
Liberalized	4.0	10.9	-6.9	-63%
Corporate	*2.9*	*3.3*	*-0.4*	*-12%*
Residential & SME	*1.1*	*7.6*	*-6.5*	*-86%*
Total sales volume	**41.1**	**35.2**	**5.9**	**17%**

RETAIL: GROSS PROFIT MARGINS

(%)	1 January-31 December 2018	1 January-31 December 2017	Delta %
Regulated	6.0%	6.4%	-0,36
Liberalized	4.0%	3.5%	0,45
Corporate	*3.1%*	*1.5%*	*1,61*
Residential & SME	*6.6%*	*4.1%*	*2,47*
Total	**5.9%**	**3.9%**	**2,00**

RETAIL FINANCIAL DEVELOPMENTS

The OPEX development of Retail is significantly impacted by a legal provision that is related to a more conservative legal assessment on 1 legal case that has been ongoing for a number of years. Adjusted for this provision, the underlying OPEX development is significantly below inflation, showing the effectiveness of some of the previously initiated efficiency measures.

Bad debt related income and expenses continued to provide a positive net earnings contribution as collection rates remain high and late payment income largely offset any doubtful provision expenses. However, bonus collections from the pool of previously written off receivables in 2018 are below the high level of 2017 leading to an overall declining contribution.

While Operational Earnings significantly increased compared to 2017, the operating and free cash flow before interest and tax for the Retail business is negative. This is mainly a result of a significant working capital build up from two sources. First, the collected retail tariff throughout 2018 has been insufficient to reimburse Retail companies for the regulated procurement costs, as well as the regulated profit margin. Therefore, a receivable to the price equalization mechanism has been recorded, which will be collected in 2019 including interest on the time delay. While this is a normal regulatory mechanism to adjust differences between the ex-ante tariff calculation by the regulator and the ex-post cost realization of retail companies, the magnitude of such effects in 2018 was unusual due to the high volatility of energy prices. Second, payables did not rise in line with receivables in the regulated segment throughout 2018, as the regulated source of energy (state-owned wholesaler EÜAŞ) did not provide sufficient volumes for the unexpectedly high regulated volume. The remaining volume was procured from the spot market. Since EÜAŞ provides payment terms that are largely in line with invoice collection cycles, while the spot market requires advance payments, a significant payment term mismatch has been created leading to higher net working capital. Both of the above negative cash flow impacts could not be compensated by higher net customer deposit additions from both newly acquired customers and higher volumes in the regulated market.

RETAIL: OPERATIONAL EARNINGS BREAKDOWN AND RECONCILIATION TO FREE CASH FLOW BEFORE INTEREST AND TAX

(TL million)	1 January-31 December 2018	1 January-31 December 2017	Delta TL	Delta %
Regulated gross profit	621	335	286	85%
Liberalised gross profit	47	74	-27	-36%
Customer Solutions gross profit	11	0	11	
Opex	-323	-246	-77	31%
Bad debt related income and expense	33	84	-51	-61%
Operational Earnings	**389**	**247**	**142**	**58%**
Price equalization effects	-489	14	-503	-3,593%
Net customer deposit additions	246	140	106	75%
Δ in Net Working Capital	-281	-72	-209	289%
Operating Cash Flow before interest and tax	**-135**	**329**	**-464**	**-141%**
CAPEX	-38	-30	-8	27%
Free Cash Flow before interest and tax	**-173**	**299**	**-472**	**-158%**

CONSOLIDATED FINANCIAL DEVELOPMENTS

Consolidated Operational Earnings (EBITDA + CAPEX reimbursements excluding exceptional items) of Enerjisa increased by 50% from TL 2,565 million in 2017 to TL 3,845 million in 2018. This increase in Operational Earnings was mainly driven by the Distribution segment, which as of the year-end 2018 contributed 91% of consolidated Operational Earnings.

CONSOLIDATED: RECONCILIATION OF OPERATIONAL EARNINGS

(TL million)	1 January-31 December 2018	1 January-31 December 2017	Delta TL	Delta %
Operating profit before finance income/(expense)	2,811	2,241	570	25%
Adjustment of depreciation and amortization	258	235	23	10%
Adjustment of Goodwill impairment expense	753	0	753	
Adjustment related to operational FX gains and losses	44	0	44	
Adjustments related to fair value difference arising from deposits	243	79	164	208%
Interest income related to revenue cap regulation	-44	0	-44	
EBITDA	**4,065**	**2,555**	**1,510**	**59%**
CAPEX Reimbursements	798	592	206	35%
EBITDA+CAPEX Reimbursements	**4,864**	**3,147**	**1,717**	**55%**
Fair value changes of financial assets	-984	-467	-517	111%
Competition Authority penalty provision	107	0	107	
Non-recurring income related to previous years	-142	-115	-27	23%
Operational Earnings	**3,845**	**2,565**	**1,280**	**50%**

CONSOLIDATED FINANCIAL DEVELOPMENTS

The increase in Operational Earnings for the Distribution segment was a result of TL 703 million higher financial income driven by both a higher Regulatory Asset Base, which grew from TL 5.3 billion as of year-end 2017 to TL 6.9 billion as of year-end 2018, as well as higher nominal investment return rates due to an increased regulated real WACC and higher inflation rates. Furthermore, given the continued increase in CAPEX spending over the past years, CAPEX reimbursements increased by TL 206 million from TL 592 million in 2017 to TL 798 million in 2018. Next to increased investment returns, earnings contributions from efficiency & quality increased by TL 211 million, especially driven by theft accrual & collection income as well as the newly defined quality bonus mechanism.

The contribution of the Retail segment increased mainly due to an expansion in the regulated gross profit as a result of both higher volumes as well as higher energy prices leading to a higher profit base for the regulated segment.

Consolidated Underlying Net Income (Net Income excluding exceptional items) has increased by 40% from TL 522 million in 2017 to TL 730 million in 2018. The increase in net financial expenses is driven by both higher Net Debt, which increased from TL 7,3 billion in 2017 to TL 8,7 billion at the end of 2018, as well as higher weighted average interest rates as a consequence of increasing nominal market interest rates. For the outstanding bank loan portfolio this increase was more gradual from 12,8% in 2017 to 17,1% in 2018, while the weighted average bond interest rates showed the sensitivity to the higher inflation rates by increasing from 15,2% in 2017 to 28,2% in 2018. The increase in the average bond interest rates have been particularly pronounced as for accounting reasons the inflation rate is considered with a 2 month time lag, meaning that the year-end bond interest rate includes the 2018 peak inflation rate of 25,2% at October end.

While the stated tax rate of 43% embedded in reported net income seems high in 2018, this is mainly a result of the non tax-deductable Goodwill impairment expense recognized within the year-end closing. Adjusted for all exceptional items and their related tax expenses, the tax rate becomes 31%. Although this is still above the marginal income tax rate of 22%, the reason for the remaining difference is the non tax-deductable financial expense related to the acquisition loans of the holding company.

CONSOLIDATED: RECONCILIATION OF UNDERLYING NET INCOME

(TL million)	1 January-31 December 2018	1 January-31 December 2017	Delta TL	Delta %
Operating profit before finance income/(expense)	**2,811**	**2,241**	**570**	**25%**
Financial Income/(Expense)	-1,489	-957	-532	56%
Profit before tax	**1,322**	**1,284**	**38**	**3%**
Taxation	-574	-296	-278	94%
Net Income	**748**	**988**	**-240**	**-24%**
Fair value changes of financial assets	-768	-374	-394	105%
Competition Authority penalty provision	107	0	107	
Goodwill impairment expense	753	0	753	
Non-recurring income related to prior fiscal years	-110	-92	-18	20%
Underlying Net Income	**730**	**522**	**208**	**40%**

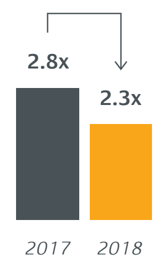
The increase in Net Debt was mainly a result of the Free Cash Flow before interest and tax not being sufficient to cover both interest and tax payments of the consolidated Group. While, the consolidated Free Cash Flow before interest and tax in 2018 was TL 520 million, consolidated net interest and tax payments amounted to TL 1,047 million and TL 35 million respectively, leading to a Free Cash Flow after interest and tax of TL -562 million. This cash shortfall is mainly a consequence of the investment profile at Distribution resulting in higher financial income accruals that are not yet cash-effective. Net Debt was further increase by the dividend payment of 0,30 TL/share in April 2018 amounting to a total cash outflow of TL 354 million as well as a non-cash revaluation of interest and FX accruals of TL 483 million.

CONSOLIDATED: NET DEBT DEVELOPMENT

(TL million)	
Net Debt (31 December 2017)	**-7,303**
Free Cash Flow before interest and tax	520
Net interest payments	-1,047
Tax payments	-35
Dividend payment	-354
Other (FX, interest accrual)	-483
Net Debt (31 December 2018)	**-8,702**

Although our consolidated Net Debt has increased by TL 1,4 billion, our leverage as measured by Net Debt divided by Operational Earnings has continued to decline from 2.8x in 2017 to 2.3x at the end of 2018. As a result, we have been able to strengthen our financial profile further, in spite of the continued high investment levels.

Debt Ratio



FINANCING

In 2018, in addition to our business cash flows, Enerjisa continued to require external financing to fund our distribution investments, meet our obligations related to the acquisitions of the distribution rights, as well as to fund our working capital needs.

In line with our financing strategy, we continued to borrow with the following goals:

- Align our financing with our revenue streams
- Match our debt with our investment payback period
- Diversify our financing counterparties

Our latest 5 year CPI -linked local corporate bond in April again set a record for the Turkish corporate bond market with the longest maturity. However starting with the deterioration in the market in the second quarter of 2018, debt capital investors in Turkey had lost their interest in investments with maturities longer than 1 year.

Despite limited issuances in 2018, the portion of corporate bonds in our outstanding loan portfolio has increased from 18% in 2017 to 20% in 2018 due to the significant inflation revaluation of outstanding bonds of TL 494 million at the end of 2018, which only becomes payable at maturity.

Issuer	Issue Amount (TL million)	Real CouponRate	Value date	Maturity
Başkent EDAŞ	200	4.00%	15-Aug-16	12-Aug-19
Başkent EDAŞ	150	4.00%	30-Sep-16	27-Sep-19
Enerjisa	405	4.75%	2-Mar-17	23-Feb-21
Enerjisa	335	5.00%	1-Aug-17	26-Jul-22
Enerjisa	100	4.75%	20-Oct-17	15-Oct-21
Enerjisa	162	5.00%	5-Apr-18	30-Mar-23
Total	1,352			

Next to diversifying our portfolio of financing instruments, the issuance of corporate bonds has also helped to increase the average maturities of our overall loan portfolio as the Turkish bank debt market provides only limited liquidity for long-term financing.

Our debt portfolio includes no material FX exposure, as all loans and bonds are either directly denominated in or swapped to Turkish Lira. The only exception is a TEDAŞ payable of €62,4 million as of December 2018 (€69,2 million as of December 2017), which has been fully hedged at the beginning of 2018. The hedge has limited the FX loss from this payable to TL 58 million in 2018 and has protected Enerjisa from any impacts of the highly volatile FX environment during the year.

Being active in the debt capital market, Enerjisa has obtained a rating by Fitch Rating for all legal entities issuing corporate bonds. Fitch Rating confirmed our national long-term rating at "AA (tur)" with a stable outlook for Enerjisa Enerji A.Ş. as well as for our Başkent EDAŞ subsidiary.

Although there was a similar deterioration in the bank loan market, banks continued to be the main source of funding in Turkey in 2018. Liquidity decreased and interest rates increased starting with the second quarter and peaked in the third quarter. However, this situation has started to reverse in the fourth quarter.

In line with the developments in Turkey, Enerjisa's financing activities slowed down after the first quarter and started to gather pace again in the fourth quarter of the year. In between, we utilized relatively short-term loans (up to 1 year) to bridge the most volatile period when short-term borrowing was the most reasonable product from both a liquidity as well as price perspective. This approach came at the expense of lower average tenors of our outstanding loan portfolio, shifting the average tenor from 2-3 years towards 2 years. Nevertheless, we were able to further diversify our lender base towards a more balanced distribution among counterparties.

WE TOUCH LIVES

"We work with the utmost strength for our country."

We provide energy to
21 million people.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENTS

In the 2018 fiscal year Enerjisa Enerji fully complied with all compulsory items included within the Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance no. II-17.1. and complied with the greater majority of the non-mandatory principles. Non-complied or partially complied Corporate Governance Principles are shared with all stakeholders in this compliance report herein including the justifications. The principles that are not being complied with have not resulted in any conflict of interest for Enerjisa. Enerjisa has embraced the principles of equality, transparency, accountability and responsibility of the Corporate Governance Principles published by the CMB.

Non-Complied or Partially Complied Corporate Governance Principles and Justifications

- Regarding principle 1.3.11; As defined in the Articles of Association Annual General Assembly meeting is held in the Enerjisa headquarter open to shareholders but close to press and public. AGM documents are submitted to all stakeholders via the related KAP announcements and the company website.
- Regarding principle 4.2.5; While not stipulated in the Articles of Association, the Enerjisa Board of Directors Chair and Chief Executive Officer roles are carried out by different executives and their responsibilities are unbundled.
- Regarding principle 4.2.8; Enerjisa has subscribed to the Board of Directors a liability insurance of 25 mEUR. For the coverage of 25% of the capital, required operations are ongoing.
- Regarding principle 4.4.7; Board Member's assignments in different companies are not restricted as it does not create any conflict of interest.
- Regarding principle 4.5.5.; Due to the Enerjisa shareholder structure and the requirement for committee chairs to be selected among independent Board members pursuant to the Corporate Governance Principles, several members of the Board of Directors were assigned to multiple committees.
- Regarding principle 4.6.5.; Salaries and all other benefits provided to the members of the Board of Directors and senior executives are not disclosed to the public on an individual basis. Relevant content is disclosed however with a distinction made between the Board of Directors and senior executives considering the Law of Protection of Personal Data. Additionally, a Remuneration Policy is written and disclosed via the Annual General Assembly Meeting to stakeholders.

2. SHAREHOLDERS

2.1. INVESTOR RELATIONS DEPARTMENT

The management of Enerjisa Enerji A.Ş. aims to establish and maintain a transparent and close communication with its shareholders.

Based upon the general principle of equal treatment of all of shareholders, the primary goal is to turn the shares of Enerjisa Enerji A.Ş. into an attractive and reliable investment for the existing and potential investors alike. The Investor Relations Department has been established in 2018 in the context of the IPO, in order to manage and strengthen the relationships with the shareholders.

The aforementioned department plays a key role in the protection and facilitation of shareholding rights, including, in particular, the right to obtain and review information, and establishes a continuous communication between the company management and the shareholders. The Investor Relations Department essentially conducts its activities in order to fulfil the following duties:

- To ensure that the records related to shareholders are kept in a proper, safe, and updated manner,
- To respond to shareholders' and potential investors' information requests on the Company, except for the ones regarded as non-public, confidential and/or trade-secret related with the Company,
- To publish all information and explanations, that may affect the execution of shareholding rights on the company's website,
- To actively pursue the information needs of the capital markets by conducting roadshows and attending conferences in Turkey and abroad on a regular schedule throughout the year,
- To prepare all presentation materials for meetings
- To ensure that the General Assembly meetings are held in compliance with the current legislation, the articles of association and other internal procedures,
- To prepare the documents that may be used by the shareholders for the General Assembly meeting,
- To ensure that the records of voting results are duly kept and the reports on such results are duly announced to the shareholders,
- To supervise and monitor for the fulfilment of the obligations arising from the capital markets legislation, including any and all issues related with corporate governance and public disclosure,

The Investor Relations Department operates and reports to Sascha Bibert, the CFO of Enerjisa Enerji A.Ş.; and submits quarterly reports - in addition to any ad-hoc requests that may arise - on the activities conducted to the Corporate Governance Committee for further submission to the Board of Directors. Since the Corporate Governance Committee has been actively commissioned by the General Assembly held on 29 March, it convened for 3 times in 2018. The reports prepared with respect to the activities conducted at the Investor Relations Department were presented at the Corporate Governance Committee meetings held on 2 August, 31 October, and 7 December, respectively, for further submission to the Board of Directors within the year 2018.

Provided below are the details of the persons that are responsible for the Investor Relations Department:

Controlling and Investor Relations Director: Christian Zaum
E-mail: investorrelations@enerjisa.com

Head of Investor Relations: İlkay Demirdağ
Phone No: +90 216 579 09 32
E-mail: investorrelations@enerjisa.com
License: Capital Market Activities Advanced Level (Level 3), Corporate Governance Rating License

Investor Relations Process Leader: Sibel Turhan
Phone No: +90 216 579 09 31
E-mail: investorrelations@enerjisa.com

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

During 2018, the Investors Relations Department attended 8 road shows and 5 conferences in Turkey and abroad and met with 125 existing and potential investors. With the publication of the presentations used in such meetings and road shows on the website, Investor Relations targets to provide shareholders with better information on current trends and developments. In addition, 40 analyst meetings were organized. As a result of these meetings, 4 domestic analysts have started covering Enerjisa shares, in addition to 5 analyst reports published at the time of public offering. To fulfill it's duties in a structured and targeted manner, the Investor Relations Department has been using the IPREO CRM database to record all investor and analyst meetings.

The Investor Relations website has also been designed, in order to allow shareholders to have the easiest access to information. The investor relations web page is accessible on https://www.enerjisainvestorrelations.com/. The contents of the investor relations website are simultaneously updated both in Turkish and English languages. The investor relations contact details allowing the shareholders to get in contact with the Company are also provided in the website. In addition, a single e-mail address has been assigned for all communications with the Investor Relations Department (investorrelations@enerjisa.com) and all stakeholders are allowed to access to and get in contact with the department through this email address. All questions received at this e-mail address are replied in coordination with the necessary departments. In addition, all questions received via the telephone lines of investor relations department have also been recorded and replied. Thus, the Investor Relations Department has fully responded to over 1,000 questions directed to it and allowed the investors to have access to transparent information on Enerjisa Enerji A.Ş. within the framework of the principle of equality in 2018.

The Company website is organized in the form and content stipulated by the Capital Markets Board Corporate Governance Principles. All content regarding insider information, financial statements, annual and interim period reports and some other information are also provided in English on the Internet website. Particularly, the announcement related with the general assembly meetings to be held, the information document regarding the items on the agenda, the other information, documents and reports related with the agenda items, and the methods for participation in the general assembly meetings are provided on the website in a highlighted manner.

In addition, following the disclosure of financial results every quarter throughout the year, the Investor Relations Department organizes investor teleconferences via the link shared with the investors in order to allow investors to have access to more transparent information on the Company. In this context, a presentation is made to investors and analysts and the questions received are answered by Sascha Bibert, the CFO of the Company in line with the principle of transparency. The records and transcripts of the related meeting and the relevant investor presentations are posted on the investor relations website for the investors and analysts that cannot attend the broadcast on the specified date and time. Investor teleconferences were held on 22 February, 3 May, 14 August, and 6 November in the year 2018.
The investment tools section of the said website is updated as required and on a quarterly basis.

2.2. EXERCISE OF SHAREHOLDERS' RIGHT TO OBTAIN INFORMATION:

The written and verbal information requests raised by corporate investors and shareholders are evaluated by the Investor Relations Department. All questions that are not trade secrets are answered in line with the principle of equality and it is ensured that the management and the shareholder are always in communication with each other.

The information and explanations that may affect the exercise of shareholding rights are regularly announced as material event disclosures arranged in Turkish and English languages via the Public Disclosure Platform (www.kap.gov.tr) and also made available for investors through posting their current versions on the investor relations website for information purposes. During the year 2018, no information or disclosure likely to affect the exercise of shareholding rights was posted on the website of Enerjisa Enerji A.Ş.

Utmost attention is paid to compliance with legislation in the fulfilment of investors' requests; To the best of our knowledge, there were no complaints or administrative and legal proceedings initiated against our Company in relation to the exercise of shareholding rights last year.

The articles of association of Enerjisa Enerji A.Ş. do not contain any provision regarding a request for appointment of a special auditor and no request for appointment of a special auditor was submitted in 2018.

2.3. GENERAL ASSEMBLY MEETINGS

The Ordinary General Assembly meeting for 2017 was held on 29 March 2018 Thursday at 14:00 at Sabancı Center 4. Levent, Beşiktaş, Istanbul under the surveillance of the Ministry Representative Hüseyin Çakmak appointed by the letter of assignment no. 33171792 dated 28 March 2018 issued by Istanbul Governorship Provincial Directorate of Commerce.

As a result of the review of the list of attendants during the meeting, it was determined that out of 118.106.896.712 units of shares corresponding to the Company's total capital of TL 1,181,068,967.12; 60.100 units of shares corresponding to the capital amount of TL 601 were represented in person, and 98.035.422.112 units of shares corresponding to the capital amount of TL 980,354,221.12 were represented by proxy. Accordingly, 98.035.482.212 units of shares in total corresponding to the total capital amount of TL 980,354,822.12 were represented in the meeting. Therefore, the minimum quorum of meeting specified both in the law and the articles of association was achieved. Neither the stakeholders, nor the media were prevented from participating in the said meeting in any manner. However, there was no media attendance in the meeting and except for the Company employees, there were no stakeholders attending the meeting either.

The invitation to the meeting, including the agenda, was published in the Turkish Trade Registry Gazette no. 9529 dated 5 March 2018, posted on the Company's website at https://www.enerjisa.com.tr and announced via the Electronic General Assembly System of the Central Registry Agency as specified in the law and the articles of association and within the related statutory period. In addition, the general assembly information document was also prepared and shared before the general assembly meeting in order to allow the shareholders to use and benefit from it in their participation in the general assembly meetings. The said information document contained information about how the shareholders may participate in the general assembly meeting, the necessary information for participation of proxies in the meeting, the necessary information for electronic participation in the meeting, the information on the shareholding structure and voting rights, the information on the changes that may materially affect the activities of the company and its subsidiaries, and the information about whether there is any request made by the public authorities and shareholders for addition of any item/s to the agenda. In addition, this information document also provided the detailed explanations about the agenda of the meeting for the related persons.

During the general assembly meeting, the AGM committee paid utmost attention to the presentation of the items on the agenda in an objective and detailed manner and through a clear and straightforward method in line with the principle of transparency. The shareholders were allowed to exercise their rights to express their opinions and to ask questions within the framework of the principle of equality. All questions asked by shareholders in the general assembly meetings, which are not considered to be trade secrets, were answered during the meeting pursuant to the capital markets legislation. However, if the questions asked are not related with the agenda or if it is impossible to provide an immediate answer to the question, the questions are answered by the Investor Relations Department in writing as soon as possible. There was no question asked by the shareholders in this context during the Ordinary General Assembly meeting for the year 2017.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The shareholders did not give any proposal for the agenda in relation to the general assembly meeting and the minutes of the said General Assembly meeting is publicly accessible over the Investor Relations website.

In the General Assembly meeting, the General Assembly committee informed the shareholders about the total amount of donations made in 2017 and the new donation and aids policy under a separate item of the agenda.

2.4. VOTING RIGHTS AND MINORITY RIGHTS

At Enerjisa Enerji A.Ş., no group or shareholder is granted privileges with respect to voting rights. Each of the shares has equal voting right.

Currently, there is no cross-ownership between Enerjisa Enerji A.Ş. and its affiliates and subsidiaries; and there has been no situation requiring the freezing of votes during the general assembly meeting as a result of such a relationship.

There is no special situation regarding the representation of minority shareholders and stakeholders on the Board of Directors and the rate specified in the articles of association with respect to minority rights is not lower than the rate stipulated in the legislation. The rates stipulated in the Turkish Commercial Code and the Capital Markets Law and regulations are applied for minority rights. Although there is no special representative representing minority shareholders and stakeholders on the Board of Directors; there are independent Board members serving on the Board of Directors for protection of the rights of minorities and stakeholders.

2.5. DIVIDEND RIGHT

At Enerjisa Enerji A.Ş., no group or shareholder is granted privileges with respect to dividend distribution policy or profit sharing pursuant to the articles of association. Each of the shares has equal dividend right.

The dividend distribution policy of Enerjisa Enerji A.Ş. prepared pursuant to the Turkish Commercial Code, Capital Markets Law and the Communiqué no. II-19.1 on Dividends and its articles of association is allows for a dividend distribution of up to 100% of the net profit calculated in the independently-audited financial statements excluding the exceptional items, with a mid –term management target of distributing 60-70% of such net profit. The amount of cash dividend to be distributed on a yearly basis under the capital markets legislation is found by calculating the distributable profit.

Dividends are distributed among shareholders by way of equal allocation among all existing shares on the date specified by the General Assembly following the General Assembly approval, regardless of the dates of issuance and acquisition of such shares. The shareholders were provided with information on the dividend distribution policy under a separate item of the agenda during the Ordinary General Assembly meeting for 2017. In addition, the dividend distribution policy for the related period was also provided under a separate heading in the annual report for 2017 and the dividend distribution policy is also accessible over the Company's website.

In the Ordinary General Assembly meeting for 2017, it was decided in line with the Board of Directors' motion regarding dividend distribution, that after setting aside the general legal reserves at the amount of TL 54,262,771.98 and the extraordinary reserves at the amount of TL 579,425,537.88 from the net profit of the period after tax at the amount of TL 988,009,000.00 resulting from the activities in 2017, the total gross dividend at the amount of TL 354,320,690.14 to be distributed within the framework of the Dividend Distribution Statement published on the Public Disclosure Platform and that the payments be made in cash from and as of 3 April 2018.

2.6. TRANSFER OF SHARES

There is no restriction related to transfer of shares in the articles of association of Enerjisa Enerji A.Ş. Shares may be freely transferred to the extent permitted by laws.

3. PUBLIC DISCLOSURE AND TRANSPARENCY

Enerjisa Disclosure Policy is prepared pursuant to Capital Markets Board's Communiqué "Special Events" No. II-15.1 and Communiqué on Corporate Governance no. II-17.1. and published under the section of "Corporate Governance" in Enerjisa Investor Relations Website.

Enerjisa Enerji's corporate website is accessible under www.enerjisa.com.tr and this website is effectively used. Enerjisa corporate website is also available in English in order to provide information to existing and potential international investors. Improvement and revision activities for corporate website is continuously performed.

Enerjisa Enerji A.Ş. annual report is prepared in accordance with the CMB's Corporate Governance Communiqué, the Ministry of Customs and Trade's Regulation on the Determination of the Minimum Content of the Annual Activity Report of the Companies and Turkish Commercial Code No. 6102 and enables public to obtain complete and accurate information about Enerjisa operations.

4. STAKEHOLDERS

4.1. INFORMING STAKEHOLDERS

Enerjisa has embraced the equality, accuracy, objectivity, consistency and timeliness principles while informing the stakeholders. In this context, it is essential that all announcements and disclosures are published on time and in an accurate, complete, clear and easly accesible way.

Shareholders and potential investors are informed via annual and quarterly reports, special event disclosures, general assembly meeting notes, financial reports, public disclosure platform, Enerjisa Investor Relations website, roadshows, teleconferences, conferences and meetings.

Customers are informed via the call centers, sales channels, SMS and other digital solutions like mobile applications and corporate website.

Employees are informed via the management meetings, CEO Chats, corporate portal, mobile applications and varios communication channels about company performance, targets, organisational changes etc. In order to provide and sustain health and safety, employees and employee representatives are directed to relevant trainings and seminars in case required trainings in the area of specializations are scheduled.

Enerjisa's relations with the public administration, political organizations, trade unions and other organizations are based to the highest degree on the principles of integrity, honesty, equality and autonomy.

4.2. STAKEHOLDERS' PARTICIPATION IN MANAGEMENT

Enerjisa shareholders' participation in management and protection of their rights are ensured within the framework of applicable laws and regulations as well as within the Articles of Association. To ensure that minority rights and other stakeholder rights are protected equally, independent Board members are assigned to the Board of Directors as well as Board-level committees. All content received by Investor Relations communication channels are recorded, reviewed and replied following the consultation with relevant business units.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Enerjisa employee's participation in management is formalized within the Enerjisa Human Resources policy. Employees according to their roles and responsibilities, are involved in decision making processes, committees and projects. Additionally, via intranet, mobile applications, communication forms, recommendation systems (Fikir Kumbarası), 360 and 180 degree feedback mechanisms and surveys employees can share their requests, suggestions and feedbacks with Enerjisa executives.

Customers' participation in management is enabled via monthly customer satisfaction surveys and recommendation score researches. Following these activities, reports are prepared and submitted to the Customer Experience Committee and to all other stakeholders to discuss, prioritise and monitor detected improvement areas. Same communication channels are kept available for suppliers and business partners.

4.3. HR POLICY

In line with the vision of being the 'Preferred Employer' within the sector and being among the 'First 15' within all sectors, Enerjisa focus on the best, efficient and jointly embraced HR processes and applications. In line with this vision, following targets are set;

- Creating a preferred work environment, prioritisating communication and positive corporate culture
- Supporting leaders in the organisation and improving governance Developing leaders and great management practices
- Offering all kinds of HR opportunities fully equally to all our potential and existing employees without any discrimination
- Creating Learning & Development opportunities that brings & enables growth opportunities
- Attracting & keeping talents as well as increasing our corporate reputation
- Ensuring operational excellence that maximize stakeholder engagement & satisfaction

4.4.ETHICS AND SOCIAL RESPONSIBILITY

Enerjisa Code of Business Ethics, which is defined as Eneticia, sets a framework for employees to act with common values in all business processes.

