
2019
ANNUAL
REPORT
ENERJISA
Energy of Turkey

CONTENTS

PREFACE

We make the necessary investments to improve and expand our network with the aim to provide high quality and sustainable energy in 14 provinces in our 3 distribution regions. We act to provide the best customer experience by adopting a customer centric approach in our retail sales activities.

In doing all this, we focus on the concepts of human, solution solution as well as innovation and we aim to improve our own processes and the lives we touch. To provide the perfect service for our customers who are at the heart of our digital transformation journey, we use technologies such as artificial intelligence, internet of things, advanced data analytics and continue to build “next generation” Enerjisa. We expand our portfolio with innovative solutions such as distributed generation, solar panels and green energy. We support the nationwide spread of electric vehicles, the transportation technology of the future for a sustainable life and expand the network of electric vehicle charging stations.

We believe that the new regulatory period, which will be high priority and decisive for both distribution and retail segments in 2021 and beyond, is crucial for creating a regulatory framework that will encourage investments, efficiency and quality in an effort to ensure a reliable and cost-effective grid infrastructure in Turkey. With this awareness, in order to determine the metrics of the upcoming regulatory period for our country, industry and consumers in the best manner, we fully support and maintain close contact with the regulatory authorities and public institutions with our teams in the distribution and retail segments.

As it has been until now, we will continue to embrace a multifaceted approach in our operations to remain a sustainable, efficient company that grows with financial stability and a share price over performing the market.

With the awareness and responsibility of operating in a strategic sector that constitutes the most important driving force of industry, therefore the economies, we carry out our activities with the principles of “energy supply security”, “supply quality” and “sustainability”.

In 2020, as the pioneer and leading company of our sector, we will continue to perfectly meet the expectations of our investors and support our sector and country in their development journey by sustaining our strong performance in financial and operational fields.







AS THE ENERGY OF TURKEY, WE WORK DAY AND NIGHT, WHATEVER THE CONDITIONS ARE WITH OUR BEST EFFORT TO DELIVER THE ENERGY, WHICH IS INDISPENSABLE PART OF OUR LIVES, TO MORE THAN 21 MILLION USERS.

ENERJİSA AT A GLANCE

ENERJİSA AT A GLANCE

Operational earnings growth

20%

Underlying net income growth

61%

Leverage
(net debt/operational earnings)

1.9x

Dividend payment proposal
TL 0.60 per share

60%*

*Dividend payout ratio

DISTRIBUTION OPERATIONS

Regulated asset base

TL 8.4 billion

Network connections

11.2 million

RETAIL OPERATIONS

Retail sales volume

36.1 TWh

Retail customers

9.9 million

ABOUT ENERJİSA

Enerjisa Enerji operating in electricity distribution and retail businesses, is the leading electricity distribution company in Turkey. With more than 10 thousand employees, the Company reaches 21.5 million users and serves 9.9 customers in 14 provinces located in the 3 distribution regions.

Enerjisa Enerji was established in 1996 to meet the electricity needs of Sabancı Group companies. The Company has become a leading player in Turkey's emerging electricity market by formulating competitive strategies and delivering innovative and differentiated applications to its customers and the sector through efficiency and technology focused business models.

The Company formed a 50/50 partnership in April 2013 with E.ON, one of the world's leading electricity and natural gas companies and got listed on Borsa İstanbul by offering 20% of its shares to the public on February 8, 2018, in the largest private sector IPO in Turkey.

As of February 8, 2018, Enerjisa Enerji has started trading in Borsa Istanbul Star Market and BIST30 indices. Enerjisa, which offered 20% of its shares to public, experienced high investor interest with an oversubscription of 4.8 times. Enerjisa Enerji was included in the FTSE All-World Index in June 2018 and in the MSCI Small Cap (Turkey) Index in November 2018.

Following the successful public offering in 2018, Enerjisa Enerji has focused on Corporate Sustainability to develop a strategic and holistic approach regarding economic, environmental and social factors to create long-term value. Within this framework, the Company has become a signatory of both the world's largest volunteer enterprise sustainability initiative, the United Nations Global Compact **(UN Global Compact)** and the United Nations Women's Empowerment Principles **(WEPs)** in 2019. The Company was also included in the BIST Sustainability Index, which incorporates the companies listed in Borsa Istanbul with top performance in the corporate sustainability field.

Another important development in 2019 was in the field of Corporate Governance. By receiving its first Corporate Governance rating, Enerjisa Enerji has certified that it is in significant compliance with the Corporate Governance Principles issued by the Capital Markets Board and that it has established a transparent and open communication by acting with a sense of responsibility towards all its stakeholders and society. Enerjisa Enerji Corporate Governance Rating was determined as 9.45 out of 10. Thus, Enerjisa Enerji became one of the companies with the highest corporate governance rating and was included in the BIST Corporate Governance Index as well.