Enerjisa commits to be in line with the principles of Code of Conduct on its relationships with its employees, customers, counterparties and competitors. Code of Conduct is an obligatory policy for all group companies of Enerjisa Enerji A.Ş and sets standards for employees' relations with customers, public, shareholders, competitors, suppliers, dealers and service providers.

Ethic Committee is the body responsible for imposition and compliance with Code of Conduct and duties and responsibilities of the body is also defined within the Code of Conduct. Each relevant company assigns an Ethic Consultant at a level of HR Directorate and this body is responsible for providing guidance for ensuring compliance with Code of Conducts. In case of possible ethic violations, necessary communication to Internal Audit Department is made by Ethic Consultant.

An online training program for employees has been enabled and Code of Conduct booklets are shared to increase awareness within the company.

Enerjisa aims to increase the quality of life by implementing the highest possible value added improvements and innovations in the environment, education and energy fields and works for a sustainable future with social responsibility projects. Enerjisa acting with a sense of responsibility towards life and environment, works for a sustainable future.

In addition to corporate social responsibility operations, Enerjisa also participates in special initiatives considering employee suggestions and public needs.

5. BOARD OF DIRECTORS

The Enerjisa Enerji Board of Directors governs and represents the company by defining the strategic objectives, and financial resources be required by the company and controlling the management performance.

The Board of Directors conducts its activities in a transparent, accountable, fair and responsible manner. In 2018, 6 Board meetings are held. Based on the segregation of duties within the Board, Kıvanç Zaimler is the chairman of Board and Eric Rene C. Depluet is the Deputy Chairman. The members of the Board of Directors are appointed for a maximum of 3 years and the members whose term of office ended can be reappointed. The majority of the members in the Board of Directors are composed of non-executive members.

Meeting Date	Attendace
21.02.2018	Göçmen (Chairman), Plowman (Vice Chairman), Volpert, Oran, Okur, Demirağ
19.04.2018	Göçmen (Chairman), Plowman (Vice Chairman), Volpert, Oran, Kley, Alper, Sami, Yardım
9.08.2018	Zaimler (Chairman), Depluet (Vice Chairman), Volpert, Oran, Alper, Sami, Yardım
20.09.2018	Zaimler (Chairman), Volpert, Paasch, Oran, Alper, Sami, Yardım
8.11.2018	Zaimler (Chairman), Depluet (Vice Chairman), Volpert, Paasch, Oran, Sami, Yardım
13.12.2018	Zaimler (Chairman), Depluet (Vice Chairman), Volpert, Oran, Sami, Yardım

5.1. NUMBER, STRUCTURE AND INDEPENDENCY OF COMMITTEES FORMED UNDER THE BOARD OF DIRECTORS

Audit Committee:
Activities of the Internal Audit Department are regularly reported to the Audit Committee. In this scope, 4 audit committee meetings were held in 2018. Through these meetings, the audit committee was informed on topics including, but not limited to, improvement areas identified in audit/consultancy activities and relevant action plans, results of follow-up activities, information about performed ethics investigation activities and significant considerations about other activities.

Audit Committee Members are as follows;

Name Surname	Duty	Duty in the Board
Fatma Dilek Yardım	Chairperson	Independent Board Member
Mehmet Sami	Member	Independent Board Member

Early Risk Detection Committee:
The Enerjisa Enerji Board of Directors delegates the monitoring of risks to the Early Risk Detection Committee. Members of the committe are as follows;

Name Surname	Duty	Duty in the Board
Fatma Dilek Yardım	Chairperson	Independent Board Member
Mehmet Sami	Member	Independent Board Member
Eric Rene C. Depluet	Member	Vice Chairman
Cenk Alper	Member	Board Member

Aside from receiving regular Risks and Opportunities reports, each meeting agenda includes an in-depth review of a prioritised topic. The Early Risk Detection Committee reports directly to the Enerjisa Enerji Board of Directors.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In 2018, the Early Risk Detection Committee has convened 4 times. Meeting dates and in-depth review topics have been the following:

Meeting Date	In- Depth Review Topic
20/02/2018	Distribution Business Regulatory Highlights
02/05/2018	Enerjisa Risk Management Approach and Methodologies
31/07/2018	Enerjisa Group Risk Policy and Early Risk Detection Committee Charter
26/11/2018	IT - Cyber Security Obligations

Additionally, through report circulations on June and November ERDC members are informed regarding the latest status on key qualitative and quantitative risks and opportunities of Enerjisa.

Corporate Governance Committee
Enerjisa Corporate Governance Committee is activated by the General Assembly held on 29 March 2019 to offer recommendations and suggestions to the Board of Directors in order to develop corporate governance operations.

The Committee also performs the governance related duties of the Nomination Committee and the Remunaration Committee within the Company.

In 2018 Corporate Governance Committee convened 3 times and further reported to the Board of Directors. Members of Corporate Governance Committee are as follows;

Name Surname	Duty	Duty in the Board
Mehmet Sami	Chairperson	Independent Board Member
Manfred Michael Paasch	Member	Board Member
Cenk Alper	Member	Board Member
Sascha Bibert	Member	-

6. RISK MANAGEMENT AND INTERNAL AUDIT

RISK MANAGEMENT:

Enerjisa's Risk Management Framework aims to define all risks and opportunities, which may cause a deviation from financial, operational and strategic plans and enables to assess, classify and mitigate these risks through various methodologies.

The ultimate goal of the framework is to provide transparency to management functions and influence decision making processes via regular reporting.

All risks and opportunities are identified through a detailed assessment process. For each risk and opportunity, best, base and worst cases are simulated with their probability of occurances. Correlations are considered during the consolidation of risk and opportunity impacts. For the risks that are not easy to quantify, impact and occurance levels are defined based on alternative approaches and prioritised accordingly. These assessments form the basis of the Enerjisa Risks and Opportunities reporting, which is presented to top management as well as to the Enerjisa Early Risk Detection Committee.

INTERNAL AUDIT:

Enerjisa Internal Audit Department directly reports to the Audit Committee, which is a sub-committee of the Enerjisa Board of Directors per the necessity of independence and objectivity principles.

The purpose of Internal Audit is to provide an opinion to the Board of Directors about the compliance of the Company and its subsidiaries' activities with laws, other applicable legislation, internal strategies, policies and procedures, and the effectiveness and adequacy of internal controls.

With these efforts and structuring, it is aimed to take preventive measures, protect the company assets, improve business processes and provide added value for the entity by way of giving opinions and suggestions to increase operational efficiency. In accordance with this objective, internal audit activities are conducted in the frame defined through approved audit committee and internal audit charters.

The risk assessment results of the Company are updated every year, and the risk-based annual internal audit plan is submitted to the approval of the Audit Committee and the Board of Directors after obtaining the comments of the Senior Management. Each year, the audits within the scope of the approved audit plan are performed in accordance with international audit standards and COSO (Committee of Sponsoring Organizations of the Treadway Commission) requirements. This confirmation is certified through the independent quality assurance assessment performed in 2018.

Internal Audit is responsible from the evaluation and examination processes of ethics notifications related to the employees and other stakeholders (shareholders, customers, suppliers, public institutions). In addition to its auditing function, Internal Audit also provides consultancy services in line with its vision and mission, as required by its principle of being a "reliable business partner" and upon the requests of the Senior Management.

7. STRATEGIC GOALS OF THE COMPANY

Mission, vision and strategic goals of Enerjisa is determined and approved by the Enerjisa Board of Directors. Approved strategic goals are reviewed in each meeting and in case required revisions are applied.

8. FINANCIAL RIGHTS

Rights, benefit and remuneration given to Board Members and Senior Managers was noted in our Annual Report as a disclosure.

Enerjisa does not have any practice of lending or supplying credit, to provide assurance or guarantee in countenance of the Board members or senior managers in 2018.

Enerjisa disclosed 2018 Corporate Governance Compliance Report and Information Forms through Public Disclosure Platform. Aforementioned forms are available under following links;
https://www.kap.org.tr/en/Bildirim/741211
https://www.kap.org.tr/en/Bildirim/741212

AMENDMENTS IN THE ARTICLES OF ASSOCIATION

The Article 4 ("Purpose and Field of Operation") of the articles of association of the Company was amended during the General Assembly Meeting held on 29 March 2018 by obtaining the required permits of the Capital Markets Board and Ministry of Customs and Trade.

The amendment to be made on the Article 6 of the Articles of Association which is titled "Head Office and Branch Office" by obtaining the permission from the Capital Markets Board and the Ministry of Custom and Trade is submitted for the approval of the General Assembly for the year 2018 in order to comply with the Company's actual address.

RISK ASSESSMENT

1. RISK MANAGEMENT FRAMEWORK OF ENERJİSA

Enerjisa's Risk Management Framework aims to define all risks and opportunities, which may cause a deviation from financial, operational and strategic plans and enables to assess, classify and mitigate these risks through various methodologies. The ultimate goal of the framework is to provide transparency to management functions and influence decision making processes via regular reporting.

2. KEY RISKS AND OPPORTUNITIES

Due to the nature of the electricity distribution and retail business, Enerjisa is exposed to various risks and opportunities throughout the value chain. Based on their sources, risks and opportunities are classified in 5 categories and monitored accordingly.

2.1. REGULATORY RISKS AND OPPORTUNITIES

The electricity distribution and retail businesses are regulated businesses under the supervision of EMRA and are governed by the Electricity Market Law and relevant secondary regulations.

For regulated customers Enerjisa applies the National Tariff which is determined by EMRA on a quarterly basis. Among other components, the National Tariff is composed of a regulated distribution tariff and a regulated retail sales tariff. EMRA determines the components of the National Tariff for each tariff implementation period, and the 3rd tariff implementation period covers the period between 2016 and 2020. However, the final values of the Distribution Tariff and Retail Energy Sales Tariff, which are reflected to end-users'invoices, are determined by EMRA on a quarterly basis, in order to reflect changes in market costs to tariffs.

As the majority of Enerjisa revenue is generated from our electricity distribution operations and retail sales to regulated customers, which are both subject to regulated tariffs set by EMRA, any change on these tariff components and/or calculation methodologies mean a significant deviation from Enerjisa plans.

Additionaly, the regulations issued by EMRA, among other matters, impose organizational and operational restrictions on, and requirements with respect to our electricity distribution and retail sales operations. These requirements and restrictions are audited by regulatory authorities (mainly by EMRA) and any non-compliance detected upon these audits may have an adverse effect on Enerjisa financial and operational plans.

Enerjisa engages in regular and constructive consultations with sector participants to monitor regulatory related risks and opportunities. Additionally, through transparent reports and structured projects, Enerjisa, as the market leader, actively seeks a rational fact-based discussion with all sector participants.

2.2. MARKET RISKS AND OPPORTUNITIES

Enerjisa is subject to financial market risks relating to interest rate fluctuations due to our financial borrowings as well as foreign exchange rate fluctuations due to Feed-in-Tariff regulation.

RISK ASSESSMENT

Enerjisa is also subject to commodity market risks related to OTC price and volume fluctuations due to our sourcing strategy for retail sales business and other commodity price fluctuations due to our raw material procurements (transaction are in local currency, but highly correlated with related commodity prices) for the Distribution business.

Enerjisa uses systematic approaches to forecast market parameters such as price, rates, demand etc. Existing and expected exposures are monitored regularly and through hedging operations the risk exposure is kept at an optimum level. Hedging strategies, their effectiveness and further plans are discussed regularly in Finance and Commodity-related committees.

2.3. CREDIT RISKS AND OPPORTUNITIES

Enerjisa retail companies are exposed to counterparty credit risk with respect to the collection of invoices for regulated and liberalized customers.

Enerjisa distribution companies are also exposed to counter-party credit risk in respect of their distribution system users, municipalities and provincial special administrations that are in our distribution regions and use the general illumination. However, as Distribution companies receive reimbursements for overdue receivables from EMRA within 2 years, credit risk for our Distribution business only has a cash flow rather than a revenue impact.

Enerjisa is exposed to credit risk with respect to its transactions with financial counterparties (mainly hedging counterparties, deposit holder banks, letter of guarantee providers of our customers).

Enerjisa manages credit risks by requiring security deposits from regulated customers and letters of guarantee or other form of securities from liberalised customers to secure present and future invoices. Timely invoicing, efficient receivable management and credit scoring of large customers enables Enerjisa to mitigate credit risk as much as possible.

For the mitigation of financial counterparty credit risks, apart from reporting and monitoring activities, Enerjisa is exclusively engaging with counterparties that have a rating of no more than 2 notches below the Turkish sovereign rating. Moreover, diversification of banks in the portfolio of financial hedging instruments as well as cash deposits is ensured.

2.4. LIQUIDITY RISK

Enerjisa is exposed to liquidity risk due to the ongoing funding needs which arise from Distribution network investments. While Enerjisa expects that these funding needs can be covered by external debt capital providers, market situations may arise in which conventional sources of liquidity are limited.

Enerjisa manages liquidity risk by actively seeking to extent average tenors of the loan portfolio as well as to develop alternative sources of debt capital (e.g. corporate bonds). Furthermore, Enerjisa regularly forecasts short- and mid-term funding needs in order to anticipate liquidity needs in time to prepare and act accordingly.

2.5. OPERATIONAL RISKS

All processes throughout the value chain in Enerjisa are exposed to operational risks such as Information, Technologies, Health and Safety (mostly in Distribution business), Environment and Reputation risks are the main categories that are identified and managed accordingly.

For all types of operational risks, relevant procedures and policies are structured and published in Enerjisa's quality systems. Committees are assigned to review all event occurances and to monitor existing mitigation actions.

3. ENERJİSA RISK MONITORING PROCEDURE

All risks and opportunities are identified through a detailed assesment process. For each risk and opportunity, best, base and worst cases are simulated with their probability of occurances. Correlations are considered during consolidation of risk and opportunity impacts. For the risks that are not easy to quantify, impact and occurance levels are defined based on alternative approaches and prioritised accordingly. These assessments form the basis of the Enerjisa Risks and Opportunities reporting, which is presented to top management as well as to the Enerjisa Early Risk Detection Committee.

4. ENERJİSA EARLY RISK DETECTION COMMITTEE

The Enerjisa Board delegates the monitoring of risks to the Early Risk Detection Committee. Members to the committe are selected board members as well as the Enerjisa CFO.

Aside from receiving regular Risks and Opportunities reports, each meeting agenda includes an in-depth review of a prioritised topic. The Early Risk Detection Committee is chaired by an independent board member and reports directly to the Enerjisa Board.

In 2018, the Early Risk Detection Committee has convened 4 times. Meeting dates and in-depth review topics have been the following:

Meeting Date	In- Depth Review Topic
20/02/2018	Distribution Business Regulatory Highlights
02/05/2018	Enerjisa Risk Management Approach and Methodologies
31/07/2018	Enerjisa Group Risk Policy and Early Risk Detection Committee Charter
26/11/2018	IT - Cyber Security Obligations

Additionally, through report circulations on June and November ERDC members are informed regarding the latest status of qualitative and quantitative risks and opportunities of Enerjisa.

POLICIES

DIVIDEND POLICY

Enerjisa Enerji A.Ş.'s ("Company") Dividend Policy ("Policy") is prepared in accordance with the provisions of the Turkish Commercial Code no. 6102, Capital Markets Law no. 6362, and Communique on Dividends (II-19.1) of the Capital Markets Board of Turkey ("CMB"), Capital Markets Legislation and the provisions of our Articles of Association. Within the scope of this Policy, the Company targets cash dividend distribution in an amount of up to 60-70% of the net profit recorded under the consolidated and audited annual financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS), excluding any exceptional items.

The annual dividend amount to be distributed in cash shall be determined by calculation of the 'distributable earnings' in accordance with the Capital Markets Legislation and the targets stated above.

Implementation of this Policy and the ratio of distributable dividend in cash is subject to various components, including but not limited to, the Company's investment and financing strategies and needs, amendments and developments in the applicable regulation, mid to long-term strategies the Company, capital and investment requirements, profitability, financial position, indebtedness and liquidity position, as well as domestic and global economic conditions. In line with these conditions, the amount of the distributable dividend may be lower than the targeted amount, or the Company may decide not to distribute dividend upon proposal of the Board of Directors and approval of the General Assembly.

Dividends will be distributed equally to all shareholders, regardless of their date of issuance and acquisition with in the legal period following the approval of the General Assembly on the date determined by the General Assembly. Dividend payments will be made once or in instalments.

Articles of Association of the Company determines that the Company may distribute advanced dividends in accordance with the applicable legislation.

Unless all reserves required by law are set aside and the dividend determined for the shareholders as per these Articles of Association are distributed, it cannot be resolved to set aside other reserve funds, or to carry forward profit to the next year, or to distribute profit to the holders of dividend shares (shall be written if there are any holders of dividend share), members of the Board of Directors, employees of the partnership and to distribute profit to these persons unless the dividend determined for the shareholders is paid in cash.

Provided that all reserves required by law are set aside and the dividend determined for the shareholders as per these Articles of Association are distributed, General Assembly can transfer a portion or all of the net profit to the extraordinary reserves. If the Board of the Company offers the General Assembly not to distribute dividend, the reason for not distributing dividends and information about the usage of undistributed profit needs to be presented to the shareholders at the General Assembly Meeting.

REMUNARATION POLICY

The Remuneration Policy ("Policy") of Enerjisa Enerji A.Ş. ("Company") defines the remuneration system and benefits applicable to the members of board of directors and executive managers, who have administrative liabilities in accordance with the Capital Markets Law numbered 6362, Communiqué on Corporate Governance (II-17.1) of the Capital Markets Board of Turkey ("CMB") and other Capital Markets legislation.

The dividend, stock option or the Company's performance-based payment plans do not apply to independent members of board of directors.

Expenses incurred by members of board of directors during their service to the Company (transportation, telephone, insurance and other costs) may be reimbursed by the Company.

The remuneration policy and benefits management system are based on fair, objective, performance-oriented, competitive, encouraging and motivating criteria.

The objectives of our remuneration policy are to ensure that remuneration take into consideration business size, performance, business contribution, knowledge, skills and competencies; to increase employee motivation and loyalty through observing wage balance within the company and among similar companies, and achieving competitiveness in the market; and to retain a competent workforce that will enable the Company to achieve its targets.

The business family model[1] in effect defines organizational roles, key responsibilities, performance indicators, knowledge and skills, and competencies, and the remuneration policy is built on an objective system that is designed with the business family model at its core.

The remuneration of executive managers consists of two components: base pay and performance bonus. The base component is paid 16 times a year. Executive managers may also be eligible for a variable performance bonus to be paid 3 months following the close of relevant fiscal year, which is calculated as a percentage of gross annual wages according to Company and individual performance ratings. The purpose of the performance-driven bonus pay is to reward achievements and encourage employees to display exceptional performance and meet or exceed the budgeted targets of the Company, thereby instilling a goal-oriented performance culture in the Company.

Benefits constitute an important part of total reward management in order to support wages with additional benefits. The Company seeks to ensure that additional benefits are fair, competitive and compatible with market conditions. Benefits extended to executive managers include, among others, private medical and health insurance, Company-matched pension plans, Company telephone lines and Company cars.

1 "business family model" describes a number of different roles which are engaged in the same kind of work. Every Business Family forms a homogeneous set of job positions of the same nature which are responsible for the accomplishment of a certain role within an organization. (e.g. Operational management, Professional Administrative, Technological)

POLICIES

DISCLOSURE POLICY

1. PURPOSE

The management of the Company (the "Company") follows a transparent and close communication with its shareholders. The main goal is to increase the value of the Company for the shareholders, potential investors and stakeholders.

To this end, the management of the Company shares its results fully, fairly, correctly, timely and transparently with the public, as well as capital markets participants equally as a principle pursuant to financial reporting standards and provisions of Capital Markets legislation.

The Company complies with regulations regarding public disclosure envisaged under the Capital Markets Law numbered 6362, the Capital Markets legislation, the Turkish Commercial Code ("TCC") regulations and Borsa Istanbul A.Ş. ("BIST") regulations and gives utmost importance in accomplishing the principles prescribed by the Corporate Governance Principles of the Capital Markets Board of Turkey ("CMB").

The Disclosure Policy involves all employees and consultants of the Company and regulates the written and verbal communication of the Company with the capital markets participants.

The Disclosure Policy of the Company was prepared in accordance with Article 17 of the Communiqué on the Disclosure of Material Events (II-15.1) of the CMB and is announced to all stakeholders through the Website (www.enerjisa.com.tr) of the Company.

2. AUTHORITY AND RESPONSIBILITY

The Disclosure Policy has been established and approved by the Board of Directors pursuant to CMB Corporate Governance Principles. Public disclosure and surveillance, supervision and development of disclosure policy in the Company are under the authority and responsibility of the Board of Directors. The head of the Controlling and Investor Relations department under the Chief Financial Officer ("CFO") has been commissioned in order to supervise and to pursue all matters regarding the public disclosure.

3. PUBLIC DISCLOSURE METHODS AND INSTRUMENTS

Disclosures are made through information instruments such as material disclosures, financial statements and reports, annual reports, the web page, presentations, investor meetings and teleconferences, information letters, press releases, Turkish Trade Registry Gazette etc. Basic public disclosure methods and instruments used by the Company have been stated below provided that provisions of Capital Markets legislation and TCC are reserved;

- Material disclosures transmitted through Public Disclosure Platform (the "PDP"),
- Financial statement and footnotes, independent audit report, declarations and activity report transmitted periodically to the PDP,
- Announcements and proclamations performed through Turkish Trade Registry Gazette (letter of authorized signatures, general assembly call of notice etc.)
- Press releases performed through written and visual media,
- Disclosures made to data distribution institutions such as Reuters, Forex etc.,
- Briefings and meetings held with capital markets participants either face to face or through teleconferences,
- Notifications of Corporate website (www.enerjisa.com.tr),
- Disclosures made through communication methods and instruments such as telephone, mobile phone (wap and similar technologies), electronic mail, telefax etc.

4. PUBLIC DISCLOSURE OF FINANCIAL STATEMENTS

Financial statements and footnotes of the Company are prepared in accordance with Turkish Accounting Standards /Turkish Financial Reporting Standards (TAS/TFRS) as well as IFRS. Annual and semi-annual financial statements are disclosed to the public after an independent audit.

Financial statements and footnotes are approved by the Board of Directors through assent of Audit Committee pursuant to provisions of Capital Markets legislation before any public disclosure. After accuracy statement is signed, financial statement and footnotes, independent audit report and attached documents are transmitted to PDP and then disclosed to the public in accordance with the CMB and BIST regulations following the approval of Board of Directors and then published on the Company's website. Financial statements and footnotes of previous periods can be accessed through the Company's website.

5. PUBLIC DISCLOSURE OF ANNUAL AND INTERIM REPORTS

Annual and interim reports are prepared in accordance with Capital Markets legislation and CMB Corporate Governance Principles. They are approved by the Board of Directors and then, disclosed to the public along with the financial statements. They are published in the Company's website (www.enerjisa.com.tr) and are published together with the financial statements in PDP. The annual report is also published as printed in order to be distributed to the relevant parties as well.

6. PUBLIC DISCLOSURE OF INSIDE INFORMATION AND AUTHORIZED PERSONS

Disclosures of inside information of the Company are prepared by the Controlling and Investor Relations department under the CFO and signed electronically, transmitted to PDP and then, disclosed to the public.

Material disclosures are issued timely, correctly, transparently, sufficiently and free from misleading statements in order to assist decisions of persons and institutions who/which shall benefit from the disclosure.

If any employee of the Company realizes that any important and private information, which has not been disclosed to the public in advance, is disclosed to the public inadvertently, s/he informs the Controlingl and Investor Relations department under the CFO immediately about the situation. In this case, appropriate material disclosure is prepared and then submitted to PDP by the Controlling and Investor Relations department under the CFO in accordance with the provisions of Capital Markets legislation.

The Company announces material disclosures of the Company in Turkish and English at its website (www.enerjisa.com.tr) at the latest within the business day following the public disclosure and makes such disclosures available in its website for five years period.

7. PEOPLE AUTHORIZED TO MAKE PUBLIC DISCLOSURES

Written and verbal information requests transmitted by Capital markets participants or any institution/person other than above mentioned notifications are assessed by the Controlling and Investor Relations department under the CFO. For the assessment, it is taken into account whether the request is in the nature of a trade secret or not, according to its content and whether it is in the type of affecting investment decisions and the value of capital market instruments pursuant to the Communiqué on the Disclosure of Material Events (II-15.1) of the CMB. Written and verbal information requests are answered generally by the Controlling and Investor Relations department under the CFO.

Press releases made to written and visual media and data distribution channels such as Reuters, Forex etc. can be made only by Chairman of Board of Directors, Chief Executive Officer or Chief Officers.

Apart from this, unless employees of the Company are specifically appointed, they cannot answer the questions addressed by the capital markets participants. Incoming information requests are directed to the Controlling and Investor Relations department.

8. LIST OF PEOPLE HAVING MANAGERIAL RESPONSIBILITY AND ACCESSING INSIDE INFORMATION

People having managerial responsibility are the people who have regular access to direct or indirect inside information regarding the Company and who have the capacity to make administrative decisions to affect the future growth and commercial objectives of the Company Therefore, people who are not authorized to make administrative decisions are not considered as persons who have managerial responsibility and ongoing accesses to the inside information.

Besides the Board Members, persons with the capacity to have ongoing access to the information and the power to give managerial decisions are the Chief Officers and Directors.

The list of people who have access to the inside information is preserved in a documented form at Controlling and Investor Relations department ready for submission to CMB and/or BIST if requested as per Article

POLICIES

7 of the Communiqué on the Disclosure of Material Events (II-15.1) of the CMB. All listed persons are notified about protecting inside information and complying with the confidentiality rules during their duty terms. This list is available at the Company and has been notified to Central Registry Agency (CRA). The notification is renewed when such people are changed.

9. COMMUNICATION WITH CAPITAL MARKETS PARTICIPANTS

To the extent legally permitted under Turkish capital markets regulations, the Company may make any guidance about expectations concerning interim period and annual activity results. Alternatively, the Company may also transmit critical issues affecting activity results, its strategic approaches, and important issues ensuring better understanding of the sector and operated environment to the capital markets participants. Unless otherwise stated in the information policy, only people, who are authorized to make public disclosure on behalf of the Company, may establish the communication with capital markets participants.

10. INCORRECT NEWS CIRCULATING ON THE MARKET

In principle, the Company does not present any opinion on market rumors and speculations. Communication department follows news and rumors about the Company that appear in the media organs and websites, and informs the Controlling and Investor Relations department. This department assesses whether such news and information shall have any influence on the capital instruments or not.

This department also decides on whether to make any material disclosure pursuant to Article 9 of the Communiqué on the Disclosure of Material Events (II-15.1) of the CMB.

On the other hand, when verification request comes from CMB and/or BIST within provisions of Capital Markets legislation or in the event that the management decides that it is required and more suitable to give any answer, the disclosure is made about rumors and gossips circulating on the market.

11. STAY OF THE PUBLIC DISCLOSURE OF INSIDE INFORMATION

People, who are listed for accessing inside information of the Company are informed about obligations of keeping confidential the inside information which they may have during execution of their duties or conduct of works and transactions on behalf of the Company and have not been disclosed to the public yet, not using them by providing any interest for themselves and third parties or not disclosing them to third parties without any authority.

The Company may postpone the public disclosure of the inside information pursuant to Article 6 of the Communiqué on the Disclosure of Material Events (II-15.1) of the CMB in order that its legitimate interests are not damaged and it is not caused to mislead the investors, in this case, it informs the related persons about the postponement and takes measures ensuring confidentiality. Postponement procedure is realized pursuant to written approval of Board of Directors or the senior managers who have been authorized generally by Board of Directors.

As long as postponement reasons of public disclosure of inside information are removed, public disclosure is made in accordance with the legislation. The postponement decision and the reasons of this decision shall be stated on the disclosure to be made.

12. MEETINGS AND DISCUSSIONS HELD WITH INVESTORS AND ANALYSTS

The CFO is responsible for conducting relationships with both its existing shareholders and also, potential shareholders at the Company regularly, answering investor questions in the most efficient manner and increasing the corporate value.

The CFO and the Controlling and Investor Relations department under the CFO use various instruments such as roadshow, teleconference, e-mail, fax, analyst presentations, disclosure/announcement etc. for increasing recognition and preferability of the Company in the international investment field, featuring its advantageous aspects when it is compared with equivalent institutions and making the Company more preferable than other companies for the institutions making investments.

The Company accepts analyst reports as property of the company which prepares the analyst report and does not publish them in the Company's websit (www.enerjisa.com.tr). The Company does not review, verify, approve analyst reports or income models and does not take their responsibilities and does not spread them. On the other hand, in some definite and limited cases and upon request, analyst reports may be reviewed provided that only publicly disclosed and previous historical information is used and it is limited to a specific issue in order to prevent incorrect information of the public.

13. PUBLIC DISCLOSURE OF FUTURE ASSESSMENTS

The Company may disclose its future expectations publicly from time to time in accordance with the disclosure policy. Future assessments may be disclosed subject to the resolution of board of directors or the written approval of person who is authorized by the Board of Directors. Disclosure may be made maximum four times a year. It may be disclosed at PDP in the material disclosure format or presentation format. If there is any important change, this number limit may be exceeded. It is submitted for information of related parties that future assessments disclosed publicly are made according to some presumptions and may vary from actual results. In the case that there are material changes related to future assessments or it is understood that assessments shall not be realized, the public opinion is informed immediately with the same instruments on a periodical basis.

14. SILENT PERIOD

The Company refrains from discussing the results of operations and financial condition of the Company which will be reported in the financial statements with capital markets participants in definite periods of the calendar year in order to prevent asymmetric information distribution and unauthorized disclosures concerning financial statements. This period is called as "silent period". The silent period for the Company starts from the day following quarter intervals, end of semi-annual and annual fiscal period and ends after a business day when financial statement and footnotes are disclosed publicly.

Furthermore, people who have inside information or ongoing information or spouses, children of such people or persons who live in the same home are forbidden to make transaction in the capital market instruments of the Company within the silent period.

15. MARKET FAILURE ACTIONS

Board of Directors of the Company takes and applies required measures for people in the list of inside information not to use confidential information and/or information which is in the nature of trade secret and are not disclosed to the public about the Company under the scope of Market Failure Actions so as to not provide interest for themselves or others, not to provide incorrect, misleading information about the Company, not to publish news in this manner pursuant to related provisions of Communiqué on Market Abuse (VI-104.1) of the CMB.

16. WEBSITE OF THE COMPANY (WWW.ENERJISA.COM.TR)

The website of the Company at www.enerjisa.com.tr is used actively for public disclosure as recommended by CMB Corporate Governance Principles. Disclosures in the website of the Company do not replace notifications and material disclosures which should be made in accordance with provisions of Capital Markets legislation. It is ensured to access all public disclosures made by the Company via the website. The website is configured and partitioned accordingly. All kinds of measures concerning security of the website are taken. The website is arranged within the content and in the manner stipulated by CMB Corporate Governance Principles. Certain information such as disclosures of inside, financial statements, annual and interim reports and certain other information will also be included in English. Especially announcement concerning the general assembly meetings to be held, information document about the agenda articles, other information, documents and reports related to agenda articles and information about methods of participating into the general assembly are stated remarkably in the website. It is continued to the works concerning development of the website continuously.

POLICIES

DONATION AND GRANTS POLICY

Subject to the restrictions set forth in this Donation and Grants Policy, Enerjisa Enerji A.Ş. (the "Company") can donate to and grant to the persons, non-governmental organizations, associations or foundations, universities, public institutions and organizations, all of which are active in the fields of education, culture, arts, environment and sport, within the principles stipulated in the Capital Markets Law numbered 6362, Dividends Communiqué (II-19.1) of the Capital Markets Board of Turkey and other Capital Markets Legislation, with a corporate sense of social responsibility, without limited to those listed.

All payments (in particular sponsoring activities and memberships) to political parties, organizations with a connection to political parties, domestic and foreign authorities as well as public officials must, without exception, be submitted in time to the responsible compliance officer for approval. In addition, the Company aims to make donations and grants which are only of a tax deductible nature.

Pursuant to Article 17 of the Company's Articles of Association, the Company can donate 1% of its consolidated profit to Sabancı University and/or Sabancı Association. In addition to the above, the total limit of donations to be made in the fiscal year is determined by the General Assembly.

All donations and grants are carried out in accordance with the resolution of the board of directors of the Company, in compliance with the vision, mission and policies of the Company and based on the ethical principles and values of the Company. Donations and grants can be carried out in two manners; in cash and in kind.

The Company, in line with the principles mentioned in the Donation and Grants Policy and the principles stipulated by the regulations applicable to the Company, submits all donations and grants made in each fiscal year to the attention of the shareholders at the General Assembly Meeting of the relevant year with a separate agenda item.

The necessary material event disclosures shall be made pursuant to the Capital Markets legislation, if the donations and grants made by the Company equals to 1% or more of the total assets of the Company recorded under the latest publicly available balance sheet of the Company; or if the sum of donations and grants that are below 1%, reaches at 1% or more of the total assets of the Company recorded under the latest publicly available balance sheet of the Company.

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

1. PURPOSE

The purpose of the Anti-Bribery and Anti-Corruption Policy **("Policy")** is to state the anti-bribery and anti-corruption principles contained in the Code of Business Ethics of Enerjisa Enerji A.Ş. **("Company")**.

2. SCOPE

The Policy covers:

- All Company employees including the Board of Directors,
- Companies from which we outsource good and services and their employees, people and agencies working on behalf of the Company including consultants, lawyers, external auditors

This Policy is an integral part of:

- Corporate Governance Principles approved by the Board of Directors and disclosed to the public and Code of Business Ethics of the Company,
- Principles which we have undertaken to comply with by joining the United Nations' Global Compact,
- Human resources practices of the Company.

3. DEFINITIONS

Corruption is the misuse of the authority held due to the position for the purpose of directly or indirectly gaining advantage, irrespective of the institution where the relevant person works and irrespective of the position of the relevant person.

Bribery is a person's gaining advantage or providing advantages to others within the framework of an agreement reached with a third person so that such person acts in breach of the requirements of his/her duty by doing or not doing a work, speeding up or slowing down thereof, etc., irrespective of the institution where the relevant person works and irrespective of the position of the relevant person.

Bribery and corruption may occur in various different ways which includes the following, among others:

- Cash payments,
- Political or other donations,
- Commission,
- Social benefits,
- Gift, hosting,
- Other benefits

4. DUTIES AND RESPONSIBILITIES

Implementation and updating of the Policy are in the responsibility and duties of the Board of Directors. In this context, the followings are required:

- The Corporate Governance Committee is required to advice the Board of Directors for establishing an ethical, reliable, legal and controlled working environment,
- Senior management is required to evaluate risks and establish the necessary control mechanisms in compliance with the principles of Board of Directors,
- The Internal Audit Department Directorate and the Enerjisa Ethics Committee are required to evaluate whether operations are carried out safely and in compliance with legal regulations within the scope of their duties,
- In case policies, rules and regulations are not complied with, report, review and sanction mechanisms must be determined and operated.

Moreover, all of the Company employees are responsible for;

- ensuring compliance with established policies of the Board of Directors.
- effectively managing the risks associated with their business operations.
- working in a manner consistent with the relevant legal regulations and the applications of the Company.
- informing the Enerjisa Internal Audit Department if they encounter with a conduct, activity or application which are in breach of the Policy

POLICIES

5. THE COMPANIES FROM/TO WHICH GOODS AND SERVICES ARE BOUGHT AND SOLD AND BUSINESS PARTNERS

The companies from which goods and services are bought and to whom goods and services are sold and Business Partners must comply with the Policy principles and other relevant regulations. Relations with persons and institutions failing to comply these conditions shall be terminated.

5.1 Selection of Companies and Business Partners
In addition to criteria such as experience, financial performance and technical sufficiency, Senior Management takes into account morality and a positive background in this field during the selection of the companies from which goods and services are bought and to whom goods and services are sold and the Business Partners. The companies and the Business Partners which have a negative information with regard to bribery or corruption are not collaborated even if they meet other requirements. Responsibility for making necessary research and evaluation within this scope primarily belongs to senior management. Internal Audit Department Directorate evaluates in its controls whether such issues are complied with.

5.2 Reaching Agreement with Companies and Business Partners
In contracts and agreements to be made with companies and business partners who have positive information and meet other criteria, the following conditions are included:

- Ensuring full compliance with the principles indicated in the policy and other relevant regulations,
- Employees' internalizing these principles and acting accordingly,

- Ensuring its employees to receive trainings about the Policy in certain periods,

- Reminding its employees regularly about notification obligations and the Ethics Hotline (i.e., a line that is open the use of all employees in order to meet obligation of informing any case that is not complied to Code of Conduct of Enerjisa) and encouraging them to notify in case they encounter such situations.
- Provisions stating that relations will be terminated, in case these criteria are not complied with or in case a situation against the Policy occurs, need to be added in the contracts.

6. OUR POLICIES AND PROCEDURES

6.1 Bribery and Corruption
The Company is against all kinds of bribery and corruption. Accepting bribes or bribing can never be accepted under any purpose.

Business relationships with 3rd persons wishing to get business from the Company through bribery or corruption have to be terminated.

6.2 Gift
A gift is a product generally given by customers or persons with which a business relationship is established as a means of thanking or commercial courtesy and which does not require a financial payment.

All kinds of gifts offered or given to third persons by the Company must be offered in public, with good faith and unconditionally. Principles regarding gifts which can be given within this scope and recording thereof have been made written in the Company's Code of Business Ethics under the Principles of "Giving and Accepting Gifts". The same principles under the Company's Code of Business Ethics apply for accepting a gift and no gift must be certainly accepted apart from the symbolic gifts included in these principles, with low financial value (maximum limit has been set as 300 TL per case; 1,500 TL within one year). In addition, even within this scope, gift acceptance must not become frequent and the Human Resource Department and Senior Management have to be informed about the gift by the employee who accept gift through his/her supervisor.

6.3 Facilitation Payments
The persons and institutions within the scope of this Policy must not offer facilitation payments to guarantee or speed up a routine transaction or process (obtaining authorization and license, obtaining a document, etc.) with government agencies.

6.4 Donations
Certain legal restrictions have been imposed on donations and aids pursuant to the Capital Markets Law numbered 6362 and other relevant legislation, which the Company is subject to, as well as the Company's articles of association. Accordingly, Donation and Aid Policy has been approved by the General Assembly and disclosed on our website.

The Donations made by the Company employees to the charity organizations with the amounts they collect apart from and independent of their works are out of the scope of the Company Donation and Aid Policy. However, principles included in the Company Code of Business Ethics are also valid at this point.

7. CORRECT RECORDING

Issues which the Company must comply with in relation to accounting and recording system are regulated with legal regulations. Accordingly;

- All kinds of accounts, invoices and documents belonging to relations with third parties (customers, suppliers, etc.) must be recorded and kept in a complete, accurate and reliable manner.
- Falsification and distortion must not be made on accounting or similar commercial records related to any transaction.

8. TRAINING AND COMMUNICATION

Our Policy has been announced to employees of the Company and it can be continuously and easily accessed via the Company's internal system.

Trainings, which are set on a regular basis, are important instruments for increasing awareness of employees. Within this scope, Human Resources and Corporate Capabilities Directorate, designs training programs together with Internal Audit Department Directorate and the Corporate Legal Department, which are compulsory for all employees.

9. NOTIFICATION OF POLICY BREACHES

If opinion or suspicion exists that an employee or a person acting on behalf of the Company is acting in breach of this Policy, the issue must be submitted to the Enerjisa Internal Audit Department. Codes of Business Ethics of the Company are reminded to employees of the Company in certain periods.

The Company encourages an honest and transparent approach; supports any employee or person acting on behalf of the Company who expresses his/her sincere concerns with good faith, and keeps notifications secret. None of the employee shall be subject to pressure or punishment for the notification of the Enerjisa Ethics Committee about a violation of the Code of Ethics, the scope of the duties or place of job shall not be changed for this reason without written consent of the Enerjisa Ethics Committee.

In case the notifying person is subject to such treatment, he/she is expected to notify this to the Enerjisa Ethics Committee.

The companies and Business Partners from which goods and services are outsourced are also expected to remind their employees about the Ethics Line on a regular basis and encourage them to notify in case they encounter such situations. This issue is also guaranteed with the contracts made.

10. POLICY BREACHES

In cases which are or could be in breach of the Policy, the matter is reviewed by the Enerjisa Ethics Committee and necessary sanctions are implemented if inappropriate acts are detected.

In contracts made with the companies from which goods and services are bought and to whom goods and services are sold and with persons and institutions carrying out duties on behalf of the Company, the provisions stating that if conducts, attitudes or activities in breach of Policy are detected, business will be terminated, need to be included and in case of breach of policy business shall be terminated.

COMMITTEE CHARTERS

AUDIT COMMITTEE CHARTER

1. Purpose and Scope

This charter is intended to provide members of Enerjisa Enerji A.Ş. Audit Committee with practical guidance to fulfil their oversight responsibilities. The charter basically defines the organization, authorities, responsibilities of Audit Committee and its members as well as primary rules of committee operations.

Enerjisa Enerji A.Ş. and its all subsidiaries mentioned as a whole as Enerjisa herein this report are in scope of this charter.

2. Definitions

- BoD : Enerjisa Enerji A.Ş. Board of Directors
- Chairperson: Audit Committee Chairperson,
- Compliance: Conforming to the related rules, regulations, policies and procedures.
- Enerjisa: All Enerjisa Enerji A.Ş. operational companies and corporate functions as a whole.
- Independence: The freedom from conditions that threaten objectivity or the appearance of objectivity.
- Internal Audit Department: The function executing internal audit activities at Enerjisa companies.
- Chief Audit Executive: Enerjisa Head of Internal Audit.
- Management: CEO and/or General Manager and managers working in direct connection,
- Rapporteur: The person who fulfils the necessary procedures in relation to the committee meetings and activities depending on the Chairwoman/chairman,
- Risk: The possibility of an event occurring that will have a negative impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.
- Risk management: Processes to identify, assess, manage, and control potential events or situations, to provide reasonable assurance regarding the achievement of the organization's objectives.

3. Implementation

3.1 Definition of Roles:

The audit committee will assist the Board of Directors by advising on and making recommendations in relation to;

- the integrity of the financial statements and the internal control processes
- the effectiveness of the internal audit function of the Enerjisa
- the effectiveness of internal audit processes and functioning systems
- the independence, qualifications and performance of the external auditors
- the compliance with applicable laws and regulations

3.2 Authorization

Audit committee is authorized to;

- Oversight the internal control system, accounting processes, reporting systems of Enerjisa
- Coordinate the internal audit activities across Enerjisa and ensure the quality of these activities
- Ensure that internal audit department performs its activities independently, effectively and with adequate proficiency and adequate human resource
- Take decision to buy service from consultancy firms, external auditors, or other experts in order to ensure that committee carries out its responsibilities
- Perform or give authorization to perform any examination/investigation in its responsibility frame.
- Have access to any information and document of the Enerjisa
- Review the performance of internal audit department and assign/discharge the chief audit executive
- Put the responsibilities defined in this charter into practice

3.3 Responsibilities

Audit Committee is responsible for conducting the duties below within the definition of its purpose to assist to BoD in order to carry out oversight responsibilities:

Financial Data and Reporting:

- Review the veridicality, accuracy and integrity of annual and interim public financial statements, accounting principles of Enerjisa and compliance with Applicable Law and notifying the Board of Directors together with the opinions of the responsible executives and independent auditors of Enerjisa in writing in order to obtain BoD's approval of financial statements.
- Examine significant accounting issues and disagreements, including significant changes regarding the application of accounting and reporting regulations.
- Review the major changes to Enerjisa's accounting principles and practices based on advice of the management, independent auditors, chief audit executive or management
- Monitoring and ensuring effectiveness and soundness of financial reporting processes and systems of the Enerjisa Companies.

Internal Controls:

- Monitor and ensure effectiveness of internal control systems including information technology security and control.
- Understand the scope of internal and external auditor's reviews of internal control systems in relation to financial reporting and obtaining reports on significant findings and recommendations together with the management's view.

Internal Audit:

- Guarantee the objectivity of the internal audit team as the reporting body.
- Review the responsibilities, resources, functions and performance of the internal audit department and chief audit executive of Enerjisa.
- Propose the appointment and when and if appropriate the replacement of the Enerjisa's chief audit executive who will report to the Audit Committee.
- Review and approve internal audit methodology, annual internal audit plan, any changes required in the planned scope of the audit plan and organizational structure of the internal audit function.
- Review any difficulties encountered in the course of the internal audit work, including any restrictions on the scope of the work of the internal auditor or access to required information.
- Review reports of the internal audit department of Enerjisa and their respective summaries prepared for the Board.
- Review significant findings and recommendations of the internal audit department together with management's responses.
- Review Enerjisa's internal audit procedures against international standards/benchmarks.

External Audit:

- Oversee all efforts regarding the selection, engagement, evaluation, appraisal, compensation, termination and replacement of the independent audit company.
- Evaluate and present to the Board of Directors recommendations regarding areas to be audited by the authorized independent audit company.
- Monitor auditor independency, the rotation of audit partners and potential conflicts of interests arising from the control systems of the auditor and permitted non-audit services.
- Review the reports, findings and all related matters that the independent audit company believes should be discussed. Share relevant opininon and information with the BoD.
- Contribute to solve significant disaggreements between Enerjisa's senior management and independent audit company.

Compliance:

- Review policies and procedures for receipt and handling of complaints, concerns and risks regarding accounting internal controls and auditing matters.
- Review company policies and procedures regarding investigations about compliance, code of ethics, conflict of interest, mismanagement and fraud.
- Obtain regular updates from legal counsel regarding compliance and legal matters which may have a significant impact on Enerjisa.

COMMITTEE CHARTERS

- Oversee risk policies and processes relating to financial statements, reporting processes, compliance and auditing and guidelines, policies and processes for monitoring risks.

3.4 Organization

The Audit Committee comprises 2 independent non-executive members of Enerjisa Board of Directors.
The roles and responsibilities, working principles and members of the Audit Committee are determined by BoD and announced in Public Disclosure Platform (KAP). Members shall choose one member among them as the chairwoman/chairman. Meeting arrangement and agenda shall be provided by the chairwoman/chairman or Head of Audit. Head of Internal Audit shall perform the role of Committee Rapporteur depending on the chairwoman/chairman.

Head of Internal Audit of EnerjiSA, Head of Internal Audit of Sabancı Holding and Head of Corporate Audit of E.ON SE are regular invitees of all meetings. CFO and/or a Director responsible for financial reporting will join the semi-annual meetings during which audited financial statements will be discussed with external auditors.

3.4.1 Role and power of Chairwoman/chairman
Chairwoman/chairman shall chair the Committee, determine and manage the agenda of the meeting, enable the information flow and coordination between BoD and Committee, take the necessary measures to fulfil effectively the roles and responsibilities of the Committee.

3.4.2 Role of Rapporteur
He/she shall fulfil the directions of the Chairwoman/chairman and present the meeting agenda and relevant documents to Committee members before the meeting. He/she shall take the necessary measures for the administrative organization in relation to the meetings. He/she shall ensure the participation of the persons required by the Chairwoman/chairman. He/she shall record the meeting minutes and decisions, and ensure their distribution. He shall ensure the recording of decisions in the Committee Decision Book with their sequence number.

BoD Secretariat shall be responsible for the delivery of decisions and meeting minutes to BoD members and the storage of Committee Decision Book.

3.5 Meetings, Resolutions, Reports

- The Audit Committee meets regularly, at least four times in a year not exceeding the three months interval between meetings. BoD Chairman or Audit Committee Chairwoman/chairman may call Committee to an extraordinary meeting. The audit committee records the meeting minutes and submit their resolutions to the Board of Directors.
- For the financial statements and notes to the financial statements that are subject to audit, BoD resolution dated the report release date to KAP and CMB (Capital Markets Board) is required. For the financial statements and notes to the financial statements that are not subject to audit, BoD resolution dated at most one day before the report release date to KAP and CMB is required. And before these BoD resolutions, the Audit Committee shall ensure the investigation of the compliance of the accuracy of the Company financial statements and the accounting principles followed by the Company with applicable regulations. It shall evaluate the prepared reports; it shall present its evaluation results by taking the opinions of the internal auditors and the independent auditors to BoD with warnings and recommendations if necessary.The quorum for meetings require the attendance of all Audit Committee members and the decision quorum consists of the affirmative votes of all members.
- The Audit Committee Chairwoman/chairman is responsible for setting up meetings and for calling those meetings.
- An appointed member of the Audit Committee or an appointed employee of Enerjisa Internal Audit is assigned to record the minutes of each meeting and to circulate those minutes to the Audit Committee members.
- The Audit Committee Chairwoman/chairman regularly report on the activities to the Board of Directors. In addition, in case the request of the BoD, presents oral reports at the meetings of the BoD.
- In the annual report of the Company, a brief explanation on activities and resolutions of the Audit Committee is added. In addition, number of verbal communications done to the BoD by the Audit Committee in the relevant financial calendar year is stated in the annual report.
- The Audit Committee regularly and at least every two years review the efficiency of their own activities, and submit a report on their findings to the BoD.

3.6 Duty Period

The Audit Committee members' duty period is same as Enerjisa BoD members' period. Following appointment of the board members, the Audit Committee members are selected among the Independent members of BoD.

If Enerjisa Board membership of any member ends by any reason, the membership of Audit Committee ends as well. In this case, Enerjisa Board of Directors appoints a new member in its next meeting.

In case of membership change in Audit Committee, a hand over period is applied under close monitoring of the Board of Directors and the following actions are ensured to be realized:

- Following the appointment of new audit committee members by BoD, new Audit Committee members come together with ex Audit Committee members.
- The following documents and if necessary additional critical documents, that would impair the effectiveness of Audit Committee if not shared, should be hand over to the new Audit Committee members:

  - Audit committee charter, internal audit charter
  - Annual audit plan and supplementary documents
  - A list of outstanding items that should be followed up

4. Related Documents

Internal Audit Charter: The document of which the purpose is to establish the mandate of Enerjisa Internal Audit Division (Enerjisa IA) to assign the responsibilities and identify the standards according to which it will be implemented.

5. Review

Audit Committee is held accountable for administration of this charter. Audit Committee Charter is reviewed and updated annually. This charter is valid by approval of Enerjisa Board of Directors which is fully authorized to make changes if it deems necessary.

COMMITTEE CHARTERS

EARLY RISK DETECTION COMMITTEE CHARTER

1. Establishment

As per the Corporate Governance Principles attached to the Communiqué on Corporate Governance II No: 17.1 of the Capital Market Board ("Board"), the early risk detection committee ("Committee") has been established upon April 19, 2018 dated and 126 numbered resolution of Enerjisa Enerji A.Ş.'s ("Company") board of directors ("Enerjisa Board") for advising the board of directors on key risks and opportunities of the Company.

2. Purpose and Scope

Purpose of the Committee is the early detection of all key risks and opportunities which may pose a threat to the Company's existence, evolvement and strategies and advise the Enerjisa Board accordingly.

3. Responsibilities

Committee is responsible for;

- Advising on risk and opportunity definitions which threat company's existence and strategies, relevant mitigation actions, early detections and precautions
- Assisting the Enerjisa Board in the risk management-related decision making processes
- Assuring that the operational-level risk management principles and methodologies are appropriate with the existing market environment and best practices.
- Assuring that the Business Continutiy Management methodologies and applications are appropriate and in place.
- Committee may invite relevant managers to the meeting if deemed appropriate
- Committee may benefit from external consultant views if deemed appropriate and Enerjisa bear the cost of the consultancy
- Committee decisions are advisory to Enerjisa Board. Ultimate decision maker is the Enerjisa Board. Committee makes a written statement to Enerjisa Board about the recommendations and assesments.
- Carrying out all other roles and responsibilities assigned by the CMB of Turkey and Turkish Code of Commerce.

4. Committee Membership

Members of the Committee are assigned by the Enerjisa Board and announced in the public disclosure platform (KAP). Committee consist of at least two members except the chairperson assigned by the Enerjisa Board. Executives cannot be appointed as members to the Committee. Early Risk Detection Committee members are as follows:

- One member from the Enerjisa Board representing Sabancı
- One member from the Enerjisa Board representing E.ON
- Two independent Enerjisa Board members

4.1 Chairperson

Chairperson of the Committee is assigned by the Enerjisa Board. In case a vacany in the chairperson role, Chairperson of the Enerjisa Board assigns a temporary Committee chairperson. Chairperson roles and responsibilities are as follows;

- Chairing the committee meetings
- Deciding on the meeting agenda
- Coordinating the data flow between Enerjisa Board and the Committee
- Inviting additional managers if appropriate
- Assigning a deputy chairperson for the meetings if needed
- Taking the required measures for the efficiency of the meetings

4.2 Members

Members are assigned by the Enerjisa Board and shall be at least one member except Chairperson in the Committee. Member roles and responsibilities are as follows;

- Attending physically to the meetings. Members are responsible to inform chairperson in case of non-attendance
- Reviewing the latest developments and informing members accordingly
- Taking charge if required
- Sharing views about agenda with the chairperson

4.3 Reporter

Enerjisa CFO and Group Risk Management function are assigned as the Committee Reporter. Reporter roles and responsibilities are as follows;

- Assisting chairperson in the agenda preparation
- Sharing the minutes with Committee chairperson and members
- Organizing the meeting and coordinating the invitees
- Accomplishing all other tasks assigned by the Chairperson
- Writing all the decisions and minutes after the meetings and submitting to chairperson

5. Duty Period

The Committee members' duty period is same as Enerjisa Board members' period. Following the appointment of Enerjisa Board Members the Committee members are selected among the independent members. If Enerjisa Board Membership of any members ends by a reason, the committee membership ends as well. In this case, the Enerjisa Board appoints a new member in the next Committee meeting.

6. Meeting and Reporting Principles

The meetings of the Committe are organized six times per year. Chairperson may invite the relevant managers if deemed necessary. The meeting and decision quorum is the absolute majority of total member number.

Meeting minutes are recorded by the Reporter. At least, following issues should be kept in meeting minutes:

- Place and time of meeting
- Agenda
- Information on topics to be discussed in meeting
- Decisions taken

Meeting minutes are submitted to the board of directors after they are approved by all members of the Committee. Decisions of the Committee are advisory to the board of directors and the ultimate decision maker is the board of directors on related topics.

COMMITTEE CHARTERS

WORKING PRINCIPLES OF CORPORATE GOVERNANCE COMMITTE

1. Establishment

As per the Corporate Governance Principles attached to the Communiqué on Corporate Governance II No: 17.1 of the Capital Market Board ("Board"), the Corporate Governance Committee ("Committee") has been established upon April 19, 2018 dated and 143 numbered resolution of Enerjisa Enerji A.Ş.'s ("Company") board of directors for offering recommendations and suggestions to the Board of Directors in order to develop corporate governance operations of the Company.

2. Basis

This document has been formed within the framework of capital markets legislation and related regulations in Corporate Governance Principles of the Board.

3. Purpose

The purpose of Corporate Governance Committee is to make suggestions to the Board of Directors of the Company in order :

- to ensure the compliance of the corporate governance principles of the Company with the Corporate Governance Principles as determined by the Board and other internationally accepted corporate governance principles and best practices,
- to make advices in order for implementation of such principles,
- to follow-up compliance of the Company with such principles.

This Committee also performs the governance related duties of the Nomination Committee and the Remunaration Committee within the Company.

4. Authority and Scope

The authorities of the Committee are as follows:

- The Committee is formed and authorized by the Board of Directors of the Company.
- All kinds of source and support which are required by the Committee to maintain carrying out their duties are provided by the Board of Directors. The Committee may invite any required Company and/or third party executive(s) to its meetings, receive periodical reporting and receive their opinions.
- The Committee benefits from opinions of independent experts on required fields associated with the activities. The cost of such consultancy services required by the Committee is met by the Company.

5. Duties and Responsibilities

The Committee has the obligation to perform the following duties and responsibilities:

- To check whether corporate governance principles are applied in the Company or not, the reasons if they are not applied, and control conflicts of interest caused by non-compliance with such principles and provide recommendations and remedial advise in improving corporate governance practices to the Board of Directors.
- To supervise the activities of Investor Relations Unit.
- To review "Corporate Governance Compliance Report" to be disclosed to the public and to check whether information given in this report are correct and consistent with the information known by the Committee.

By following Corporate Governance Principles internationally, to provide recommendation to the Board of Directors for the purpose of applying required elements within the Company.

- To make regular evaluations about the structure and efficiency of the Board of Directors including agenda composition, quality and relevance of report content, appropriate time allocated to discussions and submit its suggestions to the Board of Directors as to the amendments that may be peformed in this regard.
- To facilitate all Committees with Independent Directors to submit and discuss Committee findings and suggestions at each Board meeting.

- To review the composition and effectiveness of other Board committees once a year.
- To review the human resource; strategy, development and review of human resource scorecard and executive (N-1) succession plans.
- To determine and supervise the approach, principle and implementations of members of the board of directors and executives as to the remuneration criteria.
- To submit suggestions on the remuneration, provided by the HR Committee, to be provided to members of the board of directors and executives in consideration of degree of reaching determined remuneration criteria to the board of directors.
- To evaluate candidate proposals for independent membership including those suggested by the management and shareholders in consideration of whether the candidate meets independence criteria or not and to prepare a report about its evaluation in this regard and submits such report to the board of directors.

The Committee submits its consideration and recommendations on issues expressed above to the Board of Directors in written or verbally.

6. Committee Membership

- In principle, the Committee consists of four members. The chairperson of the Committee is chosen among independent Board of Directors. The Chief executive officer/general manager cannot be assigned to the Committee. The Committee Reporter must be assigned among the relevant executive pool.
- When new Board of Directors is assigned for duty at the ordinary general assembly meeting, members of the Committee are assigned in parallel to the duty period of related Board of Directors. Former committee members hold over until new members are assigned and all will hold a transition and coordination meeting when and if members change.
- The Commitee consists of a chairperson and three members who will be assigned by the Company's Board of Directors.
- The members of the Committee may participate to the meeting of the Committee through video conference or any convenient telecommunication tools.

7. Reporting Procedures

- Meeting minutes are kept regularly by the Committee Reporter assigned. The Committee Reporter assists the Chairperson of the Commitee for prepeartion of the Agenda, Minutes of the Meeting and Summary Notes and coordinate the same among the Committee Members. At least, following issues should be kept in meeting minutes:

  i. Place and time of meeting
  ii. Agenda
  iii. Information on topics to be discussed in meeting
  iv. Decisions taken

  Minutes of the Meeting or Committee working papers are submitted to the Board of Directors after they are approved by all members of the Committee.