ABOUT ENERJİSA

HISTORY

PRE-IPO

1996
Foundation of Enerjisa

2006
Establishment of the Energy Group under Sabancı Holding

2007
Formation of Sabancı Holding-Verbund partnership

2009
Acquisition of Başkent EDAŞ

2012
Agreement for Sabancı Holding and E.ON partnership following the transfer of Verbund's 50% shares to E.ON

2013
Formation of Sabancı Holding-E.ON partnership

Acquisition of Toroslar and AYEDAŞ

2017
Split of distribution and sales activities and electricity generation and trade activities under "Enerjisa Enerji A.Ş." and "Enerjisa Üretim Santralleri A.Ş." respectively

POST-IPO

February 8 **2018**
IPO of Enerjisa Enerji

April **2018**
Acquisition of majority shares of "Elektrikli Araçlar Şarj Sistemleri A.Ş." (Eşarj)

June **2018**
Inclusion of Enerjisa Enerji shares in the **FTSE All-World Index**

November **2018**
Inclusion of Enerjisa Enerji shares in the **MSCI Small Cap (Turkey) Index**

March **2019**
United Nations Women's Empowerment Principles **(WEPs)** signatory

October **2019**
UN Global Compact signatory and inclusion of Enerjisa Enerji shares in the **BIST Sustainability Index**

December **2019**
First Corporate Governance Rating and inclusion of Enerjisa Enerji shares in the **BIST Corporate Governance Index**

ABOUT ENERJİSA

Enerjisa Enerji is Turkey's largest electricity distribution and retail company in a regulated sector. As of December 31, 2019, the Company had 11.2 million distribution network connections accounting for approximately 26% of all distribution network connections in Turkey and 9.9 million customers representing approximately 22% of the retail electricity market.

Enerjisa Enerji carries out its electricity distribution and retail operations through:

- **Başkent Elektrik Dağıtım A.Ş.** (Başkent EDAŞ) and **Enerjisa Başkent Elektrik Perakende Satış A.Ş.** (Başkent EPSAŞ) operating in the Başkent Region, which covers the provinces of Ankara, Zonguldak, Kastamonu, Kırıkkale, Karabük, Bartın and Çankırı.
- **İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş.** (AYEDAŞ) and **Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.** (AYESAŞ) operating in the AYEDAŞ Region, which covers districts on the Asian side of İstanbul.
- **Toroslar Elektrik Dağıtım A.Ş.** (Toroslar EDAŞ) and **Enerjisa Toroslar Elektrik Perakende Satış A.Ş.** (Toroslar EPSAŞ) operating in the Toroslar Region, which covers the provinces of Adana, Gaziantep, Mersin, Hatay, Osmaniye and Kilis.

The regions in which Enerjisa Enerji operates cover the capital city Ankara, the Asian side of İstanbul which is the largest city in Turkey and major industrial and commercial cities with high population density, such as Adana, Gaziantep and Mersin.

As is the case all around the world, factors such as the economic growth and urbanization dynamics, the digital transformation trends, as well as young and dynamic population create a significant potential for growth in the electricity demand in Turkey. Electrical energy constitutes a vital need today, much like air and water. Enerjisa Enerji intends to meet the rapid growth in electricity demand with an efficient approach that focuses on people and technology. It also aims to create sustainable value for energy customers, business partners, shareholders and all stakeholders.

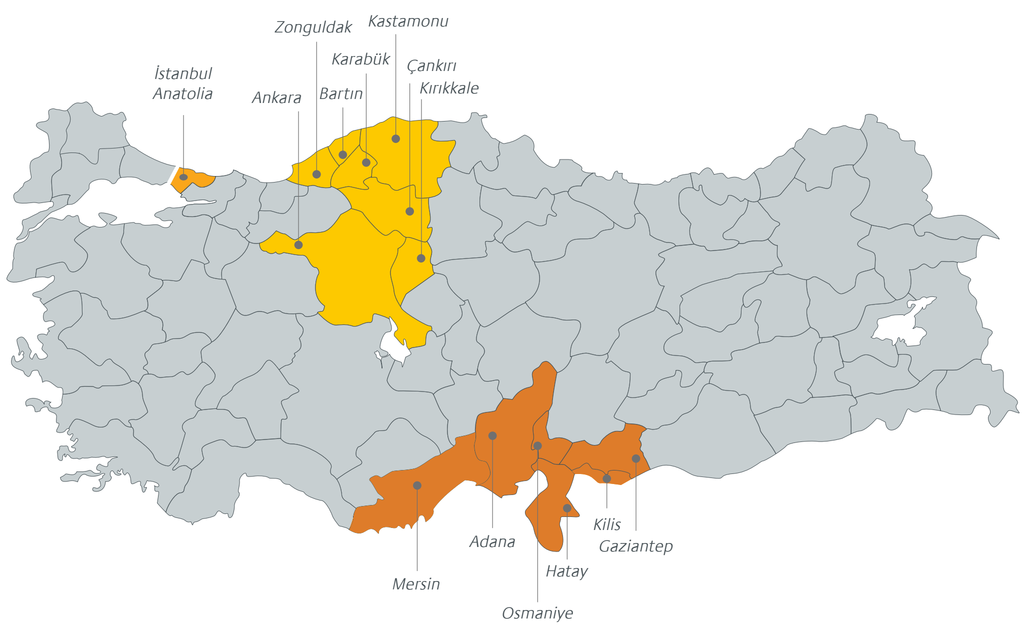
Enerjisa Enerji derives its power from people and builds its operations on the values of sincerity, passion, courage, continuous development and inclusion. As Turkey's most agile and innovative Company, it continues to produce sustainable energy solutions that touch human lives.