- The Committee Reporter is responsible for the submission of decisions and meeting minutes to members of the board of directors and keeping the decision book.
- The meetings of the Committe are organized at least four times once every three months per year.
- The meeting and decision quorum is the absolute majority of total member number.
- Decisions of the Committee are advisory to the Board of Directors and the ultimate decision maker is the Board of Directors on related topics.

8. Validity and Enforcement

This document, namely, Working Principles of Corporate Governance Committee has entered into force with the Company's 15/02/2019 dated and 170 numbered board of directors resolution.

STATEMENT OF RESPONSIBILITY

THE BOARD OF DIRECTOR'S RESOLUTION REGARDING THE APPROVAL OF THE FINANCIAL STATEMENTS, ANNUAL REPORT AND CORPORATE GOVERNANCE COMPLIANCE REPORTS

RESOLUTION DATE: 20.02.2019
RESOLUTION NUMBER: 178

STATEMENT OF RESPONSIBILITY ISSUED AS PER 9TH ARTICLE OF THE SECOND SECTION OF THE CAPITAL MARKETS BOARD "COMMUNIQUÉ ON THE PRINCIPLES OF FINANCIAL REPORTING IN THE CAPITAL MARKETS

We hereby present enclosed the following, which was audited by an independent auditor and prepared in line with the provisions of the Capital Markets Boards' "Communiqué II-14.1. on the Principles of Financial Reporting in Capital Markets" for the period between the 1st of January and the 31st of December 2018;

a. We have reviewed the Company's Consolidated Financial Statements, Annual Report and Corporate Governance Compliance reporting, which was prepared by using the templates of the Corporate Governance Compliance Report (URF) and the Corporate Governance Information Form (CFSF) through KAP platform, pursuant to the Capital Markets Boards' decision resolved on 10.01.2019 and numbered 2/49.

b. we have concluded – within the framework of the information we have obtained in our area of duties and responsibilities at the company – that Consolidated Financial Statements, Annual Report and the Corporate Governance Compliance reporting do not contain any inaccuracy in all material respects and is free of omissions that may be regarded as misleading as of the date the statement was made, and,

c. we have concluded – within the framework of the information we have obtained in our area of duties and responsibilities at the Company – that the consolidated financial statements, issued in accordance with the applicable Financial Reporting Standards, presents fairly the Company's assets, liabilities, financial situation, and profit and loss, and that the annual report presents fairly the progress and performance of the business together with the consolidated financial situation of the Company, material risks and uncertainties that the Company is exposed to, and we declare that we are responsible for the declarations we make.

Best Regards,
ENERJİSA ENERJİ A.Ş.

DECLARATIONS OF INDEPENDENCE

Mehmet Sami Independent Board Member

I declare that, I am serving as an "independent member" at the Board of Enerjisa Enerji A.Ş. (the Company), according to the criterias specified in the legislation, articles of association and Communiqué on Corporate Governance (II- 17.1) announced by the Capital Markets Board. In this context, I declare that;

a. I do not have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, I do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or I have not established a significant commercial relation between the Company, companies on which the corporation hold control of management according to the Turkey Financial Reporting Standards 10 or significant effect according to the Turkey Accounting Standards 28 and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to second degree,

b. I have not been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,

c. I have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member,

d. I will not to be a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,

e. I am residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31 December 1960 and numbered 193,

f. I am capable to contribute positively to the operations of the corporation, to maintain my objectivity in conflicts of interests between the corporation and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,

g. I will be able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties,

h. I have not conducted membership of board of directors more than a term of six years in the last ten years,

i. I am not an independent member of the board of directors in more than three of the corporations that the Company or the controlling shareholders of the Company who hold the control of management and in more than five corporations in total which are admitted to the trading on the exchange,

j. I am not registered and declared for the name of legal entities selected as a member of the board of directors.

I offer to knowledge of the Board of the Directors, General Assembly, our shareholders and all other stakeholders.

DECLARATIONS OF INDEPENDENCE

Fatma Dilek Yardım Independent Board Member

I declare that, I am serving as an "independent member" at the Board of Enerjisa Enerji A.Ş. (the Company), according to the criterias specified in the legislation, articles of association and Communiqué on Corporate Governance (II- 17.1) announced by the Capital Markets Board. In this context, I declare that;

a. I do not have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, I do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or I have not established a significant commercial relation between the Company, companies on which the corporation hold control of management according to the Turkey Financial Reporting Standards 10 or significant effect according to the Turkey Accounting Standards 28 and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to second degree,

b. I have not been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,

c. I have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member,

d. I will not to be a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,

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i. I am not an independent member of the board of directors in more than three of the corporations that the Company or the controlling shareholders of the Company who hold the control of management and in more than five corporations in total which are admitted to the trading on the exchange,

j. I am not registered and declared for the name of legal entities selected as a member of the board of directors.

I offer to knowledge of the Board of the Directors, General Assembly, our shareholders and all other stakeholders.

D. Yardım

INDEPENDENT AUDITOR REPORT REGARDING THE BOARD OF DIRECTORS

(Convenience translation of a report originally issued in Turkish)

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To the Shareholders of Enerjisa Enerji A.Ş.

1) Opinion

We have audited the annual report of Enerjisa Enerji A.Ş. ("the Company) and its subsidiaries ("the Group") for the period of 1 January 2018 – 31 December 2018.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

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

3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 20, 2019 on the full set consolidated financial statements of the Group for the period of 1 January 2018 – 31 December 2018.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the "Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

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b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Erdem Tecer.

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

Erdem Tecer, SMMM
Partner

February 20, 2019
İstanbul, Türkiye

FINANCIAL STATEMENTS

Consolidated Financial Statements for the Year Ended 31th December 2018 and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Enerjisa Enerji A.Ş:

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Enerjisa Enerji A.Ş. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key Audit Matter	How key audit matter addressed in the audit
IFRIC Interpretation 12- Service Concession Arrangements	
In accordance with the terms of the service concession agreement with the government, the Group has applied the IFRIC Interpretation 12 financial asset model and identified it in a financial asset financial statements. Revenue calculated over the financial assets according to the effective interest method is accounted as "financial income from service concession agreement" by the Group. In addition, since the financial assets carried at the balance sheet is an asset subject to impairment in accordance with IFRS 9 "Financial Instruments" standard, the Group provides impairment for financial assets by making a credit risk assessment. As of 31 December 2018, the Group has financial assets amounting to 9.294.635 thousands TL, 5.236 thousands TL impairment for related assets under IFRS 9 and accounted interest income amounting to 1.716.597 thousands TL in the statement of profit or loss and other comprehensive income between 1 January and 31 December 2018. Given the complexity of the accounting of the elements within the scope of IFRIC Interpretation 12 and the complexity of the legislation and inclusion of the assumptions in the calculations (basically includes inflation rate assumptions), we determined that the financial assets are significant to our audit and therefore considered as key audit matter. The details of financial assets within the scope of IFRIC Interpretation 12 are disclosed in footnote 10 to the consolidated financial statements.	• The Service Concession Agreement was obtained and the contract conditions have been read. • Compatibility of the related calculation model in terms of legislation has been evaluated. • Since the interest income is calculated based on the internal rate of return, calculation of internal rate of return has been checked. • The payments which were committed by the Republic of Turkey Energy Market Regulatory Authority ("EMRA") as a consequence of the investments made were checked by the communiques of income requirements. • The rate of return has been checked from the communiques published in the Official Gazette. • The year-end financial asset amount in the financial statements was reconciled with the economic model of service concession contracts. • The fairness and the appropriateness of the key assessments and estimations used by the management together with the methods and data sources used in the calculation of impairment within the scope of "IFRS 9 Financial Instruments" were assessed. • The compliance of the applied accounting policies with IFRS 9, past performance of the Company / Group and local and global practices were assessed. • Furthermore, within the scope of the above mentioned specific accounting, the adequacy and sufficiency of the information included in the financial statements and explanatory notes for the users of the financial statements were evaluated.

Recoverability of deferred tax assets recognized over tax losses carried forward

As disclosed in footnote 23 to the consolidated financial statements as of 31 December 2018, the Group recognized deferred tax assets over the tax losses carried forward amounting to 116.432 thousands TL. Partially or fully recoverable amount of recognized deferred tax asset was estimated based on the Group Management's assumptions under current conditions. Business plans for the future, the loss amounts incurred in the last 5 years and the expiration dates of unused losses are taken into the consideration during the assessment. Given that the extent to which these assets are recognized is dependent on Group Management's assumptions, these assets are considered as key audit matter.

During our audit, we challenged the management's assumptions on the recoverability of tax assets by controlling the expiration dates of carry forward tax losses with the projected budgets approved by the management.

To examine the management's assumptions about the subject, we involved tax experts to our audit team from another entity that is a part of the same audit network. Calculation of related deferred tax assets is presented for the examination and evaluation to tax experts. In addition, the conformity of the disclosures in the financial statements to IFRS has been evaluated.

Revenue recognition of incumbent suppliers

Incumbent suppliers are obliged supply electricity on retail sales tariff regulated by the EMRA to the ineligible customers (regulated customers) in their respective distribution regions, eligible customers who have not used their eligibility right to become a free customer and to eligible customers as the last resource supplier. Along with that, the Company supplies electricity to eligible customers in the distribution regions through bilateral agreement based on free market conditions.

Incumbent suppliers' revenue from the consumers subject to tariff regulation, is determined by the cost of carrying out their activities related to energy sales. In this context, the gross margin is taken into the consideration which is determined based on the depreciation expenses related to the investment expenditures required to carry out the activities, billing and customer services, operating expenses such as retail sales services, active energy costs and the costs to cover all the costs and services incurred to sustain the activity and the risks exposed.

Therefore, the Group calculates and accounts for the revenue amount on consolidated financial statements prepared in accordance with IFRS on the basis of costs by considering gross profit margin determined by regulations.

Furthermore, invoices of the subscribers other than eligible residential and commercial groups are issued monthly at the end of each month by the Group whereas the invoices of the residential subscribers are issued continuously during each month due to the high number of subscribers in this group. As a result, the total electricity supplied to the residential and commercial subscribers during each month cannot be invoiced and income accruals are recognized as revenue at period-ends for these customer groups based on the actual billing performance.

Given the complexity of such transactions, we determined this significant to our audit and therefore considered as key audit matter.

We examined the customer classification, EMRA communiques and the correctness of calculations mentioned in these communiques, calculations and seasonality of invoicing that are used in the calculation of Group's revenue. We also performed sample tests of key controls over information technology systems where the information used in these calculations is provided. The overall consistency of the inputs and parameters used in the calculations are evaluated.

To evaluate conformity of applied calculations to communiques and IFRS, we especially focused on the accounting adjustments related to revenue recognition. The sources used for these adjustments and consistency of these adjustments with prior years are controlled.

In addition, the adequacy of the disclosures in Note 18 of the financial statements and conformity with IFRS were also assessed.

Goodwill impairment test

As at 31 December 2018, there is a goodwill amounting to 1.977.127 thousands TL on the consolidated statement of financial position as a result of previous acquisitions. In accordance with IFRS, the Group performs an impairment test per each cash generating unit to assess whether there is an impairment in the goodwill amount. These tests are assessed as key audit matter due to the complexity, the required estimates of management and the dependency on future market circumstances.

The assumptions, sensitivities and results of the tests performed are disclosed in note 2 to the financial statements. We involved the valuation specialists from another entity that is a part of the same audit network to support our assessment about the assumptions and methods used by the Group in testing the discount rates per cash generating unit and assessing the model that calculates future cash flows.

Furthermore, we tested the expected growth rates and related expected future cash flows. We assessed whether these future cash flows, amongst others, were based on the strategic plan as prepared by the management.

In addition, within the scope of the above-mentioned special accounting, the appropriateness and sensitivity of the disclosures contained in the financial statements and the importance of these information for the users of the financial statement were questioned by us.

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Provision for impairment of trade receivables	
Trade receivables are considered as an important balance sheet item as they represent 15% of the total assets in consolidated statement of financial position. Besides, the collectability of trade receivables is key elements of the Group's credit risk and business capital management and includes significant management judgment and estimates. As of December 31, 2018, there is a provision amounting to 1.705.247 thousands TL for impairment of trade receivables amounting to 3.512.389 thousands TL in the consolidated statement of financial position. Determining the collection risk and the provision for trade receivables or determining whether a specific trade receivable is collectible requires significant management judgment. The Group management assesses all other information together with the aging of trade receivables, analyzing the risk of ongoing lawsuits taking letters from the company lawyer, the qualifications of the collaterals under the credit risk management and the collaterals, the collection performance after the current period and the balance sheet date. As of 1 January 2018, the Group has adopted IFRS 9 "Financial Instruments" standard and as of this date accounted for the expected credit losses for financial assets in the consolidated financial statements. Given the size of the amounts, the assessment required for the collectability evaluations of trade receivables and the complexity and the comprehensive application of IFRS 9, the existence and collectability of trade receivables is considered as key audit matter. The details of trade receivables are disclosed in footnote 6 to the consolidated financial statements.	Following procedures have been applied for the audit of provisions on trade receivables: • Evaluation of the Group's collection follow-up process and operational effectiveness of related internal controls for trade receivables from third parties, • Understanding, evaluating and testing the effectiveness of the internal controls related to financial reporting for credit risk, • Analytical review of the aging tables and comparison of the collection turnover rate with the previous year, • Testing of trade receivable balances by sending confirmation letters by sampling method, • Testing of subsequent collections by sampling method, • Testing of the guarantees received against receivables by sampling method and evaluation of their ability to convert into cash, • Evaluation of the fairness and appropriateness of the key assessments and estimations used by the management together with the methods and data sources used in the calculation of impairment within the scope of "IFRS 9 Financial Instruments" with the support of our valuation specialists from our entity, • Evaluation of the compliance of the applied accounting policies with IFRS 9, past performance of the Group and local and global practices, • Investigation of disputes and lawsuits related to receivables and obtaining confirmation letter about legal proceedings of ongoing legal lawsuits for the audit of the appropriateness of specific provisions for trade receivables, • Assessment of the adequacy of the trade receivables and impairment of trade receivables disclosures to the consolidated financial statements and conformity with IFRS.

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Other matters

We have expressed an unqualified opinion in our auditor's report dated February 20, 2019 on the consolidated financial statements of the Group for the period of 1 January 2018 - 31 December 2018, which are prepared in accordance with Turkish Accounting Standards.

We have expressed an unqualified opinion in our auditor's report dated February 20, 2019 on the annual report of Enerjisa Enerji A.Ş. for the period of 1 January 2018 - 31 December 2018, which are prepared in accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC").

Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of TCC 6102 is submitted to the Board of Directors of the Company on February 20, 2019.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The partner in charge of the audit resulting in this independent auditor's report is Erdem Tecer.

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

Erdem Tecer, SMMM
Partner

February 20, 2019
İstanbul, Türkiye

CONTENT

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

	Notes	Audited / current period 31 December 2018	Audited / prior period 31 December 2017
ASSETS			
Current Assets		**6,404,415**	**4,077,430**
Cash and Cash Equivalents	27	562,352	172,750
Financial Assets	10	791,117	691,860
Trade Receivables	6	3,512,389	2,382,440
Due from Related Parties	*5*	*130,832*	*40,859*
Due from Third Parties		*3,381,557*	*2,341,581*
Other Receivables	7	990,680	494,998
Due from Related Parties	*5*	*-*	*598*
Due from Third Parties		*990,680*	*494,400*
Derivative Financial Instruments	25	313,028	19,867
Inventory	8	147,956	101,754
Prepaid Expenses	9	71,355	144,607
Assets Related with Current Taxes	23	8,565	11,215
Other Current Assets	16	6,973	57,939
Non-Current Assets		**16,720,626**	**14,508,548**
Other Receivables	7	983,545	473,505
Due from Third Parties		*983,545*	*473,505*
Derivative Financial Instruments	25	-	24,187
Financial Assets	10	8,503,518	5,746,571
Property, Plant and Equipment	11	365,027	154,059
Intangible Assets	12	6,738,949	7,687,296
Goodwill		*1,977,127*	*2,730,031*
Other Intangible Assets		*4,761,822*	*4,957,265*
Prepaid Expenses	9	2,575	4,840
Deferred Tax Assets	23	2,847	209,957
Other Non-Current Assets	16	124,165	208,133
TOTAL ASSETS		**23,125,041**	**18,585,978**

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

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

	Notes	Audited / current period 31 December 2018	Audited / prior period 31 December 2017
LIABILITIES			
Current Liabilities		**7,544,138**	**4,832,034**
Short-Term Financial Liabilities	24	998,170	795,658
Short-Term Portion of Long Term Financial Liabilities	24	2,435,639	1,143,282
Other Financial Liabilities	24	44,302	30,009
Trade Payables	6	2,480,917	1,512,499
Due to Related Parties	*5*	*94,217*	*145,093*
Due to Third Parties		*2,386,700*	*1,367,406*
Payables for Employee Benefits	15	43,217	49,983
Other Payables	7	223,902	185,990
Due to Third Parties		*223,902*	*185,990*
Derivative Financial Instruments	25	3,582	1,797
Deferred Income	9	606,983	605,658
Income Tax Liability	23	52,416	3,725
Short-Term Provisions		364,105	179,962
Provisions for Employment Benefits	*15*	*28,779*	*22,724*
Other Short-Term Provisions	*13*	*335,326*	*157,238*
Other Short-Term Liabilities	16	290,905	323,471
Non-Current Liabilities		**9,281,988**	**7,873,541**
Long-Term Financial Liabilities	24	5,765,047	5,269,080
Other Financial Liabilities	24	321,720	279,657
Other Payables	7	1,693,350	1,140,458
Due to Third Parties		*1,693,350*	*1,140,458*
Derivative Financial Instruments	25	7,722	-
Deferred Income	9	-	1,161
Long-Term Provisions		115,366	92,732
Provisions for Employment Benefits	*15*	*115,366*	*92,732*
Deferred Tax Liabilities	23	1,378,783	1,090,453
TOTAL LIABILITIES		**16,826,126**	**12,705,575**

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

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

	Notes	Audited / current period 31 December 2018	Audited / prior period 31 December 2017
LIABILITIES			
Equity		**6,298,915**	**5,880,403**
Registered Share Capital	17	1,181,069	1,181,069
Adjustments to Share Capital	17	2,784,755	2,836,364
Total Share Capital		**3,965,824**	**4,017,433**
Other Funds		4,340	4,340
Accumulated Other Comprehensive Expenses not to be Reclassified to Profit or Loss in Subsequent Periods		(3,464)	(5,241)
Accumulated Loss on Remeasurement of Defined Benefit Plans		*(3,464)*	*(5,241)*
Accumulated Other Comprehensive Incomes to be Reclassified to Profit or Loss in Subsequent Periods		23,359	-
Hedge Reserves		*23,359*	-
Restricted Profit Reserves	17	216,612	185,265
Retained Earnings		1,344,547	690,597
Profit for the Period		747,697	988,009
TOTAL LIABILITIES AND EQUITY		**23,125,041**	**18,585,978**

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

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

	Notes	Audited / current period 1 January - 31 December 2018	Audited / prior period 1 January - 31 December 2017
Revenue	18	18,346,787	12,344,818
Cost of Sales (-)	19	(12,380,265)	(8,412,327)
GROSS PROFIT		**5,966,522**	**3,932,491**
General Administrative Expenses (-)	20	(1,848,857)	(1,518,648)
Other Income from Operating Activities	21	373,549	187,056
Other Expenses from Operating Activities (-)	21	(1,680,023)	(360,189)
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSE)		**2,811,191**	**2,240,710**
Finance Income	22	104,870	88,491
Finance Expense (-)	22	(1,594,065)	(1,045,483)
PROFIT BEFORE TAX		**1,321,996**	**1,283,718**
Tax Expense		**(574,299)**	**(295,709)**
Current Tax Expense	23	(85,949)	(51,342)
Deferred Tax Expense	23	(488,350)	(244,367)
PROFIT FOR THE PERIOD		**747,697**	**988,009**
OTHER COMPREHENSIVE INCOME AND EXPENSE			
Other Comprehensive Income or (Expenses) not to be Reclassified to Profit or Loss in Subsequent Periods		**1,777**	**1,968**
Gain on Measurement of Defined Benefit Obligation		*2,279*	*2,460*
Income Tax Relating to Other Comprehensive Income	*23*	*(502)*	*(492)*
Other Comprehensive Income or (Expenses) to be Reclassified to Profit or Loss in Subsequent Periods		**23,359**	-
Gains on Hedges	*25*	*29,947*	-
Income Tax Relating to Other Comprehensive Income	*23*	*(6,588)*	-
TOTAL COMPREHENSIVE INCOME		**772,833**	**989,977**
Earnings per share			
Earnings per share (kr)	17	0.63	0.84

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

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

					Accumulated Other Comprehensive Expenses not to be Reclassified to Profit or Loss in Subsequent Periods	Accumulated Other Comprehensive Incomes to be Reclassified to Profit or Loss in Subsequent Periods			
	Share Capital	Adjustment to Share Capital	Restricted Profit Reserves	Other Funds	Accumulated Loss on Remeasurement of Defined Benefit Plans	Hedge Reserves	Retained Earnings	Profit for the Period	Total Equity
Balance as at 1 January 2017	**3,964,528**	**-**	**139,190**	**4,340**	**(7,209)**	**-**	**268,586**	**377,393**	**4,746,828**
Transfers	-	-	46,075	-	-	-	331,318	(377,393)	-
Restructing effect of companies under common control	(2,783,459)	2,836,364	-	-	-	-	90,693	-	143,598
Restructing effect of companies under common control (*)	*2,783,459)*	*2,836,364*	-	-	-	-	*(52,905)*	-	-
Merging effect of companies under common control (**)	-	-	-	-	-	-	*143,598*	-	*143,598*
Total comprehensive income	-	-	-	-	1,968	-	-	988,009	989,977
Balance as at 31 December 2017	**1,181,069**	**2,836,364**	**185,265**	**4,340**	**(5,241)**	**-**	**690,597**	**988,009**	**5,880,403**
Balance as at 31 December 2018	**1,181,069**	**2,836,364**	**185,265**	**4,340**	**(5,241)**	**-**	**690,597**	**988,009**	**5,880,403**
Transfers (***)	-	(51,609)	31,347	-	-	-	1,008,271	(988,009)	-
Dividend (****)	-	-	-	-	-	-	(354,321)	-	(354,321)
Total comprehensive income	-	-	-	-	1,777	23,359	-	747,697	772,833
Balance as at 31 December 2018	**1,181,069**	**2,784,755**	**216,612**	**4,340**	**(3,464)**	**23,359**	**1,344,547**	**747,697**	**6,298,915**

(*) With the decision of the Board of Directors on 20 April 2017, Enerjisa Enerji A.Ş. merged with Enerjisa Elektrik Dağıtım A.Ş. ("EEDAŞ") and the subsidiaries of EEDAŞ together with all their assets and liabilities with the takeover method. In addition, on 25 August 2017, the Group's electricity generation and wholesale business areas were separated and structured under another company. As a result of these transactions, necessary corrections are made in the registered share capital and the statutory capital after merger and split has been reached. Adjustment to share capital represents the portion of registered share capital which has been treated as a capital reserve in the statutory books after the merger and split process due to local regulations (Note 1). Such amount has been classified as adjustment to share capital to comply with the International Financial Reporting Standards ("IFRS") requirements.
(**) As of 31 December 2017 work force operating for distribution services, previously as a separate business line under Enerjisa Enerji A.Ş. has been transferred to distribution companies. Since the restructuring is a transaction between companies under common control, TL 143,598 deferred tax asset is accounted for under equity.
(***) In the statutory financials recorded in accordance with the tax procedure law, the loss for previous years in amount of TL 51,609 has been netted off with adjustments to share capital.
(****) At the Ordinary General Assembly held on 29 March 2018, it has been resolved to distribute the dividend at the amount of TL 354,321 derived from the Group's distributable earn ings at 2017 and distribute the cash dividend beginning from 3 April 2018. Dividends were paid out in cash in April 2018. Dividend paid by the Group per share with a TL 1 nominal value is gross TL 0.30.

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

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

	Notes	Audited / current period 1 January - 31 December 2018	Audited / prior period 1 January - 31 December 2017
Cash Flows from Operating Activities		**2,086,590**	**1,859,021**
Profit for the period		**747,697**	**988,009**
Profit for the period		747,697	988,009
Adjustments to reconcile net profit for the period		**2,395,079**	**970,003**
Adjustments related to the depreciation and amortization	11,12	258,182	235,331
Adjustments related to the depreciation of property, plant and equipment	11	34,485	18,674
Adjustments related to the amortization of intangible assets	12	223,697	216,657
Adjustments related to impairment loss		1,344,756	399,382
Adjustments related to doubtful provision expenses	6,10	591,852	399,382
Adjustments related to goodwill impairment	12	752,904	-
Adjustments related to provisions		246,755	69,535
Adjustments related to provisions for employee benefits	15	68,667	50,714
Adjustments related to legal case provisions	13	70,792	18,821
Adjustments related to penalty provisions	13	107,296	-
Adjustments related to interest (income) and expenses, net		1,428,403	880,120
Adjustments related to interest income	22	(104,870)	(88,491)
Adjustments related to interest expense	22	1,533,273	968,611
Adjustments related to unrealized foreign exchange loss		25,528	62,406
Adjustments related to tax expense	23	574,299	295,709
Adjustments related to change in fair value losses / (gains)		35,264	(38,371)
Other adjustments to reconcile profit / (loss)	27	(1,518,108)	(934,109)
Adjustments related to interest (income) / expense based on revenue cap regulation	21	(44,183)	934
Adjustments related to financial income from service concession arrangements	18,27	(1,716,597)	(1,013,557)
Adjustments related to revaluation differences arising from deposits and guarantees	21	242,672	78,514
Changes in operating assets and liabilities		**(2,416,747)**	**(988,499)**
Adjustments related to (increase) / decrease in trade receivables		(1,716,565)	(1,061,293)
Adjustments related to (increase) / decrease in inventories		(46,202)	(27,295)
Adjustments related to (increase) / decrease in other receivables and current assets		(2,040,470)	(1,106,123)
Adjustments related to increase / (decrease) in trade payables		973,037	394,831
Adjustments related to increase / (decrease) in other payables and expense accruals		413,453	811,381

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

	Notes	Audited / current period 1 January - 31 December 2018	Audited / prior period 1 January - 31 December 2017
Cash generated from operating activities		**726,029**	**969,513**
Payments related with provisions for employee benefits	15	(37,699)	(24,821)
Tax payments	23	(34,608)	(64,910)
Other cash in-flows	27	1,432,868	979,239
Capital expenditures reimbursements related to service concession arrangements	10	798,304	591,706
WACC reimbursements related to service concession arrangements	10	634,564	437,167
Prior tariff adjustments related to service concession arrangements	10	-	(49,634)
Cash Flows from Investing Activities		**(1,505,968)**	**(1,682,425)**
Cash used for purchase of tangible and intangible assets		(278,326)	(126,611)
Cash used for property, plant and equipment purchases		(250,072)	(98,589)
Cash used for purchase of intangible assets		(28,254)	(28,022)
Interest received		96,087	65,445
Other cash out-flows	27	(1,323,729)	(1,621,259)
Capital expenditures related to service concession arrangements		(1,323,729)	(1,621,259)
Cash Flows from Financing Activities		**(191,020)**	**(78,416)**
Cash in-flows from borrowings		37,998,133	32,064,342
Cash out-flows for borrowings		(36,763,095)	(31,191,933)
Interest paid		(1,143,096)	(950,825)
Dividend paid		(354,321)	-
Other in-flows / (out-flows)		71,359	-
Increase in cash and cash equivalents		389,602	98,180
Cash and cash equivalents at the beginning of the period	27	172,750	74,570
Cash and cash equivalents at the end of the period		**562,352**	**172,750**

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

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP

Enerjisa Enerji A.Ş. (the "Company") and its subsidiaries will be referred as the "Group" for consolidated financial statements. The Company is established on 26 December 2011 as a joint venture between Hacı Ömer Sabancı Holding A.Ş. ("Sabancı") and Verbund International GmbH ("Verbund International"). On 4 December 2012, Verbund and DD Turkey Holdings S.A.R.L., E.ON SE ("E.ON") entered into a Share Purchase Agreement for the sales and transfer of all Verbund shares in the Company to E.ON and the transfer is finalized on 24 April 2013.

The Company is registered to the Capital Markets Board ("CMB") and its shares are publicly traded in Borsa Istanbul A.Ş. ("BIST") with ticker "ENJSA.E" since 8 February 2018. The Company is registered in Turkey and the address of the headquarters is as follows:

Barbaros Mahallesi, Begonya Sokak, Nida Kule Ataşehir Batı Sit. No: 1/1, Ataşehir / İstanbul, Turkey.

The Company served as the parent company for generation, trading, sale, distribution and retail service of electricity business lines until 25 August 2017. On 28 April 2017 as the first stage of the reorganization, the Company merged with Enerjisa Elektrik Dağıtım A.Ş. ("EEDAŞ") by taking over its all assets and liabilities along with its subsidiaries (distribution and retail service companies). On 25 August 2017 as the second stage of the reorganization, the Company transferred three subsidiaries (electricity generation, wholesale trading and natural gas trading) by spin-off method with the carrying amounts to a newly established company called Enerjisa Üretim Santralleri A.Ş. ("EÜSAŞ"). On 25 September 2017, the Company has sold its subsidiary which operates in solar energy generation to the generation company that is owned by EÜSAŞ. As a result of these transactions, the Company's main activities under the new structure are customer-focused electricity distribution and retail service.

Subsidiaries consolidated in the consolidated financial statements as of 31 December 2018 and their activities are as follows:

Başkent Elektrik Dağıtım A.Ş. ("BAŞKENT EDAŞ")	Distribution of electricity
İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş. ("AYEDAŞ")	Distribution of electricity
Toroslar Elektrik Dağıtım A.Ş. ("TOROSLAR EDAŞ")	Distribution of electricity
Enerjisa Başkent Elektrik Perakende Satış A.Ş. ("EPS")	Retail service of electricity
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş. ("AEPSAŞ")	Retail service of electricity
Enerjisa Toroslar Elektrik Perakende Satış A.Ş. ("TOROSLAR EPSAŞ")	Retail service of electricity
Enerjisa Müşteri Çözümleri A.Ş.	Customer solutions and distributed generation services
E-şarj Elektrikli Araçlar Şarj Sistemleri A.Ş. ("E-şarj")	Electric vehicles and charging stations equipment services

The Group's operations are carried out only in Turkey.

The Group has 9,734 employees as of 31 December 2018 (31 December 2017: 9,627 employees).

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

The consolidated financial statements were authorized for issue by the Board of Directors of the Company on 20 February 2019. The General Assembly and certain regulatory bodies have the power to amend the consolidated financial statements after the issue.

BAŞKENT EDAŞ and EPS

BAŞKENT EDAŞ has been acquired by EEDAŞ as of 28 January 2009 by privatization bid for the consideration of USD 1,225 million. BAŞKENT EDAŞ currently operates in province including Ankara, Kırıkkale, Kastamonu, Zonguldak, Bartın, Çankırı and Karabük and holds the licence that gives the right for distribution of electricity in these provinces for 30 years starting from the date of Transfer of Operation Rights ("TOR") agreement signed with Türkiye Elektrik Dağıtım A.Ş. ("TEDAŞ") on 31 March 2006.

As of 1 January 2013, BAŞKENT EDAŞ is obliged to carry out the distribution and the retail sales activities under separate legal entities in accordance with Electricity Market Law. On 12 September 2012, EPS was established with the same shareholder structure and as of 31 December 2012, BAŞKENT EDAŞ has transferred some of its assets and liabilities to EPS, due to the fact that, legal unbundling and the unbundling related transactions have been registered as of 31 December 2012. Starting from 1 January 2013, BAŞKENT EDAŞ has undertaken only the distribution activities. In addition, with the new regulation applied by Energy Market Regulatory Authority ("EMRA"), BAŞKENT EDAŞ started retail sales only for illumination customers starting from 1 April 2013.

AYEDAŞ and AEPSAŞ

AYEDAŞ has been acquired by EEDAŞ as of 31 July 2013 by privatization bid for the consideration of USD 1,227 million. AYEDAŞ currently operates in Anatolian Side of İstanbul and holds the license that gives the right for distribution of electricity in this province until 31 December 2042 starting from the date of TOR agreement signed with TEDAŞ on 24 July 2006.

As of 1 January 2013, AYEDAŞ is obliged to carry out the distribution and the retail sales activities under separate legal entities in accordance with Electricity Market Law. On 13 December 2012, AEPSAŞ was established with the same shareholder structure and as of 31 December 2012, AYEDAŞ has transferred some of its assets and liabilities to AEPSAŞ due to the legal unbundling. The aforementioned unbundling transactions have been registered as of 31 December 2012 and AEPSAŞ started retail sales operations on 1 January 2013 according to the Retail Sales License obtained due to unbundling. Starting from 1 January 2013, AYEDAŞ has undertaken only distribution activities. In addition, with the new regulation applied by EMRA, AYEDAŞ started retail sales only for illumination customers starting from 1 April 2013.

TOROSLAR EDAŞ and TOROSLAR EPSAŞ

TOROSLAR EDAŞ has been acquired by EEDAŞ as of 30 September 2013 by privatization bid for the consideration of USD 1,725 million. TOROSLAR EDAŞ currently operates in Adana, Gaziantep, Hatay, Kilis, Mersin and Osmaniye and holds the license that gives the right for distribution of electricity in these provinces until 31 December 2042 starting from the date of TOR agreement signed with TEDAŞ on 24 July 2006.

As of 1 January 2013, TOROSLAR EDAŞ is obliged to carry out the distribution and the retail sales activities under separate legal entities in accordance with Electricity Market Law. On 13 December 2012, TOROSLAR EPSAŞ was established with the same shareholder structure and as of 31 December 2012, TOROSLAR EDAŞ has transferred some of its assets and liabilities to TOROSLAR EPSAŞ due to the legal unbundling. The aforementioned unbundling transactions have been registered as of 31 December 2012 and TOROSLAR EPSAŞ started retail sales operations on 1 January 2013 according to the Retail Sales License obtained due to unbundling. Starting from 1 January 2013, TOROSLAR EDAŞ has undertaken only distribution activities. In addition, with the new regulation applied by EMRA, TOROSLAR EDAŞ started retail sales only for illumination customers starting from 1 April 2013.

In 2006, EMRA has set a unique pricing mechanism for all of the electricity distribution companies in Turkey which will be effective for the period between 1 January 2006 and 31 December 2012 which is called the "transition period". In accordance with this pricing mechanism, distribution companies in Turkey have already determined their regional tariffs for the period between 1 January 2006 and 31 December 2010 and by using these regional tariffs, EMRA has already determined the national tariffs for the same period. In December 2010, EMRA has announced a new tariff for the period between 1 January 2011 and 31 December 2015; and also in December 2015, EMRA has announced a new tariff for the period between 2016 and 2020.

Enerjisa Müşteri Çözümleri A.Ş.

Enerjisa Müşteri Çözümleri A.Ş. was established on 29 December 2017, in order to conduct activities in customer solutions and distributed generation.

E-şarj

Enerjisa Müşteri Çözümleri A.Ş., acquired 80% of the shares of E-şarj with an amount of TL 4,000 on 26 April 2018. E-şarj is mainly involved in the operation of charging network for electric vehicles and supply of charging stations equipment.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The accompanying consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain assets and liabilities being carried by their fair values.

In order to determine the historical cost, the fair values paid for assets are considered.

2.2 Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB").

2.3 Functional and Presentation of Currency

The individual financial statements of each Group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Turkish Liras ("TL"), which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

In preparing the financial statements of the individual entities, transactions in foreign currencies (currencies other than TL) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses arising on settlement and translation of foreign currency items are included in the consolidated statement of comprehensive income.

2.4 Comparative Information and Reclassification of Prior Period Consolidated Financial Statements

In order to allow for the determination of the financial situation and performance trends, the Group's consolidated financial statements have been presented comparatively with the prior period.

If the presentation or classification of the current period financial statements is changed, in order to maintain consistency, comparative information are also adjusted or reclassified in line with the related changes. The nature, amount and reasons for each of the reclassifications and adjustments are described below:

	Notes	Previously Reported 31 December 2017	Impact of reclassifications	Restated 31 December 2017
Property, Plant and Equipment	a	137,925	16,134	154,059
Intangible Assets	a	7,703,430	(16,134)	7,687,296
Current Derivative Financial Instruments	b	44,054	(24,187)	19,867
Non-Current Derivative Financial Instruments	b	-	24,187	24,187
Short-Term Provisions	c	203,150	(23,188)	179,962
Long-Term Provisions	c	69,544	23,188	92,732
Other Current Receivables	d	439,967	55,031	494,998
Short-Term Prepaid Expenses	d	199,638	(55,031)	144,607

a) The Group has retrospectively reclassified TL 16,134 of furniture and fixtures as tangible assets which had presented as intangible assets.

b) The Group has retrospectively reclassified TL 24,187 of derivative instruments as long term, which had presented as short term.

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c) The Group has retrospectively reclassified TL 23,188 of unused vacation provisions regarding employee benefits as long term, which had presented as short term.

d) The Group has retrospectively reclassified TL TL 55,031 of income accruals as other current receivables, which had presented as prepaid expenses.

2.5 Changes in Accounting Policies

The significant changes that were made on accounting policies applied retrospectively and the financial statements of preceding period are restated.

The Group uses foreign currency swaps to hedge its cash flow risk arising from financial liabilities. Starting from 1 January 2018, the effective portion of the gains or losses from the fair value change of cross currency swaps are recognized in other comprehensive income in the hedge reserves for the purpose of hedge accounting.

No other changes have been applied to the accounting policies of the Group in the current period.

2.6 Changes and Misstatements in Accounting Estimates

If changes in accounting estimates are related to only one period, the changes are applied prospectively in the current period in which changes are made. If changes in accounting estimates are related to future periods, the changes are applied prospectively both in the current period in which changes are made and also in future periods. No changes have been applied to the accounting estimates of the Group in the current year.

The accounting misstatements which are identified are applied retrospectively and consolidated financial statements of preceding period are restated. No material misstatement has been observed in order to restate the financial statements of the Group in the current year.

2.7 Going Concern

The Group has prepared its consolidated financial statements in accordance with going concern principle.

2.8 Seasonality of the Group's operations

The results of Group's operations do not show a significant change by season.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

2.9 Basis of Consolidation

The details of the Company's subsidiaries at 31 December 2018 and 31 December 2017 are as follows:

	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group (%)		Principal activity
		31 December 2018	31 December 2017	
Başkent Elektrik Dağıtım A.Ş.	Ankara	100	100	Electricity distribution services
Enerjisa Başkent Elektrik Perakende Satış A.Ş.	Ankara	100	100	Electricity retail services
İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş.	İstanbul	100	100	Electricity distribution services
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	İstanbul	100	100	Electricity retail services
Toroslar Elektrik Dağıtım A.Ş.	Adana	100	100	Electricity distribution services
Enerjisa Toroslar Elektrik Perakende Satış A.Ş.	Adana	100	100	Electricity retail services
Enerjisa Müşteri Çözümleri A.Ş.	İstanbul	100	100	Customer solutions and distributed generation services
E-şarj Elektrikli Araçlar Şarj Sistemleri A.Ş.	İstanbul	80	-	Electric vehicles and charging stations equipment services

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

In business combinations involving entities under common control, assets and liabilities subject to a business combination are recognized at their carrying amounts in the consolidated financial statements. In addition, statements of income are consolidated from the beginning of the financial year in which the business combination takes place. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. As a result of these transactions, neither goodwill nor negative goodwill are recognized.

2.10 New and Revised International Financial Reporting Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2018 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2018. 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 1 January 2018 are as follows:

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 for annual periods beginning on or after 1 January 2018. The Group adopted IFRS 15 using modified retrospective approach and disclosed the impact of the standard on financial position and performance of the Group in Note 2.11.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and

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measurement, impairment and hedge accounting. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group applied IFRS 9, with the initial application date of 1 January 2018 and disclosed the impact of the standard on financial position or performance of the Group in Note 2.11.

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issue or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. The interpretation did not have an impact on the financial position or performance of the Group.

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

IAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to IAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS 2014–2016 Cycle, amending the following standards:

– IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after 1 January 2018.

The amendments are not applicable for the Group and did not have an 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 financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognizes an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments).

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Under these circumstances, the lessee recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group is in the process of assessing the impact of the standard on the financial position and performance of the Group, the explanation of preliminary analyses is as follows:

Transition to IFRS 16

The Group plans to adopt IFRS 16 using the simplified modified retrospective approach. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group plans to elect to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value.

The Group has performed a detailed impact assessment of IFRS 16 in 2018. In summary, the impact of IFRS 16 adoption is expected to be as follows:

Impact on the consolidated statement of financial position increase / (decrease) as at 31 December 2018:

Assets	
Intangible assets (right of use)	138,328
Liabilities	
Lease liabilities	138,328

Amendments to IAS 28 "Investments in Associates and Joint Ventures" (Amendments)

In October 2017, the IASB issued amendments to IAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

IFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with IAS 28 Investments in Associates and Joint Ventures. In this amendment the IASB clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

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

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

In December 2015, the IASB 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.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

(a) Whether an entity considers uncertain tax treatments separately;
(b) The assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) How an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognized at the date of initial application.

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

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced Annual Improvements to IFRS 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.
- The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

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

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Plan Amendment, Curtailment or Settlement" (Amendments to IAS 19)

On 7 February 2018, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement". The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

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

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

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 IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

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

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 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 financial statements make on the basis of those 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 financial statements.

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

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

2.11 Amendments to Accounting Standarts and Effects on Consolidated Financial Tables

The Group applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers for the period beginning 1 January 2018 and disclosed the impact of the standards on financial position of the Group in this note; and the current accounting policies in Note 2.12.

The Group used the exemption permitting non-revision of comparative information on prior periods regarding classification and measurement (including impairment) in the application of IFRS 9 Financial Instruments.

The Group applied TFRS 15 Revenue from Contracts with Customers and accounted by using a modified retrospective approach with the cumulative effect on the transition date of 1 January 2018. In accordance with the mentioned method, no cumulative effect of initially applying this standard has been emerged and no restatement has been required in the comparative information of prior periods.

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The impacts of the IFRS 9 and IFRS 15 applications on statement of financial position and statement of profit or loss, respectively as at and for the year ended 31 December 2018 are disclosed below.

(i) Consolidated Statement of Financial Position

	31 December 2018 (Pre-impacts)	IFRS 9 impacts	IFRS 15 impacts	31 December 2018 (Post impacts)
ASSETS				
Current Assets	**6,439,298**	**(34,883)**	-	**6,404,415**
Trade Receivables	3,546,826	(34,437)	-	3,512,389
Due from third parties	*3,415,994*	*(34,437)*	-	*3,381,557*
Financial Assets	791,563	(446)	-	791,117
Non-Current Assets	**16,725,416**	**(4,790)**	-	**16,720,626**
Financial Assets	8,508,308	(4,790)	-	8,503,518
TOTAL ASSETS	**23,164,714**	**(39,673)**	-	**23,125,041**
LIABILITIES				
Non-Current Liabilities	**9,290,714**	**(8,726)**	-	**9,281,988**
Deferred Tax Liabilities	1,387,509	(8,726)	-	1,378,783
Equity	**6,329,862**	**(30,947)**	-	**6,298,915**
Profit / (loss) for the Period	778,644	(30,947)	-	747,697
TOTAL LIABILITIES AND EQUITY	**23,164,714**	**(39,673)**	-	**23,125,041**

(ii) Consolidated Statement of Profit or Loss

	1 January - 31 December 2018 (Pre-impacts)	IFRS 9 impacts	IFRS 15 impacts	1 January - 31 December 2018 (Post impacts)
Revenue	18,379,478	-	(32,691)	18,346,787
Cost of Sales (-)	(12,412,956)	-	32,691	(12,380,265)
GROSS PROFIT	**5,966,522**	-	-	**5,966,522**
General Administrative Expenses (-)	(1,848,857)	-	-	(1,848,857)
Other Income from Operating Activities	373,549	-	-	373,549
Other Expenses from Operating Activities (-)	(1,640,350)	(39,673)	-	(1,680,023)
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSE)	**2,850,864**	**39,673**	-	**2,811,191**
PROFIT BEFORE TAX	**1,361,669**	**(39,673)**	-	**1,321,996**
Tax Expense	**(583,025)**	**8,726**	-	**(574,299)**
Current Tax Expense	(85,949)	-	-	(85,949)
Deferred Tax (Expense) / Income	(497,076)	8,726	-	(488,350)
PROFIT FOR THE PERIOD	**778,644**	**(30,947)**	-	**747,697**
TOTAL COMPREHENSIVE INCOME	**803,780**	-	-	**772,833**
Earnings per share			-	
Earnings per share (kr)	0.66	-	-	0.63

The amendment to IFRS 9 has increased the impairment loss by TL 39,673 and has decreased the deferred tax liability by TL 8,726 as of 31 December 2018. The effect of the transition to IFRS 9 does not have a significant impact on the consolidated financial statements of the Group as at 1 January 2018.

The Group netted off pass-through of other regions' distribution related revenue and distribution related costs amounting to TL 32,691 with the amendment to IFRS 15.

Transition to IFRS 9 "Financial instruments

The Group has applied IFRS 9 Financial instruments on 1 January 2018. The effect of the transition to IFRS 9 does not have a significant impact on the consolidated financial statements of the Group as at 1 January 2018.

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Changes related to the classification of financial assets and liabilities are as follows and these changes in the classification do not result in changes in measurement of assets.

FINANCIAL ASSETS	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade receivables	Loans and receivables	Amortised cost
Derivative instruments	Fair value through statement of profit or loss	Fair value through statement of profit or loss
Financial assets (IFRIC 12)	Loans and receivables	Amortised cost

Financial liabilities	Original classification under IAS 39	New classification under IFRS 9
Derivative instruments	Fair value through statement of profit or loss	Fair value through statement of profit or loss
Borrowings	Amortised cost	Amortised cost
Financial lease liabilities	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost

2.12 Summary of Significant Accounting Policies

Business Combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale* and *Discontinued Operations* are measured in accordance with that Standard.

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. When the contingent consideration classified as asset or liability is in the nature of financial instruments and within the context of IFRS 9 Financial Instruments, it is re-measured at fair value and; gain or loss due to changes are recognized in profit or loss or other comprehensive income. Those are not within the context of IFRS 9 are re-measured in accordance with IAS 37 ***Provisions, Contingent Liabilities and Contingent Assets.***

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually (Note: 2.13), or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Related Parties

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

(a) A person or a close member of that person's family is related to a reporting entity if that person:

i. has control or joint control over the reporting entity;
ii. has significant influence over the reporting entity; or
iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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(b) An entity is related to a reporting entity if any of the following conditions applies:

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

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

Revenue Recognition

The Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

The Group recognizes revenue based on the following main principles:

- Identification of customer contracts
- Identification of performance obligations
- Determination of transaction price in the contract
- Allocation of price to performance obligations
- Recognition of revenue when the performance obligations are fulfilled

The Group recognizes revenue from its customers only when all of the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- The Group can identify each party's rights regarding the goods or services to be transferred,
- The Group can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance,
- It is probable that The Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

At the contract inception date, the Group evaluates the goods and services committed to be provided to the customer based on the contract and identifies each commitment as a separate performance obligation. In addition to that, the Group determines whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for the other party to provide those goods or services. The Group is a principal if it controls a promised good or service before the Group transfers the good or service to a customer. When a Group that is a principal satisfies a performance obligation, it recognizes as revenue the gross amount of consideration which it expects to be entitled to in exchange for those goods or services. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party and in such a position, the Group does not recognize the revenue of the consideration at gross amount.

The Group determines the transaction price in accordance with contract terms and customs of trade. Transaction price is the amount of consideration which is expected to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group, allocates the transaction price to each performance obligation (or distinct goods or services), by reference to the consideration is considered to be deserved in return of the goods and services transferred to the customer. In this allocation, the Group allocates the transaction price determined in the contract to the standalone independent sales prices of these goods and services, where the Group identifies the prices of goods and services committed to be provided in the contract at the date of the inception of the contract and allocates the transaction price on these independent relative prices proportionally.

If the aggregate independent sales prices of the goods and services undertaken in the contract exceeds the transaction price in the contract, the customer has received discount on the purchase of goods or services. The Group allocates the discount to the all performance obligations retained in the contract proportionally except for the circumstances where there are observable inputs indicating that, the discount is provided for some but not all of the performance obligations.

The Group's performance obligations consist of electricity distribution, transmission services and electricity retail sales and sales services. The customer simultaneously receives and consumes the benefits provided by the Group's performance. Electricity distribution, transmission and retail services are recognized as soon as the service is provided; and electricity retail sales are recognized as soon as the electricity is delivered. The Group transfers the control of the goods or services sold to the customer at the same time and the revenue is recognized when the performance obligation is fulfilled. Due to the Group's operations, IFRS 15 did not have a significant impact on the financial position and performance of the Group.

Distribution part of the revenue is composed of distribution, meter reading services, transmission and theft and loss components. Distribution and meter reading service components are considered within the content of service concession arrangements due to the regulations of EMRA. Additionally, according to the Electricity Market Law, the Electricity Market Tariffs Communiqué and other related regulations, the Group's distribution, transmission and meter reading services are subject to revenue caps which cover operating expenses and investment requirements related to distribution and meter reading services. Moreover, transmission revenue is a complete pass-through of transmission costs as charged by Türkiye Elektrik İletim A.Ş. ("TEİAŞ"). These regulations guarantee revenue to the Group during the transition period regardless of the consumption level. The under billings or overbillings made by the Group are adjusted by EMRA in the tariffs to be effective in two years.

Revenue recognition principles other than the assets classified as due from service concession arrangements under IFRIC 12 are as follows:

Revenue (excluding the distribution business) is recognized upon delivery of electricity to customers or upon fulfilment of services. Delivery is deemed complete when the risk and rewards associated with ownership has been transferred to the buyer as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable.

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Gross profit to be gained from the regulatory portfolio of the Group is determined by EMRA and the revenue of the companies related to the regulated portfolio is computed in accordance with the provisions of "Regulation of Retail Energy Sales Prices" issued by EMRA on 30 December 2015 and "Amendments to Regulation of Retail Energy Sales Prices" published on 31 August 2018 by considering revenue requirements to cover the operational expenses and the doubtful receivable expenses are reflected in the consolidated financial statements accordingly.

Revenue from the sale and delivery of electricity is measured at the fair value of the consideration received or receivable. The estimated value of the electricity supplied but not invoiced to the customers is considered for the measurement of revenue.

Revenue is recognized on an accrual basis at the time the electricity is distributed, at the invoiced values. Net sales represent the invoiced value of electricity distributed excluding TRT energy contribution share, sales commission and sales taxes.

Interest revenue

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

Interest income related to service concession arrangements is recognized in accordance with Service Concession Arrangements ("IFRIC 12"). Interest income on receivable from concession arrangement is recognized on a time-proportion basis using the effective interest method.

Service Concession Arrangements

Service concession arrangements are defined within scope of IFRIC 12 as those whereby a government or other body grants contracts for the supply of public services – operations such as roads, energy distribution, prisons or hospitals – to private operators. The Group's electricity distribution and meter reading service businesses are in the scope of service concession agreements.

Considering the Group's terms in the service concession arrangements, a financial asset model where the Group recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor has been applied, since the right to receive cash for the distribution and meter reading services are constituted through actual billing to subscribers where the distribution and meter reading service components of the billing are already specified or determinable through the regulated by EMRA.

The Group recognizes the revenue on an effective interest method as "Financial Income from Service Concession Arrangements" in profit or loss and other comprehensive income and "Financial Assets" on the consolidated statement of financial position.

Inventories

Inventories mainly include electricity equipment and materials related to the Group's electricity distribution business. Inventories are stated at the lower of cost or net realizable value. The cost of inventories is determined on a weighted average basis. Additional costs, incurred to bring the inventories to the intended usable condition or position, are included in determination of cost.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

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

Intangible assets

Customer contracts and relations and Transfer of Operational Rights

Customer contracts and relations and TOR are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The useful lives of customer contracts and relations range between 25-30 years.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3-5 years).

Financial leasing transactions

Leasing - the Group as Lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

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Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. There were no capitalized borrowing costs in 2017 and 2018.

All other borrowing costs are recognized in statement of profit or loss and other comprehensive income in the period in which they are incurred.

Financial instruments

Financial assets - Classification and measurement

The Group classified its financial assets in three categories as financial assets carried at amortized cost, financial assets carried at fair value though profit of loss, financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

a) Financial assets carried at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables", "other receivables", "financial assets" (IFRIC 12) and "cash and cash equivalents" in the statement of financial position.

Impairment

The Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables and financial assets (IFRIC 12) carried at amortized cost on its consolidated financial statements, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables and financial assets as a result of a specific events, the Group measures expected credit loss from these receivables and financial assets by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectation based on the macroeconomic indications.

b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. The Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. The Group's financial instruments at fair value through profit or loss consist of forward contracts.

ii) Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "derivative instruments" in the statement of financial position. Gains or losses on a financial asset carried at fair value through other comprehensive income is recognized in other comprehensive income under the scope of hedge accounting. The Group's financial assets carried at fair value through other comprehensive income consist of cross currency swaps.

Offsetting

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

Provisions, contingent liabilities, contingent assets

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

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

Contingent liabilities are assessed continuously to determine probability of outflow of economically beneficial assets. For contingent liabilities, when an outflow of resources embodying economic benefits are probable, provision is recognized for this contingent liability in the period when the probability has changed, except for cases where a reliable estimate cannot be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision

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is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When the outflow of economic benefits from the Group is probable but the amount cannot be measured reliably, the Group discloses this fact in the notes.

Earnings per share

Earnings per share disclosed in the consolidated statement of profit or loss and other comprehensive income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

Segment reporting

The Group has electricity distribution and retail operating segments, which includes the information used from management to evaluate performance and taking decision for resource allocation. These segments are managed separately because it is influenced by different economic situations and business positions in terms of risk and return.

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision-makers. The chief operating decision-makers are responsible for the decisions related to the allocation of resources to the segments and assessment of performance of segments.

Government grants

The Group has obtained the investment incentive certificate from the Ministry of Economy on 15 January 2016 and utilizes VAT exemption for machinery equipment purchases from domestic suppliers in the scope of renewal of existing investments.

Taxation and deferred income taxes

Turkish Tax Legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of current tax and deferred tax expenses.

Current tax expense

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the comprehensive income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

Subsequent events

Subsequent events; even if they occur after any announcement related with profit or public announcement of other chosen financial information, covers any event between the balance sheet date and the publication date of the balance sheet.

In the case that events requiring an adjustment to the financial statements occur subsequent to the date of statement of financial position, the Group makes the necessary corrections on the consolidated financial statements.

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Employment benefits

Termination and retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per IAS 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit obligation recognized in the statement of the financial position represents the present value of the defined benefit obligation. Actuarial gains and losses have no material impact in the consolidated financial statements and are recognized in the statement of profit or loss and other comprehensive income.

Vacation rights

The liabilities related to unused vacation rights are accrued when they are entitled.

Defined contribution plans

The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Statement of cash flow

In statement of cash flows, cash flows are classified according to operating, investing and financing activities.

Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (tangible and intangible assets and financial assets).

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

Share capital and dividends

Common shares are classified as equity.

Dividends on common shares are recognized in equity in the period in which they are approved and declared. Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

2.13 Significant Accounting Estimates and Assumptions

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the Group's accounting policies

Use of Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Impairment test of Goodwill

Pursuant to IAS 36 ***Impairment of Assets***, the Group tested goodwill as of 31 December 2018 in accordance with the accounting policy stated at Note: 2.12. The goodwill impairment test is carried out for Retail and Distribution Cash Generating Units ("CGUs"). As of 31 December 2018, the following assumptions were used to determine the recoverable amount of Retail CGU:

CGU:	**Retail**
Base used for the recoverable amount:	Value in use
Source:	Forecasted cash flows
WACC (TL):	19.8%
Annual weighted electricity demand increase rate	3.7%
Annual average inflation rate	16.6%

The net present value of Retail CGU was calculated by discounting the post-tax TL, which is the functional currency of the Group, free cash flows. The Group compared the recoverable amount calculated based on the aforementioned assumptions to the total value of Retail CGU and a goodwill impairment provision of TL 752,904 has been determined and recognized in the consolidated financial statements.

As of 31 December 2018, the following assumptions were used to determine the recoverable amount of Distribution CGU:

CGU:	**Distribution**
Base used for the recoverable amount:	Value in use
Source:	Forecasted cash flows during the license period
WACC (TL):	17.8%
Annual weighted electricity demand increase rate	3.7%
Annual average inflation rate	16.6%

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The net present value of Distribution CGU was calculated by discounting the post-tax free cash flows for the discrete period from 2015 to 2036 for BAŞKENT EDAŞ and from 2015 to 2042 for AYEDAŞ and TOROSLAR EDAŞ. This calculation includes the discounted values of the TL cash flows of Distribution CGU which is the functional currency of the Group. The Group compared the recoverable amount calculated based on the aforementioned assumptions to the total value of Distribution CGU and no impairment was identified.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the consolidated balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below:

Service concession arrangements

The Group determines the financial asset and financial income balances recognized under service concession arrangements based on the cash flows derived from the tariffs announced by EMRA. The distribution revenue requirement of the Group during the second (2011 - 2015) and third tariff periods (2016 - 2020) was determined by EMRA considering the projected expenses and related tariffs which were published in 2010 and 2015. Moreover, distribution revenue requirements from the end of third tariff period to the end of license (2036 for BAŞKENT EDAŞ and 2042 for AYEDAŞ and TOROSLAR EDAŞ) are expected by the Group management based on the tariff components announced for the third tariff period. These tariffs are revised yearly due to inflation, based on the changes in the Electricity Market Index ("EMI") (Since the "EMI" is not announced, CPI ("Consumer Pirce Index") is considered as based). In determination of the aforementioned projected cash inflows in the upcoming periods the Group management made estimates related to the CPI rate and the WACC ("Weighted Average Capital Cost") rate determined in the latest tariff period continued to be used until the end of the license period.

Revenue recognition

Invoices of the subscribers other than residential and commercial groups are issued monthly at the end of each month by the Group whereas the invoices of the residential subscribers are issued continuously during each month due to the high number of subscribers in this group. Commercial group subscribers are also issued continuously during the month due to the high number of customers in this group although the subscribers with high consumption level are billed at the end of the month. As a result, the total electricity supplied to the residential and commercial subscribers during each month cannot be invoiced and income accruals are recognized as revenue at period-ends for these customer groups based on the actual billing performance.

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NOTE 3 - SHARES IN OTHER PARTIES

Subsidiaries

			Proportion of ownership (%)	
Name of Subsidiary	Principal activity	Place of incorporation and operation	31 December 2018	31 December 2017
BAŞKENT EDAŞ	Electricity Distribution Services	Ankara	100	100
EPS	Electricity Retail Services	Ankara	100	100
AYEDAŞ	Electricity Distribution Services	İstanbul	100	100
AEPSAŞ	Electricity Retail Services	İstanbul	100	100
TOROSLAR EDAŞ	Electricity Distribution Services	Adana	100	100
TOROSLAR EPSAŞ	Electricity Retail Services	Adana	100	100
Enerjisa Müşteri Çözümleri A.Ş.	Customer Solutions and Distributed Generation Services	İstanbul	100	100
E-şarj	Electric Vehicles and Charging Stations Equipment Services	İstanbul	80	-

		Number of subsidiaries owned by the Group	
Principal Activity	Place of incorporation and operation	31 December 2018	31 December 2017
Electricity Distribution Services	Ankara, İstanbul, Adana	3	3
Electricity Retail Services	Ankara, İstanbul, Adana	3	3
Customer Solutions and Distributed Generation Services	İstanbul	1	1
Electric Vehicles and Charging Stations Equipment Services	İstanbul	1	-

NOTE 4 - SEGMENT REPORTING

The business activities of the Group are managed and organized according to the services provided in the electricity market. The Group has two main operating segments; electricity distribution and retail. The principal activity of distribution segment is the transmission of electricity over lines to the end users through distribution networks, by also providing infrastructure investments due to the regulated tariffs announced by EMRA; whereas the retail segment conduct retail sales of electricity to the customers. Enerjisa Müşteri Çözümleri A.Ş.'s and E-şarj Elektrikli Araçlar Şarj Sistemleri A.Ş.'s activities are also disclosed under Retail segment. The Group performs segment reporting according to IFRS 8 in order to provide unbiased and transparent information to the investor. The Group management follows the performance of the business segments with operating profit and net profit for the period, as well as financial and non-financial indicators. In addition to the requirements for segment reporting, Group management have included this information in their reporting footnotes, considering that some financial statement readers may use this information in their analyzes.

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The following table contains information on the Group's sales and profit from its operations for the year ended 31 December 2018 and 31 December 2017.

1 January - 31 December 2018	Distribution	Retail	Unallocated (*)	Eliminations (**)	Total
Revenue	6,985,840	11,360,947	29,157	(29,157)	18,346,787
Cost of sales (-)	(1,689,929)	(10,690,336)	-	-	(12,380,265)
Gross profit / (loss)	**5,295,911**	**670,611**	**29,157**	**(29,157)**	**5,966,522**
General administrative expenses (-)	(1,271,605)	(341,348)	(269,674)	33,770	(1,848,857)
Other income / (expense) from operating activities - net	(240,692)	(305,473)	(755,696)	(4,613)	(1,306,474)
Operating profit / (loss)	**3,783,614**	**23,790**	**(996,213)**	-	**2,811,191**
Financial income	8,076	323,313	398,790	(625,309)	104,870
Financial expense (-)	(1,267,369)	(7,933)	(944,072)	625,309	(1,594,065)
Profit / (loss) before taxation on income	**2,524,321**	**339,170**	**(1,541,495)**	-	**1,321,996**
Current tax expense (-)	(24,524)	(61,425)	-	-	(85,949)
Deferred tax income / (expense)	(507,025)	(24,174)	42,849	-	(488,350)
Net profit / (loss) for the period	**1,992,772**	**253,571**	**(1,498,646)**	-	**747,697**

(*) TL 208,663 out of TL 258,182 depreciation and amortization expenses represents amortization expenses of intangible assets (Note 12), which is presented as unallocated under operating expenses. The majority of financial expenses under unallocated part mainly represent costs of loans utilized for the acquisitions of distribution and retail business. The Group management follows the performances of the operating segments excluding acquisitions related loans, therefore the amounts have not been distributed to the segments.

(*) Other income / (expense) from operating expenses – net includes goodwill impairment provision of TL 752,904.

(**) The Group netted of pass-through distribution related revenue and distribution related costs amounting to TL 4,157,003 (2017: TL 3,116,169) within the Retail segment after the amendments of IFRS 15, which has been previously eliminated in consolidated level.

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1 January - 31 December 2017	Distribution	Retail	Unallocated (*)	Eliminations (**)	Total
Revenue	4,933,635	10,520,293	7,059	(3,116,169)	12,344,818
Cost of sales (-)	(1,402,091)	(10,109,475)	(16,930)	3,116,169	(8,412,327)
Gross profit / (loss)	**3,531,544**	**410,818**	**(9,871)**	-	**3,932,491**
General administrative expenses (-)	(1,071,516)	(253,205)	(243,191)	49,264	(1,518,648)
Other income / (expense) from operating activities - net	(142,898)	3,732	15,297	(49,264)	(173,133)
Operating profit / (loss)	**2,317,130**	**161,345**	**(237,765)**	-	**2,240,710**
Financial income	5,692	208,936	127,431	(253,568)	88,491
Financial expense (-)	(654,537)	(8,632)	(635,882)	253,568	(1,045,483)
Profit / (loss) before taxation on income	**1,668,285**	**361,649**	**(746,216)**	-	**1,283,718**
Current tax expense (-)	(34,227)	(17,115)	-	-	(51,342)
Deferred tax income / (expense)	(218,770)	(67,426)	41,829	-	(244,367)
Net profit / (loss) for the period	**1,415,288**	**277,108**	**(704,387)**	-	**988,009**

(*) TL 208,663 out of TL 235,331 depreciation and amortization expenses, represents amortization expenses of intangible assets (Note 12), which is presented as unallocated under operating expenses. The majority of financial expenses under unallocated part mainly represent costs of loans utilized for the acquisitions of distribution and retail business. The Group management follows the performances of the operating segments excluding acquisitions related loans, therefore the amounts have not been distributed to the segments.

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The information below includes information about the Group's financial status of its business segments related to the year ended 31 December 2018 and 31 December 2017.

As at 31 December 2018	Distribution	Retail	Unallocated (*)	Eliminations	Total
Segment assets					
Cash and cash equivalents	261,559	300,696	97	-	562,352
Trade receivables	1,298,790	2,539,979	36,637	(363,017)	3,512,389
Inventories	145,851	2,105	-	-	147,956
Derivative instruments	313,028	-	-	-	313,028
Financial assets	9,299,871	-	(5,236)	-	9,294,635
Property, plant and equipment	306,241	62,493	3,293	(7,000)	365,027
Intangible assets	709	41,822	6,696,418	-	6,738,949
Deferred tax assets	-	2,847	-	-	2,847
Other receivables and assets	2,135,533	1,197,935	1,902,406	(3,048,016)	2,187,858
Total assets	**13,761,582**	**4,147,877**	**8,633,615**	**(3,418,033)**	**23,125,041**
Segment liabilities					
Financial liabilities	5,502,238	-	4,081,190	(384,572)	9,198,856
Other financial liabilities	366,022	-	-	-	366,022
Trade payables	1,575,355	1,255,813	12,766	(363,017)	2,480,917
Derivative instruments	8,732	2,572	-	-	11,304
Deferred tax liabilities	369,342	67,475	941,966	-	1,378,783
Other payables and liabilities	2,959,041	2,155,726	938,921	(2,663,444)	3,390,244
Total liabilities	**10,780,730**	**3,481,586**	**5,974,843**	**(3,411,033)**	**16,826,126**

(*) The majority of intangible assets under unallocated part represents customer contracts, transfer of operating rights and goodwill (Note 12). The majority of bank borrowings under unallocated part represent loans utilized for the acquisitions of distribution and retail business. The related amounts were not distributed to the segments since the Group management follows the performances of the operating segments excluding this related assets and liabilities.

(*) As of 31 December 2018 the Group has recorded an impairment provision of TL 5,236 for its financial assets in accordance with IFRS 9 Financial Instruments.

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As at 31 December 2017	Distribution	Retail	Unallocated (*)	Eliminations	Total
Segment assets					
Cash and cash equivalents	16,948	144,250	11,552	-	172,750
Trade receivables	1,261,083	1,443,198	38,993	(360,834)	2,382,440
Inventories	101,754	-	-	-	101,754
Derivative instruments	27,232	10,042	6,780	-	44,054
Financial assets	6,438,431	-	-	-	6,438,431
Property, plant and equipment	105,519	54,762	778	(7,000)	154,059
Intangible assets	2,242	30,269	7,654,785	-	7,687,296
Deferred tax assets	204,333	5,624	-	-	209,957
Other receivables and assets	1,964,651	1,373,241	1,617,353	(3,560,008)	1,395,237
Total assets	**10,122,193**	**3,061,386**	**9,330,241**	**(3,927,842)**	**18,585,978**
Segment liabilities					
Financial liabilities	3,619,530	-	3,588,490	-	7,208,020
Other financial liabilities	309,666	-	-	-	309,666
Trade payables	862,860	1,002,664	7,809	(360,834)	1,512,499
Derivative instruments	-	1,797	-	-	1,797
Deferred tax liabilities	59,539	46,079	984,835	-	1,090,453
Other payables and liabilities	2,680,084	1,398,629	2,064,435	(3,560,008)	2,583,140
Total liabilities	**7,531,679**	**2,449,169**	**6,645,569**	**(3,920,842)**	**12,705,575**

(*) The majority of intangible assets under unallocated part represents customer contracts, transfer of operating rights and goodwill (Note 12). The majority of bank borrowings under unallocated part represent loans utilized for the acquisitions of distribution and retail business. The related amounts were not distributed to the segments since the Group management follows the performances of the operating segments excluding this related assets and liabilities.

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1 January - 31 December 2018	Distribution	Retail	Unallocated (*)	Eliminations	Total
Cash Flows from Operating Activities	**2,354,837**	**(151,615)**	**(116,632)**	-	**2,086,590**
Profit for the period	1,992,772	253,571	(1,498,646)	-	747,697
Adjustments to reconcile net profit for the period	687,851	269,595	1,437,633	-	2,395,079
Changes in operating assets and liabilities	(1,644,964)	(648,165)	(123,618)		(2,416,747)
Cash generated from operating activities	1,035,659	(124,999)	(184,631)	-	726,029
Tax payments	(19,136)	(16,703)	1,231	-	(34,608)
Other cash inflows / (outflows)	1,338,314	(9,913)	66,768	-	1,395,169
Cash Flows from Investing Activities	**(2,376,072)**	**278,091**	**1,105,105**	**(513,092)**	**(1,505,968)**
Restructring effects of companies under common control (*)	(827,279)	-	827,279	-	-
Cash used for purchase of property, plant and equipment and intangible assets	(225,438)	(38,327)	(14,561)	-	(278,326)
Interest received	-	316,418	292,761	(513,092)	96,087
Other cash out-flows (**)	(1,323,355)	-	(374)	-	(1,323,729)
Cash Flows from Financing Activities	**265,846**	**29,970**	**(999,928)**	**513,092**	**(191,020)**
Increase in cash and cash equivalents	244,611	156,446	(11,455)	-	389,602
Cash and cash equivalents at the beginning of the period	16,948	144,250	11,552	-	172,750
Cash and cash equivalents at the end of the period	**261,559**	**300,696**	**97**	**-**	**562,352**

(*) As of 31 December 2017 work force operating for distribution services, previously as a separate business line under Enerjisa Enerji A.Ş., has been transferred to distribution companies.

(**) Other cash out-flows include capital expenditures related to service concession arrangements.

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1 January - 31 December 2017	Distribution	Retail	Unallocated (*)	Eliminations	Total
Cash Flows from Operating Activities	**1,596,860**	**314,205**	**(52,044)**	-	**1,859,021**
Profit for the period	1,415,288	277,108	(704,387)	-	988,009
Adjustments to reconcile net profit for the period	144,491	51,136	774,375	-	970,003
Changes in operating assets and liabilities	(901,833)	7,637	(94,302)	-	(988,499)
Cash generated from operating activities	657,946	335,881	(24,314)	-	969,513
Tax payments	(48,912)	(14,763)	(1,235)	-	(64,910)
Other cash inflows / (outflows)	987,826	(6,913)	(26,495)	-	954,418
Cash Flows from Investing Activities	**(1,705,002)**	**156,105**	**75,002**	**(208,530)**	**(1,682,425)**
Cash used for purchase of property, plant and equipment and intangible assets	(83,743)	(29,882)	(12,986)	-	(126,611)
Interest received	-	185,987	87,988	(208,530)	65,445
Other cash out-flows (*)	(1,621,259)	-	-	-	(1,621,259)
Cash Flows from Financing Activities	**102,739**	**(378,279)**	**(11,406)**	**208,530**	**(78,416)**
Increase in cash and cash equivalents	(5,403)	92,031	11,552	-	98,180
Cash and cash equivalents at the beginning of the period	22,351	52,219	-	-	74,570
Cash and cash equivalents at the end of the period	**16,948**	**144,250**	**11,552**	-	**172,750**

(*) Other cash out-flows include capital expenditures related to service concession arrangements.

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NOTE 5 - RELATED PARTY TRANSACTIONS

The immediate parents and ultimate controlling parties of the Group are Sabancı (incorporated in Turkey) and E.ON (incorporated in Germany). Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

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

(1) Sabancı Holding and E.ON group companies
(2) Shareholder

Details of transactions between the Group and other related parties are disclosed below:

Related Party Bank Balances- Akbank T.A.Ş. (1)	31 December 2018	31 December 2017
Demand deposits	42,061	13,943
Time deposits	54,150	11,407
Repurchase agreements	235,062	2,000
	331,273	**27,350**

			31 December 2018	
Loans provided by related parties	**Original currency**	**Maturity**	**Current liabilities**	**Non-current liabilities**
Akbank T.A.Ş. (1)	TL	2 January 2019	11,625	-
Akbank T.A.Ş. (1)	TL	2 January 2019	2,606	-
Akbank T.A.Ş. (1)	TL	29 July 2019	315,135	-
Akbank T.A.Ş. (1)	USD	5 August 2019	348,574	-
Akbank T.A.Ş. (1)	TL	9 September 2019	201,650	-
Akbank T.A.Ş. (1)	USD	27 September 2019	529,030	-
Akbank T.A.Ş. (1)	TL	25 October 2019	53,253	-
Akbank T.A.Ş. (1)	TL	25 October 2019	106,080	-
Akbank T.A.Ş. (1)	TL	9 January 2020	32,032	480,000
Akbank T.A.Ş. (1)	TL	2 June 2020	1,691	150,000
Akbank T.A.Ş. (1)	TL	2 June 2020	3,882	300,000
Akbank T.A.Ş. (1)	TL	30 September 2020	10,570	303,000
Akbank T.A.Ş. (1)	TL	5 November 2020	15,810	300,000
Akbank T.A.Ş. (1)	TL	20 May 2021	5,485	150,000
			1,637,423	**1,683,000**

As of 31 December 2018, the interest rates of TL intercompany loans utilized are in the range of 13.51% - 34.44% (31 December 2017: 12.86% - 16.07%). As of 31 December 2018, the interest rate of USD related party loans utilized is 4.88% (31 December 2017: 4.88%- 4.99%).

As of 31 December 2018 and 31 December 2017, the Group has not given any collateral for the loans.

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			31 December 2017	
Loans provided by related parties	Original currency	Maturity	Current liabilities	Non-current liabilities
Akbank T.A.Ş. (1)	TL	30 March 2018	258,396	-
Akbank T.A.Ş. (1)	USD	6 July 2018	386,544	-
Akbank T.A.Ş. (1)	TL	29 July 2019	17,676	297,000
Akbank T.A.Ş. (1)	USD	5 August 2019	14,344	239,875
Akbank T.A.Ş. (1)	TL	9 September 2019	1,727	200,000
Akbank T.A.Ş. (1)	USD	27 September 2019	14,407	377,190
Akbank T.A.Ş. (1)	TL	9 January 2020	31,850	480,000
Akbank T.A.Ş. (1)	TL	2 June 2020	3,882	300,000
Akbank T.A.Ş. (1)	TL	2 June 2020	1,807	150,000
Akbank T.A.Ş. (1)	TL	30 September 2020	10,799	303,000
			741,432	**2,347,065**

Related party derivative instruments – Akbank T.A.Ş. (1)

			31 December 2018		
	Contract Amount (USD)	Contract Amount (EUR)	Contract Amount (TL)	Assets	Liabilities
Forward exchanges	16,993	51,105	397,459	-	(9,379)
Cross currency swap	163,595	-	860,657	299,154	-
	180,588	51,105	1,258,116	299,154	(9,379)

			31 December 2017		
	Contract Amount (USD)	Contract Amount (EUR)	Contract Amount (TL)	Assets	Liabilities
Forward exchanges	9,071	-	34,213	-	(240)
Cross currency swap	163,595	-	617,065	24,187	-
Foreign exchange swap	105,071	-	396,316	6,780	-
	277,737	-	1,047,594	30,967	(240)

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	31 December 2018		
	Receivables		Payables
	Current		Current
	Trade	Other	Trade
Balances with Related Parties			
Akbank T.A.Ş. (1)	876	-	-
Akçansa Çimento Sanayi ve Ticaret A.Ş. (1)	67,751	-	-
Aksigorta A.Ş. (1) (**)	2	-	-
AvivaSA Emeklilik ve Hayat A.Ş. (1) (**)	101	-	-
Sabancı Dijital Teknoloji Hizmetleri A.Ş.(1) (***)	-	-	807
Brisa Bridgestone Sabancı Lastik San. Tic. A.Ş. (1)	-	-	594
Carrefoursa A.Ş. (1)	2,710	-	-
Çimsa Çimento Sanayi A.Ş. (1)	57,567	-	10
Enerjisa Üretim Santralleri A.Ş. (1)	424	-	92,803
Hacı Ömer Sabancı Holding A.Ş. (2) (*)	306	-	-
Philip Morris Sabancı Pazarlama Satış A.Ş. (1)	98	-	-
Teknosa İç ve Dış Ticaret A.Ş. (1)	245	-	3
Temsa Global San. ve Tic. A.Ş. (1)	572	-	-
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. (1)	180	-	-
	130,832	-	**94,217**

	31 December 2017		
	Receivables		Payables
	Current		Current
	Trade	Other	Trade
Balances with Related Parties			
Akbank T.A.Ş. (1)	2,489	-	-
Akçansa Çimento T.A.Ş. (1)	18,464	-	-
Aksigorta A.Ş. (1) (**)	9	-	1,890
Bimsa Uluslararası İş ve Bilgi Sistemleri A.Ş. (1) (***)	-	-	1,978
Brisa Bridgestone Sabancı Lastik San. Tic. A.Ş. (1)	243	-	-
Carrefoursa A.Ş. (1)	6,164	-	-
Çimsa Çimento Sanayi A.Ş. (1)	11,954	-	-
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş.	12	-	-
Enerjisa Üretim Santralleri A.Ş. (1)	872	598	141,130
Hacı Ömer Sabancı Holding A.Ş. (2) (*)	325	-	34
Teknosa İç ve Dış Ticaret A.Ş. (1)	-	-	61
Temsa Global San. ve Tic. A.Ş. (1)	327	-	-
	40,859	**598**	**145,093**

(*) Includes rent expenses that are invoiced by shareholder, Sabancı to its group companies.

(**) Includes premiums covered under the policies signed with Aksigorta A.Ş. and AvivaSA Emeklilik ve Hayat A.Ş. which are operating as insurance companies.

(***) Includes IT consulting and software fees that are billed to the group companies by Sabancı Dijital Teknoloji Hizmetleri A.Ş. (2017: Bimsa Uluslararası İş ve Bilgi Sistemleri A.Ş.), one of the group companies.

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Key management compensation

Key management includes Chairman and members of the Board of Directors, General Manager, Heads of Units and Directors. The compensation paid or payable to key management for employee services is shown below:

	1 January - 31 December 2018	1 January - 31 December 2017
Short-term employee benefits	21,100	22,039
Long-term employee benefits	790	293
Termination benefits	-	181
	21,890	**22,513**

	1 January - 31 December 2018						
	Electricity sales	Electricity purchases	Interests received	Interests paid	Other income	General administrative expenses	Other expenses
Balances with Related Parties							
Akbank T.A.Ş. (1)	7,562	-	871	358,064	-	-	-
Akçansa Çimento Sanayi ve Ticaret A.Ş. (1)	139,336	-	-	-	-	-	-
Aksigorta A.Ş. (1) (**)	39	-	-	-	-	3	-
AvivaSA Emeklilik ve Hayat A.Ş. (1) (**)	681	-	-	-	-	-	-
Sabancı Dijital Teknoloji Hizmetleri A.Ş. (1) (*)	1,174	-	-	-	-	8,409	-
Brisa Bridgestone Sabancı Lastik San. Tic. A.Ş. (1)	2	-	-	-	-	2,122	-
Carrefoursa A.Ş. (1)	57,528	-	-	-	-	8	-
Çimsa Çimento Sanayi A.Ş. (1)	121,886	-	-	-	-	-	-
Enerjisa Üretim Santralleri A.Ş. (1)	402	279,770	-	-	2,425	552	-
Hacı Ömer Sabancı Holding A.Ş. (2) (***)	3,756	-	-	-	-	1,384	-
Philip Morris Sabancı Pazarlama Satış A.Ş. (1)	578	-	-	-	-	-	-
Philsa Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. (1)	132	-	-	-	-	-	-
Teknosa İç ve Dış Ticaret A.Ş. (1)	2,143	-	-	-	-	5	-
Temsa Global San. ve Tic. A.Ş. (1)	4,062	-	-	-	-	-	-
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. (1)	958	-	-	-	-	-	-
	340,239	**279,770**	**871**	**358,064**	**2,425**	**12,483**	-

(*) Includes IT consulting and software fees that are billed to the group companies by Sabancı Dijital Teknoloji Hizmetleri A.Ş. (2017: Bimsa Uluslararası İş ve Bilgi Sistemleri A.Ş.), one of the group companies.

(**) Includes premiums covered under the policies signed with Aksigorta A.Ş. and AvivaSA Emeklilik ve Hayat A.Ş. which are operating as insurance companies.

(***) Includes rent expenses that are invoiced by shareholder, Sabancı to its group companies.

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	1 January - 31 December 2017						
	Electricity sales	Electricity purchases	Interests received	Interests paid	Other income	General administrative expenses	Other expenses
Balances with Related Parties							
Akbank T.A.Ş. (1)	27,523	-	16,512	411,983	-	-	1,377
Akçansa Çimento Sanayi ve Ticaret A.Ş. (1)	66,896	-	-	-	-	-	-
Aksigorta A.Ş. (1) (**)	41	-	-	-	-	-	2,275
AvivaSA Emeklilik ve Hayat A.Ş. (1) (**)	469	-	-	-	-	-	-
Bimsa Uluslararası İş ve Bilgi Sistemleri A.Ş. (*)	-	-	-	-	-	-	5,264
Brisa Bridgestone Sabancı Lastik San. Tic. A.Ş. (1)	1,421	-	-	-	-	-	-
Carrefoursa A.Ş. (1)	63,663	-	-	-	-	-	22
Çimsa Çimento Sanayi A.Ş. (1)	72,520	-	-	-	-	-	-
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş.	-	828,799	-	-	1,082	-	1,796
Enerjisa Enerji Üretim A.Ş.	318	-	-	-	7,416	-	1,312
Enerjisa Doğalgaz Toptan Satış A.Ş.	-	-	-	-	48	-	-
Exsa Export San. Mamülleri Satış ve Araştırma A.Ş. (1)	4	-	-	-	-	-	-
Hacı Ömer Sabancı Holding A.Ş. (2) (***)	5,188	-	-	-	-	-	1,720
Hacı Ömer Sabancı Vakfı (1)	-	-	-	-	-	-	3,550
Sabancı Üniversitesi (1)	3,914	-	-	-	-	-	2,450
Teknosa İç ve Dış Ticaret A.Ş. (1)	3,572	-	-	-	-	-	3
Temsa Global San. ve Tic. A.Ş. (1)	3,074	-	-	-	-	-	-
	248,603	**828,799**	**16,512**	**411,983**	**8,546**	-	**19,769**

(*) Includes IT consulting and software fees that are billed to the group companies by Bimsa Uluslararası İş ve Bilgi Sistemleri A.Ş. (2018: Sabancı Dijital Teknoloji Hizmetleri A.Ş.), one of the group companies.

(**) Includes premiums covered under the policies signed with Aksigorta A.Ş. and AvivaSA Emeklilik ve Hayat A.Ş. which are operating as insurance companies.

(***) Includes rent expenses that are invoiced by shareholder, Sabancı to its group companies.

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

6.1 Trade Receivables:

	31 December 2018	31 December 2017
Current Trade Receivables		
Trade receivables	5,086,804	3,617,454
Due from related parties (Note 5)	130,832	40,859
Allowance for doubtful receivables (-)	(1,705,247)	(1,275,873)
	3,512,389	**2,382,440**

As of 31 December 2018, trade receivables amounting TL 1,866,858 (31 December 2017: TL 1,773,684) were neither past due nor impaired. Interest is charged at 2% (31 December 2017: 1.40%) per month on the overdue receivable balances.

As of 31 December 2018, trade receivables amounting TL 1,645,531 (31 December 2017: TL 608,756) were past due but not impaired. The aging analysis of trade receivables past due but not impaired as of 31 December 2018 and 31 December 2017 is as follows:

	31 December 2018	31 December 2017
Up to 1 months	373,724	248,197
1 to 3 months	232,242	167,093
Over 3 months	1,039,565	193,465
	1,645,531	**608,756**

In accordance with with the requirements of IFRS 9 introducing a new impairment model based on expected credit losses, the Group has modified impairment calculation method for trade receivables. The Group recognizes the impairment of trade receivables, weighting the lifetime expected credit losses by default (Probability of Default) for all trade receivables on each customer basis and including non-overdue receivables.

Movement of allowance for the doubtful trade receivables are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance	(1,275,873)	(1,032,928)
Charge for the period	(586,616)	(406,764)
Amounts collected during the period	157,242	156,437
Write offs	-	7,382
Closing balance	**(1,705,247)**	**(1,275,873)**

The Group received guarantee letters amounting to TL 834,699 (31 December 2017: TL 1,044,473) and deposits and guarantees amounting to TL 1,693,350 (31 December 2017: TL 1,140,458) as collateral for its electricity receivables.

6.2 Trade Payables:

	31 December 2018	31 December 2017
Current Trade Payables		
Trade payables	2,386,700	1,367,406
Due to related parties (Note 5)	94,217	145,093
	2,480,917	**1,512,499**

Trade payables mainly arise from the Group's electricity purchases from Türkiye Elektrik A.Ş. ("EÜAŞ") and Enerji Piyasaları İşletme A.Ş. ("EPİAŞ"). The average maturity of the payables related to electricity purchases is between 18 - 20 days.

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NOTE 7 - OTHER RECEIVABLES AND PAYABLES

7.1 Other Receivables:

	31 December 2018	31 December 2017
Other Current Receivables		
Income accruals (*)	951,365	458,947
Due from related parties (Note 5)	-	598
Deposits and guarantees given	382	20,706
Receivables from personnel	218	213
Allowance for other doubtful receivables (-)	(3,123)	(3,123)
Other sundry receivables	41,838	17,657
	990,860	**494,998**

	31 December 2018	31 December 2017
Other Non-Current Receivables		
Deposits and guarantees given (**)	273,428	205,134
Income accruals (*)	628,120	204,379
Other sundry receivables (***)	81,997	63,992
	983,545	**473,505**

(*) According to the Electricity Market Law, the Electricity Market Tariffs Communiqué and other related regulations the Group's distribution, transmission and meter reading services are subject to revenue caps. Realized revenue is determined in a way to cover operating expenses and investment requirements related to distribution, transmission and meter reading. Moreover, transmission revenue is a complete pass-through of transmission costs as charged by Türkiye Elektrik İletim A.Ş. These regulations guarantee revenue to the Group regardless of the consumption level. The under billings or overbillings made by the Group are calculated at every year end and are adjusted through the tariffs to be effective in two years by EMRA. The effects of the under billings, which means the actual revenue is below the revenue cap set by EMRA, are accounted as income accruals at the Group's accompanying consolidated financial statements.

(**) The balance represents subscription fees refunded to the subscribers, subscribed before 31 March 2006 for EPS and 24 July 2006 for AEPSAŞ and TOROSLAR EPSAŞ (Note 1) when they leave the system. The balances were paid to the subscribers based on their indexed amounts as required by EMRA periodically. According to the TOR Agreement signed with TEDAŞ, retail companies (EPS, AEPSAŞ and TOROSLAR EPSAŞ) are obliged to keep deposits refunded with their fair values and the net balance of deposits received and paid will be paid back to TEDAŞ at the end of the license periods.

(***) The Group management has assessed that the severance payment provision can be taken with the revenue requirement according to the tariff structure changing with the third tariff period and has imposed an accrued income for the severance payment provision calculated.

Movement of allowance for other doubtful receivables is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance	(3,123)	(3,123)
Closing balance	(3,123)	(3,123)

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7.2 Other Payables:

	31 December 2018	31 December 2017
Other Current Payables		
Payables to tax authority (*)	86,918	-
Other payables	77,561	128,976
Deposits received	16,187	13,778
Lighting payables	43,236	43,236
	223,902	**185,990**

	31 December 2018	31 December 2017
Other Non-Current Payables		
Deposits received (**)	1,693,350	1,140,458
	1,693,350	**1,140,458**

(*) The balance represents the installments made by Ministry for VAT and other taxes related to the year 2018 for BAŞKENT EDAŞ, AYEDAŞ and TOROSLAR EDAŞ according to article of "Tax deferment of debt-compliant taxpayers" within the scope of "Law No: 6183 amending the Procedure Law on Collection of Public Claims".

(**) The Group receives deposits from the customers subscribed after 31 March 2006 for EPS and 24 July 2006 for AEPSAŞ and TOROSLAR EPSAŞ (Note 1) upon their subscription on behalf of TEDAŞ and these deposits are initially recorded at their fair values as the subscription fee charged to customers represents the fees announced by EMRA. According to the TOR Agreements signed with TEDAŞ, retail companies (EPS, AEPSAŞ and TOROSLAR EPSAŞ) are obliged to carry the deposits received by their revalued amounts and the net balance of deposits received and paid will be paid back to TEDAŞ at the end of the license period.

NOTE 8 - INVENTORIES

	31 December 2018	31 December 2017
Spare parts and equipments	144,718	100,772
Trade goods	2,105	-
Other inventories	1,133	982
	147,956	**101,754**

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NOTE 9 - PREPAID EXPENSES AND DEFERRED INCOME

9.1 Prepaid Expenses:

	31 December 2018	31 December 2017
Short-term prepaid expenses		
Prepaid expenses	59,050	8,636
Inventory advances given	11,239	135,035
Personnel advances	834	857
Other advances given	232	79
	71,355	**144,607**

	31 December 2018	31 December 2017
Long-term prepaid expenses		
Prepaid expenses	2,575	4,840
	2,575	**4,840**

9.2 Deferred Income

	31 December 2018	31 December 2017
Short Term Deferred Income		
Deferred income (*)	532,231	460,324
Advances received (**)	74,752	145,334
	606,983	**605,658**

	31 December 2018	31 December 2017
Long Term Deferred Income		
Deferred income (*)	-	1,161
	-	**1,161**

(*) According to the Electricity Market Law, the Electricity Market Tariffs Communiqué and other related regulations the Group's distribution, transmission and meter reading services are subject to revenue caps. Realized revenue is determined in a way to cover operating expenses and investment requirements related to distribution, transmission and meter reading. Moreover, transmission revenue is a complete pass-through of transmission costs as charged by Türkiye Elektrik İletim A.Ş. These regulations guarantee revenue to the Group regardless of the consumption level. The under billings or overbillings made by the Group are calculated at every year end and are adjusted through the tariffs to be effective in two years by EMRA. The effects of the overbillings, which means the actual revenue is above the revenue cap set by EMRA, are accounted as deferred income at the Group's accompanying consolidated financial statements.
(**) Advances received balances are due to selling electricity back to EPİAŞ. These advances are netted off from invoices issued at the end of every month.

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NOTE 10 - FINANCIAL ASSETS

	Financial assets	
	31 December 2018	**31 December 2017**
Within one year	791,117	691,860
1-3 years	1,560,529	789,525
3-5 years	2,608,631	889,680
More than 5 years	4,334,358	4,067,366
	9,294,635	**6,438,431**
Current financial assets	791,117	691,860
Non - current financial assets	8,503,518	5,746,571
	9,294,635	**6,438,431**

	Financial assets	
	1 January - 31 December 2018	**1 January - 31 December 2017**
Opening balance	6,438,431	4,293,306
Investments	1,604,664	1,573,484
Collections	(1,432,868)	(979,239)
CAPEX reimbursements	*(798,304)*	*(591,706)*
WACC reimbursements	*(634,564)*	*(437,167)*
Prior tariff adjustments	-	49,634
Financial income	1,716,597	1,013,557
Fair value difference and other	973,047	537,323
Impairment for financial assets (*)	(5,236)	-
Closing balance	**9,294,635**	**6,438,431**

(*) The Group has recorded an impairment provision of TL 5,236 for its financial assets in accordance with IFRS 9 Financial Instruments.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENTS

	Plant, machinery and equipment	**Motor vehicles**	**Furniture and fixtures**	**Construction in progress**	**Total**
Cost					
Opening balance as of 1 January 2018	97,691	40,438	54,318	2,035	194,482
Additions	103,454	-	99,463	42,536	245,453
Transfers from constructions in progress	2,158	-	-	(2,158)	-
Closing balance as of 31 December 2018	203,303	40,438	153,781	42,413	439,935
Accumulated Depreciation					
Opening balance as of 1 January 2018	(5,903)	(26,488)	(8,032)	-	(40,423)
Charge for the period	(20,420)	(3,197)	(10,868)	-	(34,485)
Closing balance as of 31 December 2018	(26,233)	(29,865)	(18,900)	-	(74,908)
Carrying value as of 31 December 2018	176,980	10,753	134,881	42,413	365,027

	Plant, machinery and equipment	**Motor vehicles**	**Furniture and fixtures**	**Construction in progress**	**Total**
Cost					
Opening balance as of 1 January 2017	15,061	36,946	25,670	-	77,677
Additions	82,630	3,492	26,599	2,035	114,756
Assets transferred on merger with the shareholder	-	-	2,049	-	2,049
Closing balance as of 31 December 2017	97,691	40,438	54,318	2,035	194,482
Accumulated Depreciation					
Opening balance as of 1 January 2017	(1,052)	(15,775)	(3,433)	-	(20,260)
Charge for the period	(4,851)	(10,713)	(3,110)	-	(18,674)
Accumulated amortization transferred on merger with the shareholder	-	-	(1,489)	-	(1,489)
Closing balance as of 31 December 2017	(5,903)	(26,488)	(8,032)	-	(40,423)
Carrying value as of 31 December 2017	91,788	13,950	46,286	2,035	154,059

	Useful Life
Plant, machinery and equipment	5 years
Motor vehicles	3 years
Furniture and fixtures	5 years

Depreciation expense of TL 30,441 and TL 4,044 are accounted in general administrative expenses and cost of sales, respectively (2017 general administrative expenses: TL 18,127 and cost of sales: TL 547).

NOTE 12 - INTANGIBLE ASSETS

	Customer contracts and related relationships	Transfer of operating rights	Goodwill	Computer software	Other intangible assets	Total
Cost						
Opening balance as of 1 January 2018	4,390,673	1,650,121	2,730,031	1,152	42,047	8,814,024
Additions	-	-	-	-	28,254	28,254
Closing balance as of 31 December 2018	4,390,673	1,650,121	2,730,031	1,152	70,301	8,842,278
Accumulated Amortization						
Opening balance as of 1 January 2018	(851,479)	(265,141)	-	(1,150)	(8,958)	(1,126,728)
Charge for the period	(152,108)	(56,555)	-	-	(15,034)	(223,697)
Impairment	-	-	(752,904)	-	-	(752,904)
Closing balance as of 31 December 2018	(1,003,587)	(321,696)	(752,904)	(1,150)	(23,992)	(2,103,329)
Carrying value as of 31 December 2018	3,387,086	1,328,425	1,977,127	2	46,309	6,738,949

	Customer contracts and related relationships	Transfer of operating rights	Goodwill	Computer software	Other intangible assets	Total
Cost						
Opening balance as of 1 January 2017	4,390,673	1,650,121	2,730,031	1,152	28,480	8,800,457
Additions	-	-	-	-	11,888	11,888
Assets transferred on merger with the shareholder	-	-	-	-	1,679	1,679
Closing balance as of 31 December 2017	4,390,673	1,650,121	2,730,031	1,152	42,047	8,814,024
Accumulated Amortization						
Opening balance as of 1 January 2017	(699,371)	(208,586)	-	(1,150)	-	(909,107)
Charge for the period	(152,108)	(56,555)	-	-	(7,994)	(216,657)
Assets transferred on merger with the shareholder	-	-	-	-	(964)	(964)
Closing balance as of 31 December 2017	(851,479)	(265,141)	-	(1,150)	(8,958)	(1,126,728)
Carrying value as of 31 December 2017	3,539,194	1,384,980	2,730,031	2	33,089	7,687,296

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Amortization expense of TL 223,697 is included in general administrative expenses (31 December 2017: TL 216,657).

Customer contracts and related relationships and transfer of operating rights are recognized separately during the business combination according to IFRS 3.

On 31 March 2006 BAŞKENT EDAŞ and on 24 July 2006, AYEDAŞ and TOROSLAR EDAŞ signed TOR Agreements with TEDAŞ. In accordance with the TOR agreement, TEDAŞ transferred the operating rights of the distribution system, the distribution facilities, and the other movables and immovable which are crucial for the operation of the distribution facilities to BAŞKENT EDAŞ until the end of 2036 and to AYEDAŞ and TOROSLAR EDAŞ until the end of 2042. Based on the future cash flows fair value of the TOR agreements are determined. The residual value of TOR after the portion recognized as financial asset which calculated based on IFRIC 12 (Note 10) is recognized as intangible asset based on IFRS 3.

The Group recognized TL 3,997 of E-şarj purchase price amounting to TL 4,000 under other intangible assets. However, TL 200 portion of this price will be accounted as contingent liabilities for 13 months following the purchase transaction and following the expiration of such period, TL 200 shall be paid to the sellers on condition that there exists no receivable which the Group had notified the sellers.

In recognition of customer contracts and related relationships; relationships with the different customer groups are identified and a fair value for retail customers is estimated by Group management.

Customer contracts and related relationships and TOR amortization is calculated on a straight line basis in a range between 25-30 years and charged to operating expenses.

A goodwill impairment provision of TL 752,904 has been determined and recognized under other expenses from operating expenses as of 31 December 2018 (2017: None).

NOTE 13 - PROVISIONS

Current Provisions	31 December 2018	31 December 2017
Legal claims (*)	228,030	157,238
Competition Authority administrative fine (**)	107,296	-
	335,326	157,238

(*) Legal claims are set for the probable cash outflows related to the legal disputes. As of 31 December 2018, actual provision amount for the legal claims are determined according to the assessment made by the Group management in which there is high probability that the legal cases will be finalized against the Group.

(**) The Competition Authority conducted an examination for electricity distribution and electricity retail sales companies in the market. Within this scope the Competition Authority rendered a decision to start an investigation against our electricity distribution and incumbent retail company in the İstanbul Anatolian Side distribution region and our incumbent retail companies in the Toroslar electricity distribution region and Başkent electricity distribution region to determine whether the companies had violated Article 6 of the Law on the Protection of Competition in December 2016. The Competition Board has announced its short decision on 9 August 2018 and has imposed İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş., Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş., Enerjisa Başkent Elektrik Perakende Satış A.Ş. ve Enerjisa Toroslar Elektrik Perakende Satış A.Ş. a total administrative fine in the amount of TL 143,062. The reasoned decision of the investigation initiated by the Competition Board has been notified to the subsidiaries on 7 February 2019. As a consequence, the Group recognized a corresponding provision expense of TL 107,296 in the consolidated financial statements, after a discount of 25% can be applied to the fine in case the payment is made within 30 days as of the submission date of the reasoned decision. The board has decided that there is no need to impose an administrative fine to Enerjisa Enerji A.Ş., Toroslar Elektrik Dağıtım A.Ş. and Başkent Elektrik Dağıtım A.Ş. A lawsuit can be filed in Ankara Administrative Court within 60 days from the notification of decision of the Competition Board. With respect to the said monetary penalty, the Group will use all its legal rights among subsidiaries.

The Group is charging the theft and loss costs to the subscribers in accordance with the tariff determined by EMRA. There are legal cases filed by the subscribers to claim back the theft and loss amounts from the Group claiming that they are unfair. Some cases are finalized against the Group while some others in favor of the Group at local courts and consumer arbitrage committees. In June of 2016, statement of "In applications filed in respect of the amounts determined by EMRA within the scope of income and tariff regulations, the authority of the consumer arbitration committees and the courts is limited to the control of compliance with the regulatory procedures of EMRA." has been added to article 17 of Law No. 6446. By this article, it has been determined that in the cases for the theft and loss amounts, the courts can only examine if the theft and loss amounts incurred in accordance with the regulations of the EMRA and it has been ruled that no judgement can be made whether the theft and loss amounts will be collected or not. As of reporting date, the total amount of ongoing cases against the Group is TL 78,812 (31 December 2017: TL 126,397).

Movements of provisions are as follows:

	Other provisions	Legal claims	Total
Opening balance as of 1 January 2018	-	157,238	157,238
Additional provisions recognized	107,296	137,499	244,795
Reversal of provisions	-	(66,707)	(66,707)
Closing balance as of 31 December 2018	107,296	228,030	335,326

	Other provisions	Legal claims	Total
Opening balance as of 1 January 2017	-	138,417	138,417
Additional provisions recognized	-	48,278	48,278
Reversal of provisions	-	(29,457)	(29,457)
Closing balance as of 31 December 2017	-	157,238	157,238

NOTE 14 - COMMITMENT AND CONTINGENCIES

	TL Amount	TL
31 December 2018		
A. Total amount of Collateral Pledge Mortgage (CPM) given on behalf of the legal entity	7,778	7,778
- Collateral	*7,778*	*7,778*
B. Total amount of CPM given against the subsidiaries included in full consolidation	2,110,028	2,110,028
- Collateral	*2,110,028*	*2,110,028*
Total	**2,117,806**	**2,117,806**

	TL Amount	TL
31 December 2017		
A. Total amount of Collateral Pledge Mortgage (CPM) given on behalf of the legal entity	37,454	37,454
- Collateral	*37,454*	*37,454*
B. Total amount of CPM given against the subsidiaries included in full consolidation	1,714,899	1,714,899
- Collateral	*1,714,899*	*1,714,899*
Total	**1,752,353**	**1,752,353**

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Mandatory investments

As the regulated incumbent electricity distribution operator, the Distribution companies have an obligation to make any required expansion investments to the grid infrastructure in order to ensure the security of supply to all customers of the respective region. Such expansion investments are mostly a result of new customer or transmission connection requests as well as new street lighting projects initiated by municipalities that also fall under the regulated activities of Distribution companies.

Energy Sales Agreements

Distribution and retail companies signed Energy Sales Agreements ("ESA") with TETAŞ and Elektrik Üretim A.Ş. ("EÜAŞ") in order to obtain their energy needs during the year. These energy sales agreements have been established based on regulated prices. During the year, the Group is obliged to purchase the energy quantity stated in these agreements. At the current operating conditions and market structure, the Group's energy needs are higher than the contracted quantities and the Group makes purchases regularly from EPİAŞ. As a result, the Group management does not expect any liability related to the Energy Sales Agreements arising from not fulfilling the requirements of Energy Sales Agreements.

NOTE 15 - EMPLOYMENT BENEFITS

	31 December 2018	31 December 2017
Payables Related to Employee benefits:		
Social security premiums payable	23,984	30,647
Payable to personnel	19,233	19,336
	43,217	**49,983**

	31 December 2018	31 December 2017
Short-term Provisions Related to Employee Benefits:		
Bonus provisions	28,779	22,724
	28,779	**22,724**

	31 December 2018	31 December 2017
Long-term Provisions Related to Employee Benefits:		
Provisions for unused vacation	31,959	23,188
Provision for employment termination benefits	83,407	69,544
	115,366	**92,732**

The movement of bonus and unused vacation provisions are as follows:

	Bonus provisions	Unused vacation provision	Total
Opening balance as of 1 January 2018	22,724	23,188	45,912
Additional provisions recognized	25,844	8,771	34,615
Reversal of provisions	(19,789)	-	(19,789)
Closing balance as of 31 December 2018	28,779	31,959	60,738

	Bonus provisions	Unused vacation provision	Total
Opening balance as of 1 January 2017	12,398	17,064	29,462
Additional provisions recognized	19,719	5,694	25,413
Reversal of provisions	(12,434)	-	(12,434)
Obligation transferred on merger with the partner	3,041	430	3,471
Closing balance as of 31 December 2017	22,724	23,188	45,912

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

The amount payable consists of one month's salary limited to a maximum of TL 5,434.42 (full digit) (31 December 2017: TL 4,732.48 (full digit) for each period of service at 31 December 2018.

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. IAS 19 Employee Benefits requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 9.50% and a discount rate of 15.00%, resulting in a real discount rate of approximately 5.20% (31 December 2017: inflation rate of 6.00% and a discount rate of 11.00%, resulting in a real discount rate of approximately 4.72%) Ceiling amount of TL 6,017.60 (full digit) which is in effect since 1 January 2019 is used in the calculation of Groups' provision for retirement pay liability (1 January 2017: TL 5,001.07 (full digit)).

Group management has assessed that the severance payment provisions of electricity distribution companies within the Group can be taken with the revenue requirement according to the changed tariff structure with "Third Tariff Period" and has accounted accrued income for the severance payment provisions calculated for those companies as of 31 December 2018 and 31 December 2017.

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The movement for retirement pay provisions is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance	69,544	56,442
Service cost	29,010	25,445
Interest cost	5,042	2,316
Actuarial gain / (loss)	(2,279)	(2,460)
Retirement payments	(17,910)	(12,387)
Obligation transferred on merger with the shareholder	-	188
Closing balance	83,407	69,544

NOTE 16 - OTHER ASSETS AND LIABILITIES

16.1 Other Current Assets:

	31 December 2018	31 December 2017
Deferred VAT	6,856	57,903
Other prepaid taxes and funds	-	25
Other	117	11
	6,973	**57,939**

16.2 Other Non-current Assets:

	31 December 2018	31 December 2017
Deferred VAT	124,165	208,133
	124,165	**208,133**

16.3 Other Current Liabilities:

	31 December 2018	31 December 2017
Taxes and funds payable	285,907	321,363
Other	4,998	2,108
	290,905	**323,471**

NOTE 17 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

17.1 Share Capital:

	31 December 2018		31 December 2017	
	Share (%)	TL	Share (%)	TL
Shareholders				
Hacı Ömer Sabancı Holding A.Ş.	40	472,427,6	50	590,534,5
DD Turkey Holdings S.A.R.L. (E.ON)	40	472,427,6	50	590,534,5
Other	20	236,213,8	-	-
	100	**1,181,069**	**100**	**1,181,069**
Adjustment to share capital (*)		2,784,755		2,836,364
Total share capital		**3,965,824**		**4,017,433**

It has been decided by the Board of Directors of the Company to make a capital reduction pursuant to Article 474 of the Turkish Commercial Code in order to recover the deficit in the carry forward-losses in the balance sheet with the decision numbered 14 taken on 30 November 2016. As a result of this transaction, the capital account has been deducted from previous years' losses and no change has occurred in total equity.

With the decision of the Board of Directors on 20 April 2017, Enerjisa Enerji A.Ş. merged with Enerjisa Elektrik Dağıtım A.Ş. ("EEDAŞ") and the subsidiaries of EEDAŞ together with all their assets and liabilities with the takeover method. In addition, on 25 August 2017, the Group's electricity generation and wholesale business areas were separated and structured under another company. As a result of these transactions, necessary corrections are made in the registered share capital and the statutory capital after merger and split has been reached.

(*) Adjustment to share capital represents the portion of registered share capital which has been treated as a capital reserve in the statutory books after the merger and split process (Note 1), due to local regulations. Such amount has been classified as adjustment to share capital to comply with the IFRS requirements.

As at 31 December 2018, the capital of the Company comprising 118,106,897 thousand (31 December 2017: 118,106,897 thousand) registered ordinary shares of TL 0.01 each (31 December 2017: TL 0.01 each).

17.2 Earnings per share:

Earnings per share for each class of share disclosed in the consolidated statements of profit or loss and other comprehensive income is determined by dividing the profit for the period attributable to ordinary equity holders of the parent entity by the weighted average number of shares that have been outstanding during the year.

	1 January - 31 December 2018	1 January - 31 December 2017
Profit for the period	747,697	988,009
Weighted average shares (*)	118,106,896,712	118,106,896,712
Earnings per share (kr)	0.63	0.84

(*) For the year ended 31 December 2018 and 2017, earnings per share are computed based on the current number of shares after the reduced capital pursuant to Article 474 of the Turkish Commercial Code in 2016, so as to be comparable with the current period.

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17.3 Restricted Profit Reserves:

	31 December 2018	31 December 2017
Restricted Profit Reserves	216,612	185,265
	216,612	**185,265**

The Company, reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital. The other legal reserve is appropriated at the rate of 10% per annum of all cash dividend distributions after the payment of dividends to the shareholders at a rate of 5%. According to Turkish Commercial Law, if they do not exceed the capital or issued capital general legal reserves can be used to offset prior year losses or recapitalize the business in case of distress.

NOTE 18 - REVENUE

	1 January - 31 December 2018	1 January - 31 December 2017
Revenue from electricity sales and services provided	16,614,264	11,324,199
Retail sales revenue	*10,962,588*	*7,076,392*
Regulated revenue	*9,918,503*	*4,820,199*
Liberalised revenue	*1,044,085*	*2,256,193*
Retail service revenue	*382,433*	*254,541*
Distribution lighting sales revenue	*228,345*	*176,855*
Distribution service revenue	*4,280,904*	*3,146,508*
Transmission revenue	*759,994*	*596,713*
Other regions distribution revenue (***)	-	*73,190*
Financial income from service concession arrangements	1,716,597	1,013,557
Customer solutions revenue	15,926	7,062
	18,346,787	**12,344,818**

NOTE 19 - COST OF SALES

	1 January - 31 December 2018	1 January - 31 December 2017
Electricity purchases	(11,611,362)	(7,715,550)
Retail energy purchases	*(10,681,826)*	*(6,920,117)*
Distribution related energy purchases (*)	*(929,536)*	*(795,433)*
System usage fee (**)	(759,994)	(669,903)
Depreciation and amortization expenses	(4,044)	(547)
Other	(4,865)	(26,327)
	(12,380,265)	**(8,412,327)**

(*) Includes theft/loss and lighting related electricity purchases.

(**) Includes pass-through of transmission and other regions distribution revenue.

(***) The Group netted off other regions' pass-through distribution related revenue and distribution related costs amounting to TL 32,691 with the amendments of IFRS 15.

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NOTE 20 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2018	1 January - 31 December 2017
General administrative expenses (-)	(1,848,857)	(1,518,648)
	(1,848,857)	(1,518,648)

Details of general administrative expenses are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Payroll and employee benefit expenses	(824,373)	(670,614)
Depreciation and amortization expenses (Note 11, 12)	(254,138)	(234,784)
Material expenses	(132,581)	(136,498)
Fleet management expenses	(132,268)	(95,238)
Outsourcing expenses	(58,752)	(42,872)
Rent expenses	(23,005)	(18,743)
Posting, telephone and communication	(13,284)	(13,149)
Legal and lawsuit provision expenses	(107,828)	(45,880)
Marketing and promotion expenses	(25,752)	(32,790)
Consulting expenses	(41,930)	(33,296)
Repair and maintenance expenses	(56,910)	(61,478)
Duties, taxes and levies	(51,997)	(27,122)
Travel expenses	(17,378)	(14,662)
Insurance expenses	(17,938)	(10,514)
Other expenses	(90,723)	(81,008)
	(1,848,857)	**(1,518,648)**

NOTE 21 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

21.1 Other Income From Operating Activities:

	1 January - 31 December 2018	1 January - 31 December 2017
Power theft penalties	172,313	90,257
Late payment interest income from electricity receivables	114,641	87,489
Rent income	7,554	6,144
Interest income related to revenue cap regulation - net	44,183	-
Compensation and penalty income	57	151
Lawsuit income	57	-
Income from derivative financial instruments - net	5,066	-
Other income	29,678	3,015
	373,549	**187,056**

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21.2 Other Expenses From Operating Activities:

	1 January - 31 December 2018	1 January - 31 December 2017
Impairment provision expense for goodwill (Note 12)	(752,904)	-
Provision for doubtful receivables - net (Note 6, 10)	(434,610)	(250,327)
Valuation differences arising from deposits and guarantees	(242,672)	(78,514)
Competition Authority administrative fine (Note 13)	(107,296)	-
Foreign exchange losses from operating activities	(44,128)	-
Donations	(18,377)	(7,100)
Penalty expenses	(17,994)	(275)
Losses from derivative financial instruments - net	-	(1,846)
Interest losses related to revenue cap regulation	-	(934)
Other expenses	(62,042)	(21,193)
	(1,680,023)	**(360,189)**

NOTE 22 - FINANCE INCOME AND EXPENSES

	1 January - 31 December 2018	1 January - 31 December 2017
Interest income	104,870	88,491
	104,870	**88,491**

22.2 Finance Expenses:

	1 January - 31 December 2018	1 January - 31 December 2017
Interest expenses of borrowings	(1,522,209)	(968,611)
Foreign exchange gains / (losses) - net	(60,792)	(62,406)
Bank commission expenses	(11,064)	(14,466)
	(1,594,065)	(1,045,483)

NOTE 23 - TAXATION ON INCOME

	1 January - 31 December 2018	1 January - 31 December 2017
Current assets related with current taxes		
Prepaid taxes and funds	8,565	11,215
	8,565	**11,215**

	1 January - 31 December 2018	1 January - 31 December 2017
Current tax liability		
Current corporate tax provision	85,949	51,342
Less: Prepaid taxes and funds	(33,533)	(47,617)
	52,416	**3,725**

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	1 January - 31 December 2018	1 January - 31 December 2017
Tax expense recognized in profit or loss		
Current tax expense	(85,949)	(51,342)
Deferred tax expense relating to the origination and reversal of temporary differences, net	(488,350)	(244,367)
Total tax expense	**(574,299)**	**(295,709)**

Corporate tax

The Group is subject to Turkish corporate taxes. A provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting the tax-exempt earnings, other exempt income and other deductions (losses of previous periods, investment incentives utilized).

Valid rate of corporate tax in 2018 is 22% (31 December 2017: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was applied as 22% in 2018 (31 December 2017: 20%). However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their to 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. The companies apply 22% (will be applied as 22% for 2018, 2019 and 2020 tax periods) tax rate over their quarterly profits when calculating their temporary tax payables; which they are obliged to declare via Advance Corporate Tax Declaration by the end of the 14th, and pay by the end of the 17th of the 2 month following the related period. Quarterly Advance Corporate Tax payments made within a year are deducted from the Corporate Income Tax calculated for the same fiscal year. Following the netting-off, if there is still remaining Advance Corporate Tax balance, it can be deducted from any other financial debt owed to the State or can be received in the form of a cash refund.

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April 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 is 15%. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

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Deferred tax

The Company recognizes deferred tax assets and liabilities on the temporary timing differences between the legal books and the financial statements prepared in accordance with IFRS. Such differences generally arise from timing differences of some revenue and expense balances in legal books and financial statements prepared in accordance with IFRS and are explained below.

For calculation of deferred tax assets and liabilities as of 31 December 2018, the rate of 22% is used (2017: 20%).

As of 31 December 2018, the tax rate of 22% is used for the temporary differences expected to be realized / settled within 3 years (2018, 2019 and 2020) for deferred tax calculation since the tax rate applicable to 3 years as of 1 January 2018 has been changed to 22%. However, 20% tax rate is used for the current differences expected / expected to be incurred after 2020 since the tax rate applicable for post-2020 corporations is 20%.

	31 December 2018	31 December 2017
Deferred tax (assets) / liabilities		
Differences arising from customer contracts and transfer of operational rights	943,116	984,835
Carrying amount differences of property, plant and equipment, intangible assets and concession arrangement difference	246,484	(100,000)
Provision for employment termination benefits	(3,145)	(4,604)
Provision for doubtful receivables	7,929	19,790
Provision for lawsuits	(47,081)	(32,063)
Provision for unused vacation	(6,745)	(4,962)
Effect of revenue cap adjustments	254,646	50,018
Late payment penalties	(63,790)	(17,244)
Adjustments due to system migration	(39,090)	(39,090)
Carry forward tax losses	(116,432)	(144,143)
Other	200,084	167,959
	1,375,936	**880,496**

	31 December 2018	31 December 2017
Deferred tax (asset)	(2,847)	(209,957)
Deferred tax liability	1,378,783	1,090,453
Deferred tax (asset) / liability, net	**1,375,936**	**880,496**

Movement of deferred tax (assets)/liabilities is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance	880,496	778,961
Charged to statement of profit or loss	488,350	244,367
Charged to other comprehensive income / expense	7,090	492
Sale of business line accounted for under equity	-	(143,598)
Closing balance	**1,375,936**	**880,496**

Tax Reconciliation:	**1 January - 31 December 2018**	**1 January - 31 December 2017**
Profit from operations before tax	1,321,996	1,283,718
	22%	**20%**
Tax at the domestic income tax rate of 22% (2017: 20%)	290,839	256,744
Tax effects of:		
- revenue that is exempt from taxation (*)	165,639	-
- expenses that are not deductible in	10,087	7,259
- unused tax losses	126,433	33,337
- other (**)	(18,699)	(1,631)
Income tax expense recognised in profit or loss	**574,299**	**295,709**

(*) No deferred tax is recognized for goodwill impairment provision.

(**) TL 13,880 out of TL 18,669 represents the effect of the deemed interest deductions arising from the cash capital increase under the Law no: 6637.

Deferred tax assets may only be recognized to the extent it is probable that sufficient taxable profit will be available in the future. In case of a probable tax advantage, deferred income tax asset is calculated for unused carry forward tax losses and unused investment incentive.

At 31 December 2018, the Group recognized deferred tax assets amounting to TL 116,432 for unused carry forward tax losses amounting to TL 529,238 since it was considered as probable that there would be sufficient taxable income in the subsequent periods to utilise such assets based on the forecasts made (31 December 2017: TL 144,143 and TL 655,196 respectively).

The expiration dates of previous years' losses on which deferred tax asset was recognized are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Expiring in 2018	-	66,110
Expiring in 2019	177,786	196,045
Expiring in 2020	-	46,370
Expiring in 2021	77,184	75,964
Expiring in 2022	274,268	270,707
	529,238	**655,196**

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The expiration dates of previous years' losses on which deferred tax asset was not recognized are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Expiring in 2018	-	153,005
Expiring in 2019	378,350	378,350
Expiring in 2020	172,023	172,023
Expiring in 2021	119,063	119,063
Expiring in 2022	19,886	19,886
Expiring in 2023	564,866	-
	1,254,188	**842,327**

NOTE 24 - FINANCIAL INSTRUMENTS

24.1 Financial Liabilities:

	31 December 2018	31 December 2017
Short-term borrowings	998,170	795,658
Short-term portion of long term bonds issued	533,563	20,876
Short-term portion of long-term borrowings	1,902,076	1,122,406
Total short term financial liabilities	3,433,809	1,938,940
Long-term borrowings	4,453,001	3,978,065
Bonds issued	1,312,046	1,291,015
Total long term financial liabilities	5,765,047	5,269,080
Total financial liabilities	9,198,856	7,208,020

The financial liabilities are repayable as follows:

	31 December 2018	31 December 2017
To be paid within 1 year	3,433,809	1,938,940
To be paid between 1-2 years	3,773,000	2,044,941
To be paid between 2-3 years	1,363,446	2,183,000
To be paid between 3-4 years	432,416	695,807
To be paid between 4-5 years	196,185	345,332
	9,198,856	**7,208,020**

As of 31 December 2018 and 31 December 2017, the Group has not given any collateral for the loans obtained.

As of 31 December 2018 and 31 December 2017, details of short and long term financial borrowings in terms of interest and currencies are as follows:

		31 December 2018	
Currency	**Weighted average effective interest rate**	**Current**	**Non-current**
TL	19.05%	1,863,300	4,453,001
USD (*)	4.92%	932,640	-
EUR (*)	3.99%	104,306	-
		2,900,246	**4,453,001**

Currency	**Weighted average effective interest rate**	**Current**	**Non-current**
TL	13.43%	1,452,245	3,361,000
USD (*)	4.92%	415,347	617,065
EUR (*)	2.68%	50,472	-
		1,918,064	**3,978,065**

(*) Foreign currency risks associated with the USD and EUR denominated borrowings of the Group are fully hedged through foreign exchange swap and cross currency swap instruments.

As of 31 December 2018 and 31 December 2017, details of bonds issued are as follows:

		31 December 2018	
Currency	**Weighted average effective interest rate (*)**	**Current**	**Non-current**
TL	CPI + 4%-5%	533,563	1,312,046
		533,563	**1,312,046**

		31 December 2018	
Para birimi	**Weighted average effective interest rate (*)**	**Current**	**Non-current**
TL	CPI + 4%-5%	20,876	1,291,015
		20,876	**1,291,015**

(*) As of 31 December 2018, the interest is CPI-indexed variable interest and the annual real coupon rate varies from 4% to 5% (31 December 2017: 4 - 5%).

As of 31 December 2018, the principal valuation of bonds is TL 460,761 (31 December 2017: TL 101,015).

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24.2 Other Financial Liabilities:

	31 December 2018	**31 December 2017**
Other current financial liabilities	44,302	30,009
Other non-current financial liabilities	321,720	279,657
	366,022	**309,666**

The other financial liabilities are repayable as follows:

	31 December 2018	**31 December 2017**
To be paid within 1 year	44,302	30,009
To be paid between 1-2 years	45,232	27,663
To be paid between 2-3 years	46,191	27,349
To be paid between 3-4 years	47,203	27,020
To be paid between 4-5 years	25,272	26,677
To be paid between 5+ years	157,822	170,948
	366,022	**309,666**

As of 31 December 2018 and 31 December 2017, details of short and long term other financial liabilities in terms of currencies are as follows:

		31 December 2018	
Currency	**Weighted average effective interest rate**	**Current**	**Non-current**
EUR	4.70%	44,302	321,720
		44,302	**321,720**

		31 December 2017	
Currency	**Weighted average effective interest rate**	**Current**	**Non-current**
EUR	4.70%	30,009	279,657
		30,009	**279,657**

After the acquisition of distribution regions, payment obligations of TEDAŞ denominated in EUR, which are in scope of loan agreements with European Investment Bank and World Bank have been transferred to the Group. Other financial liabilities are composed of EUR payment obligations of distribution companies to TEDAŞ in this scope.

NOTE 25 - DERIVATIVE INSTRUMENTS

The Group utilizes forward exchange contracts in order to mitigate foreign exchange rate risk arising from feed-in-tariff cost ("FIT"). Furthermore, in order to mitigate the foreign exchange risk arising from foreign currency denominated bank loans, the Group entered into forward exchanges, cross currency swaps and foreign exchange swap transactions. The details and fair values of the agreements as of 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018				
	Contract Amount (USD)	Contract Amount (EUR)	Contract Amount (TL)	Assets	Liabilities
Forward exchanges	24,345	66,918	531,458	-	(11,304)
Cross currency swap	174,595	17,000	1,021,003	313,028	-
	198,940	**83,918**	**1,552,461**	**313,028**	**(11,304)**

	31 December 2017				
	Contract Amount (USD)	Contract Amount (EUR)	Contract Amount (TL)	Assets	Liabilities
Forward exchanges	112,246	34,043	577,102	13,087	(1,797)
Cross currency swap	163,595	-	617,064	24,187	-
Foreign exchange swap	105,071	-	396,317	6,780	-
	380,912	**34,043**	**1,590,483**	**44,054**	**(1,797)**

As of 31 December 2018 and 31 December 2017, movements of fair value of derivative financial instruments are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Opening balance	42,257	3,886
Derivative financial (liabilities) / assets at fair value designated through income / expense	(35,264)	38,371
Derivative financial (liabilities) / assets at fair value designated through other comprehensive income / expense (*)	294,731	-
Total derivative financial (liabilities) / assets	301,724	42,257

(*) TL 294,731 is netted off with TL 264,784 foreign currency losses; and TL 29,947 is recognized before tax at other comprehensive income.

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NOTE 26 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

26.1 Capital risk management:

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and reserves.

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

	31 December 2018	31 December 2017
Total borrowings (Note 24)	9,564,878	7,517,686
Less: cash and cash equivalents (Note 27)	(562,352)	(172,750)
Less: derivative instruments (Note 25)	(301,724)	(42,257)
Net debt	8,700,802	7,302,679
Total equity	6,298,915	5,880,403
Total capital	14,999,717	13,183,082
Net debt / Total capital ratio (%)	**58**	**55**

26.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the finance department. The finance department identifies and evaluates financial risks in close co-operation with the Group's operating units.

26.2.1 Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risks mainly arise from trade receivables. The Group manages this risk by the guarantees received from customers. Trade receivables, are evaluated based on the Group's policies and procedures and as a result presented net of doubtful provision in the consolidated financial statements. In accordance with with the requirements of IFRS 9 introducing a new impairment model based on expected credit losses, the Group has modified impairment calculation method for trade receivables. The Group recognizes the impairment of trade receivables, weighting the lifetime expected credit losses by default (Probability of Default) for all trade receivables on each customer basis and including non-overdue receivables.

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Trade receivables consist of a large number of customers, spread across diverse industries within several different provinces. Credit risk of the financial instruments is as the follows:

Credit risk exposure based on financial instrument categories

	Receivables							
	Trade receivables		Other receivables					
			Current		Non-current			
31 December 2018	**Related party**	**Other**	**Related party**	**Other**	**Other**	**Bank deposits & repos**	**Financial assets excluding cash**	**Derivatives**
Maximum net credit risk as of the balance sheet date (*)	130,832	3,381,557	-	990,680	983,545	562,352	9,294,635	313,028
The part of maximum risk under guarantee	-	2,528,049	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired (**)	130,832	1,736,026	-	990,680	983,545	562,352	9,294,635	313,028
B. Net book value of financial assets that are due but not impaired (**)	-	1,645,531	-	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due (gross book value)	-	1,648,018	-	3,123	-	-	-	-
- Impairment (-)	-	(1,648,018)		(3,123)	-	-	-	-
- Not due (gross book value)	-	57,239		-	-	-	-	-
- Impairment (-)		(57,239)		-	-	-	-	-
D. Credit risk factors off balance sheet		-		-	-	-	-	-

(*) The factors such as collaterals received, that increase the credit reliability, have not been taken into consideration in determination of the amount.

(**) Amounts have been subjected to impairment in accordance with IFRS 9.

Maturity of Expected Credit Loss

31 December 2018	**Not due**	**Overdue Up to 1 months**	**Overdue 1-3 months**	**Overdue more than 3 months**	**Total**
Balance at period end	1,924,087	382,995	281,394	2,629,160	5,217,636
Credit loss rate (%)	3%	2%	17%	60%	33%
Expected credit losses	(57,239)	(9,271)	(49,152)	(1,589,595)	(1,705,247)

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Credit risk exposure based on financial instrument categories (Continued)

	Receivables							
	Trade receivables		Other receivables					
			Current		Non-current			
31 December 2017	**Related party**	**Other**	**Related party**	**Other**	**Other**	**Bank deposits & repos**	**Financial assets excluding cash**	**Derivatives**
Maximum net credit risk as of the balance sheet date (*)	40,859	2,341,581	598	494,400	473,505	172,750	6,438,431	44,054
The part of maximum risk under guarantee	-	2,228,751	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	40,859	1,732,825	598	494,400	473,505	172,750	6,438,431	44,054
B. Net book value of financial assets that are due but not impaired	-	608,756	-	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due	-	1,275,873	-	3,123	-	-	-	-
- Impairment	-	(1,275,873)	-	(3,123)	-	-	-	-
D. Credit risk factors off balance sheet	-	-	-	-	-	-	-	-

(*) The factors such as collaterals received, that increase the credit reliability, have not been taken into consideration in determination of the amount.

26.2.2 Liquidity risk management

The Group aims to maintain an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

The maturities of the financial liabilities determined with respect to the contracts including the expected interest payments as of 31 December 2018 and 31 December 2017 are as follows:

31 December 2018						
Maturity analysis of non-derivative financial liabilities	**Carrying value**	**Total cash outflow according to contract (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Financial liabilities	9,198,856	11,578,399	395,668	3,784,512	7,398,219	-
Trade payables	2,480,917	2,480,917	2,480,917	-	-	-
Deferred income	606,983	606,983	-	606,983	-	-
Other payables	1,917,252	1,917,252	223,892	10	-	1,693,350
Other financial liabilities	366,022	366,022	15,296	29,006	163,898	157,822
Total liabilities	**14,570,030**	**16,949,573**	**3,115,773**	**4,240,511**	**7,562,117**	**1,851,172**

31 December 2017						
Maturity analysis of non-derivative financial liabilities	**Carrying value**	**Total cash outflow according to contract (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Financial liabilities	7,208,020	8,593,963	653,754	1,742,125	6,198,084	-
Trade payables	1,512,499	1,512,499	1,512,499	-	-	-
Deferred income	606,819	606,819	-	605,658	1,161	-
Other payables	1,326,448	1,326,448	185,990	-	-	1,140,458
Other financial liabilities	309,666	309,666	12,465	17,544	108,709	170,948
Total liabilities	**10,963,452**	**12,349,395**	**2,364,708**	**2,365,327**	**6,307,954**	**1,311,406**

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26.2.3 Market risk management

26.2.3.1 Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed by adjusting the unit price / tariff of the energy sold semi-annually.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is disclosed below.

	31 December 2018		
	Total TL equivalent	**USD TL equivalent**	**EUR TL equivalent**
Cash and cash equivalents	235,579	200,979	34,600
Trade receivables	4,772	761	4,011
Total assets	**240,351**	**201,740**	**38,611**
Financial liabilities (*)	(1,036,946)	(932,640)	(104,306)
Other financial liabilities	(366,022)	-	(366,022)
Trade payables	(117,079)	(102,817)	(14,262)
Total liabilities	**(1,520,047)**	**(1,035,457)**	**(484,590)**
Net foreign currency asset / (liability) position of off-balance sheet derivative	531,458	128,075	403,383
Net foreign currency asset / (liability) position	**(748,238)**	**(705,642)**	**(42,596)**
Cash flow hedging	1,021,003	918,527	102,476
Net foreign currency position after cash flow hedging	**272,765**	**212,885**	**59,880**

(*) Foreign currency risks associated with the USD and EUR denominated loans of the Group are fully hedged through foreign exchange swap and cross currency swap instruments.

	31 December 2017		
	Total TL equivalent	USD TL equivalent	EUR TL equivalent
Cash and cash equivalents	5,672	5,594	78
Total assets	**5,672**	**5,594**	**78**
Financial liabilities	(1,082,884)	(1,032,412)	(50,472)
Other financial liabilities	(309,666)	-	(309,666)
Trade payables	(123,912)	(107,597)	(16,315)
Total liabilities	**(1,516,462)**	**(1,140,009)**	**(376,453)**
Net foreign currency asset / (liability) position of off-balance sheet derivative	1,590,483	1,436,762	153,721
Net foreign currency asset / (liability) position	**79,693**	**302,347**	**(222,654)**

(*) Foreign currency risks associated with the USD and EUR denominated loans of the Group are fully hedged through foreign exchange swap and cross currency swap instruments.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and EUR.

The following table details the Group's sensitivity to a 20% increase and decrease in the TL against the relevant foreign currencies. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss before taxation on income where the TL strengthens against the relevant currency.

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	1 January - 31 December 2018 Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 20%		
USD net assets / liabilities	(166,743)	166,743
Hedged items (-)	209,320	(209,320)
USD net effect	**42,577**	**(42,577)**
Change in EUR against TL by 20%		
EUR net assets / liabilities	(89,196)	89,196
Hedged items (-)	101,172	(101,172)
EUR net effect	**11,976**	**(11,976)**

	1 January - 31 December 2017 Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 20%		
USD net assets / liabilities	(226,524)	226,524
Hedged items (-)	287,352	(287,352)
USD net effect	**60,828**	**(60,828)**
Change in EUR against TL by 20%		
EUR net assets / liabilities	(75,275)	75,275
Hedged items (-)	30,744	(30,744)
EUR net effect	**(44,531)**	**44,531**

Above sensitivities do not include cross currency swaps and foreign exchange swaps that would largely offset any foreign currency risk.

26.2.3.2 Interest rate risk management

As of 31 December 2018 and 31 December 2017, the Group has no floating interest rate risk although the Group has CPI indexed bond obligation since the revenues under the concession agreement are also indexed to CPI.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Fair value of financial instruments

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models.

Categories of financial instruments and fair values

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

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be at their fair values since they have short term maturities and have little impairment risk.

The carrying value of trade receivables and other receivables which are both discounted and provided provision for doubtful receivables are estimated to be at their fair values.

The fair values of financial liabilities with fixed interest rate are considered to approximate their carrying values. The fair value of financial liabilities with variable interest rates are considered to be equivalent to the carrying amount due to the expectation that the floating interest rate will change accordingly with the market interest rates.

Discounted values of trade payables and other payables are assumed to approximate their respective carrying values.

In the consolidated financial statements, derivative instruments are the only item that is recognized at fair value. The fair value of derivate instrument is determined by using valuation technique, which can be regarded as Level 2.

Assets and liabilities subject to valuation and fair value of financial instruments

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

The classification of the Group's financial assets and liabilities at fair value is as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

In the consolidated balance sheet, derivative financial instrument is recognized at fair value. The fair value of derivative financial instrument is determined by using valuation technique, which can be regarded as Level 2.

The Group has also deposits and guarantees received and financial assets that are subject to inflation indexation.

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The following table gives information about how the fair values of these financial assets, liabilities and assets subject to valuation are determined.

Financial assets / (Financial liabilities)	Fair value / revalued amount		Fair value hierarchy	Valuation technique and key input	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2018	31 December 2017				
Derivatives	301,724	42,257	Level 2	Market Value	-	-
Deposits and guarantees given	273,428	205,134	-	CPI	-	-
Deposits and gurantees received	(1,693,350)	(1,140,458)	-	CPI	-	-
Financial assets	9,294,635	6,438,431	-	CPI	-	-

NOTE 27 - EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS

	31 December 2018	31 December 2017
Cash at banks	327,290	148,987
Demand deposits	*140,347*	*137,580*
Time deposits	*186,943*	*11,407*
Repurchase agreements	235,062	23,763
	562,352	**172,750**

As at 31 December 2018, TL 92,870 of the Group's demand deposits are blocked at different banks (31 December 2017: TL 72,111). These blocked deposits are related to the collections made through bank branches which are made available for use by banks 1 or 2 days after the collection depending on the agreements with related banks.

As of 31 December 2018 repurchase agreements consist of short term TL balances with original maturities between 1-5 days (31 December 2017: 1-3 days). The weighted average effective interest rates of USD and EUR repurchase agreements are 4.00% and 1.25% respectively as at 31 December 2018 (31 December 2017: TL, 13.15%).

Details of "Other adjustments to reconcile profit / (loss)" that presented on cash flow statement as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Adjustments related to interest (income) / expense based on revenue cap regulation (Note 21)	(44,183)	934
Adjustments related to financial income from service concession arrangements (Note 10)	(1,716,597)	(1,013,557)
Adjustments related to revaluation differences arising from deposits (Note 21)"	242,672	78,514
	(1,518,108)	**(934,109)**

Details of "Other cash in-flows generated from operating activities" that presented on cash flow statement as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Net collections from financial assets related to service concession arrangements	*1,432,868*	*979,239*
Capital expenditure reimbursements (Note 10)	*798,304*	*591,706*
WACC reimbursements (Note 10)	*634,564*	*437,167*
Prior period tariff adjustments (Note 10)	-	(49,634)
	1,432,868	**979,239**

Details of "Other cash-out flows from investing activities" that presented on cash flow statement as follows:

Other cash-out flows from investing activities

	1 January - 31 December 2018	1 January - 31 December 2017
Capital expenditures related to service concession arrangements	(1,323,729)	(1,621,259)
	(1,323,729)	**(1,621,259)**

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NOTE 28 - EVENTS AFTER THE REPORTING DATE

On 30 January 2019, the Group signed a commitment agreement with Akbank for the Enerjisa Enerji A.Ş. and TOROSLAR EDAŞ's bank borrowings disclosed below.

- Enerjisa Enerji A.Ş. signed a commitment agreement for a loan amounting to TL 297,000 with a maturity date of 29 July 2021 to be utilized for the refinancing of an existing loan with the same amount at its maturity on 29 July 2019.
- TOROSLAR EDAŞ, signed a commitment agreement for a loan amounting to TL 200,000 with a maturity date of 9 September 2021 to be utilized for the refinancing of an existing loan with the same amount at its maturity on 9 September 2019.
- TOROSLAR EDAŞ, signed a commitment agreement for a loan amounting to TL 225,000 with a maturity date of 5 August 2021 to be utilized for the refinancing of an existing loan amounting to USD 63,595 at its maturity on 5 August 2019.
- TOROSLAR EDAŞ, signed a commitment agreement for a loan amounting to TL 357,000 with a maturity date of 27 September 2021 to be utilized for the refinancing of an existing loan amounting to USD 100,000 at its maturity on 27 September 2019.

CONTACT

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TRADE REGISTRY INFORMATION

TRADE REGISTRY NUMBER
800865

TRADE NAME
ENERJİSA ENERJİ ANONİM ŞİRKETİ

ADRES
Barboros Mahallesi, Begonya Sok. Nida Kule, Ataşehir Batı Sitesi, No: 1/1, Ataşehir 34748 İstanbul

PAID IN CAPITAL
1.181.068.967,12 TL

REGISTERED PAID IN CAPITAL
4.000.000.000,00 TL

TRADE REGISTRY DATE
21/12/2011

MERSIS NO
0335042909900015

GLOSSARY

Actual CAPEX	The sum of the actual CAPEX is calculated by adding the regulated CAPEX and the additional CAPEX exceeding this upper limit.
Akbank	Akbank T.A.Ş.
AMRS	Automatic Meter Reading Systems
AOSM	Ağırlıklı Ortalama Sermaye Maliyeti
A.Ş.	Incorporated Company
AYEDAŞ	İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş. (Anadolu Yakası Electricity Distribution Inc.)
AYEDAŞ Region	The region where Ayedaş carries out activities covering Istanbul's districts; Kadıköy, Üsküdar, Beykoz, Ümraniye, Çekmeköy, Ataşehir, Maltepe, Kartal, Pendik, Tuzla, Sultanbeyli, Showevertepe, Şile and Adalar
AYESAŞ	Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.
Başkent EDAŞ	Başkent Elektrik Dağıtım A.Ş. (Başkent Electricity Distribution Inc.)
Başkent EPSAŞ	Enerjisa Başkent Elektrik Perakende Satış A.Ş. (Enerjisa Başkent Electricity Retail Sales IncCo.)
BIST / Borsa	Borsa Istanbul / Borsa Istanbul A.Ş. (Istanbul Stock Exchange)
CAPEX	capital expenditures – made in order to carry out Electricity distribution activities – subject to regulations of the Energy Market Regulatory Authority
CAPEX Efficiency	(CAPEX outperformance) An indicator describing the saving made in the CAPEX items at unit prices set by the Energy Market Regulatory Authority. If, at the end of a tariff year, the distribution companies of the Company accrue a cost lower – per CAPEX item with compulsory unit price – than the unit prices set by the Energy Market Regulatory Authority, the positive difference will be included in the revenue obtained by means of tariffs, and will remain within the distribution companies of the Company. Therefore, the CAPEX efficiency is the ratio of the "unit price based regulated CAPEX" to the difference between the "unit price based actual CAPEX" and the "unit price based regulated CAPEX".
CAPEX Reimbursements	One of the components of the regulated revenue obtained by the Company from the distribution segment. Not shown in the consolidated income statement, but shown under the item "Other Cash Inflows Related To Cash Flows From Operating Activities" in the cash flow statement within the scope of the Company's financial statements.
CCCO	Customer Call Center Operation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHRIO	Chief Officer HR and Information
CMB	Capital Markets Board
Corporate Customer	Customers consuming 400 MWh or more electricity per year
Corporate Restructuring	The restructuring process – carried out in order to increase Enerjisa's operational and management efficiency and Enerjisa's IPO– of dividing Enerjisa into two companies by separating the customer oriented distribution and retail sales activities from the conventional electricity production and wholesale activities carried out by Sabancı Holding and E.ON.
CO_2	Carbon dioxide
CPI	Consumer Price Index
CRM	Customer Relations Management
CSBDO	Chief Officer Strategy & Business Development
CSC	Customer Service Centers
CSO	Chief Sales Officer
CSR	Corporate Social Responsibility
CSR Association	Corporate Social Responsibility Association
CTL	Corporate Tax Law n.5520 (date: 13.06.2006)
CTO	Chief Technology and Customer Solutions Officer
DD Turkey	DD Turkey Holdings S.à.r.l.
Distribution Tariff	The sums to be charged for using distribution systems and procedures and principles regarding the implementation of tariffs
EBITDA	Earnings Before Interest, Taxes, Depreciation, And Amortization; means the net profit for the period before financial income/expense, tax expense and amortization expenses.
EBRD	European Bank of Reconstruction and Development
EDAŞ	Elektrik Dağıtım A.Ş. (Electricity Distribution Inc.)
EEDAŞ	Enerjisa Elektrik Dağıtım A.Ş. (Enerjisa Electricity Distribution Inc.)

GLOSSARY

EMI	Electricity Market Index
EMRA	Energy Market Regulatory Authority
ELDER	Electricity Distribution Services Association
Eligible Consumer	Real person or juridical customers who consume more than the electricity level stipulated by the Energy Market Regulatory Authority or who have the freedom to choose their supplier because of their direct connection to the power transmission system
Eligible Customers	Eligible customers who prefer to purchase electricity from Enerjisa in accordance with the liberal market conditions
Enerjisa / Enerjisa Enerji	Enerjisa Enerji A.Ş.
E.ON	E.ON SE
EPIAŞ	Enerji Piyasaları İşletme A.Ş. (Energy Markets Enterprises Inc.)
EPS	Enerjisa Başkent Elektrik Perakende Satış A.Ş. (Enerjisa Başkent Electricity Retail Sales Inc.)
EPSAŞ	Elektrik Perakende Satış A.Ş. (Electricity Retail Sales Inc.)
ETKB	T.R. Ministry of Energy and Natural Resources
Euro	Currency of the European Union
EÜAŞ	Elektrik Üretim A.Ş. (Electricity Generation Inc.)
Final Consumer	Consumers who are connected to distribution grids
Fitch	Fitch Ratings
FTSE	Financial Times Stock Exchange
GM	General Manager
IAS	Independent Audit Standards
IFRS	International Financial Reporting Standards
Incumbent Retail Company	Retail sales company established due to legal unbundling of distribution and retail sales activities or authorized as end-user supplier by EMRA
ISO	International Standards Organization
ITU	Istanbul Technical University
KAP	Public Disclosure Platform

KGK	Public Oversight, Accounting and Audit Standards Authority
Km	Kilometer
Km²	Square Kilometer
KRITA	Critical Infrastructure Management In Smart Cities Project
kWh	Kilowatt Hour
LEAP	Leadership Acceleration Program
LRT	Last Resort Tariff
MBA	Master of Business Administration
METU	Middle East Technical University
Ministry of Economy	Ministry of Economy of the Republic of Turkey
MSCI	Morgan Stanley Capital International Index
Müşteri Çözümleri A.Ş.	Enerjisa Müşteri Çözümleri A.Ş. (Enerjisa Customer Solutions Inc.)
MVAR	Magnetic Variation
MWh	Megawatt Hour
National Tariffs	The tariff determined for each quarter by the Energy Market Regulatory Authority covering the Distribution Tariff and Retail Sales Tariff
Non-Eligible Customers	Real person or juridical customers who can purchase electricity only from the licensed retail companies in their regions
OECD	The Organization for Economic Co-operation and Development
OHC	Online Service Center
OHS	Occupational Health & Safety
Operating Expenses Efficiency	The ratio of the "regulated operating expenses" to the difference between the "actual operating expenses" and the "regulated operating expenses"
Privatization Administration, ÖIB	T.R. Prime Ministry Privatization Administration

RAB	Regulatory Asset Base; According to the Communiqué On Regulating The Distribution System Revenue, Regulated Asset Base is the sum for each tariff year (as the beginning and end of the year) calculated according to the unamortized portion of the relevant capital expenditures. The Regulatory Asset Base can be briefly described as, the unamortized investment the company has made. This sum reflected into the tariffs as the sum payable in the first implementation, is updated as a closing value with accrued CAPEX at the end of the tariff period, and transferred to the next period. (The RAB opening value in 2006 is "0".)
Regulated Customers	Non-eligible customers and eligible customers who prefer to purchase electricity from Enerjisa at the Retail Sales Tariff
REM	Registered Electronic Mail
RERSM	Renewable Energy Resources Support Mechanism
RRROR	Real Reasonable Rate of Return
Residential/Commercial	Customers consuming up to 400 MWh electricity per year
Retail Sales Tariff	The retail sales tariff arranged for electricity energy and/or capacity sales made by the incumbent retail companies to the non-eligible customers, eligible customers who have not chosen their supplier, and customers within the scope of final supply
R&D	Research and Development
Sabancı Holding	Hacı Ömer Sabancı Holding A.Ş.
SAIDI	System Average Interruption Duration Indices
SAIFI	System Average Interruption Frequency Indexes
SAP	System Analysis and Program Development
SAP CRM	SAP Customer Relations Management
Serbest Tüketici	EPDK tarafından belirlenen elektrik enerjisi miktarından daha fazla tüketimde bulunması veya iletim sistemine doğrudan bağlı olması nedeniyle tedarikçisini seçme serbestisine sahip gerçek veya tüzel kişi
SCADA	Supervisory Control and Data Acquisition
SME	Small and Medium Scale Enterprises
SMS	Short Message Service

TCC	Turkish Code of Commerce
TEDAŞ	Türkiye Elektrik Dağıtım A.Ş. (Turkish Electricity Distribution Inc.)
TEIAŞ	Türkiye Elektrik Iletim A.Ş. (Turkish Electricity Transmission Inc.)
TETAŞ	Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (Turkish Electricity Trade & Contracting Inc.)
TFRS	Turkish Financial Reporting Standards
TL	Turkish Lira
TMS	Turkish Accounting Standards
TOR	Transfer of Operating Rights agreement
Toroslar EDAŞ	Toroslar Elektrik Dağıtım A.Ş. (Toroslar Electricity Retail Sales Inc.)
Toroslar EPSAŞ	Enerjisa Toroslar Elektrik Perakende Satış A.Ş. (Enerjisa Toroslar Electricity Retail Sales Inc.)
Toroslar Region	The region where Toroslar carries out activities covering the provinces of; Adana, Osmaniye, Gaziantep, Mersin, Kilis and Hatay
T.R.	Republic of Turkey
TURKSTAT	Turkish Statistical Institute
TÜSIAD	Turkish Industry & Business Association
TWh	Terawatt Hour
UN	European Union
USD	Currency of the United States of America
VAT	Value Added Tax
Verbund	Verbund International GmbH
VR	Virtual Reality
WACC	Weighted Average Cost of Capital