POPULATION

Başkent
7.5 million

AYEDAŞ
5.5 million

Toroslar
8.5 million



DISTRIBUTION

Electricity distribution is carried out by **Başkent Elektrik Dağıtım A.Ş.** (Başkent EDAŞ), **İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş.** (AYEDAŞ) and **Toroslar Elektrik Dağıtım A.Ş.** (Toroslar EDAŞ). The operations of electricity distribution companies are limited to the regions defined in their licenses.

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 investment 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.

RETAIL

Retail sales of electricity is carried out by **Enerjisa Başkent Elektrik Perakende Satış A.Ş.** (Başkent EPSAŞ), **Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.** (AYESAŞ) and **Enerjisa Toroslar Elektrik Perakende Satış A.Ş.** (Toroslar EPSAŞ).

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

Enerjisa Enerji is the leader in Turkey's retail electricity market in terms of both customer numbers and sales volume. Enerjisa Enerji as the incumbent energy supplier sells electricity to regulated customers through national tariffs in 14 provinces and to liberalized customers who are above the eligibility limit across Turkey. In addition, the Company offers innovative products and services to 9.9 million customers from households to small or large enterprises. The Company provides its services in 41 Customer Service Centers and 81 Enerjisa Transaction Centers with its extensive field teams, as well as through internet and mobile platforms.

ABOUT ENERJİSA

Enerjisa Müşteri Çözümleri A.Ş. was established on December 29, 2017 to operate in customer solutions and distributed generation.

Enerjisa Enerji takes the energy supply security and uninterrupted electricity supply issues to the top of its sustainability agenda and continues to make investments to ensure continuity in energy supply. In addition to its core business areas in electricity distribution and retail, the Company leads the sector with its efforts in energy efficiency and e-mobility solutions.

Moreover, the Company closely follows opportunities in innovative business areas such as electric vehicle charging stations, electricity storage systems, smart home technologies and systems that help consumers produce their own electricity. The Company carries out its operations for customer solutions and distributed generation under **Enerjisa Müşteri Çözümleri A.Ş.**

Enerjisa Müşteri Çözümleri A.Ş. acquired the majority of **Elektrikli Araçlar Şarj Sistemleri A.Ş.** ("Eşarj") shares in 2018, becoming its controlling shareholder. In addition to its leadership in distribution and sales in the electricity sector, Enerjisa Enerji aims to take on an innovative and pioneering role in electric vehicles sector and play an active role in the transformation of the industry.

DISTRIBUTION

TL 8.4 billion
RAB *(Regulated Asset Base)*

231,582 km
Distribution Network Length

11.2 million
Network Connections

TL 1.4 billion
Infrastructure Investments

RETAIL

36.1 TWh
Sales Volume

9.9 million
Retail Customers

BRAND VALUE

Enerjisa Enerji has become one of the most recognized and trusted brands in Turkey, thanks to the investments realized by its strong shareholders E.ON, one of the leading energy companies in Europe and Sabanci Holding, one of the largest holdings of Turkey, with thier long-term perspective.

The Company has set a long-term strategy with the goal of being a reliable and innovative brand with the highest awareness and image in the market, caring about its customers and creating value for them.

Enerjisa Enerji has the highest reputation in the sector with its emphasize on customer satisfaction and innovation. In 2015, Enerjisa Enerji relaunched its brand, further strengthening its emotional bond with its customers. During this process a national advertising campaign was rolled out in December 2015, in which the brand's look and tone of communication were revised to strengthen the brand's perception as accessible in the eyes of the customers. In addition, the "Power Button" and "Energy of Turkey" branding emblems were added to the brand assets.

The Company started the "Save Your Energy" movement to create awareness for energy efficiency, which has been instrumental for the sustainability of energy resources since 2016. This move has helped to foster more energy-saving and technology practices.

With the IPO that took place in 2018, Enerjisa sold 20% of its shares to the public and took a valuable step towards institutionalizing the energy sector with the support of the communication campaign undertaken during this process. The IPO was promoted in Turkey with a 360-degree communication campaign with the motto of "The future is very bright as long as there is this energy in Turkey."

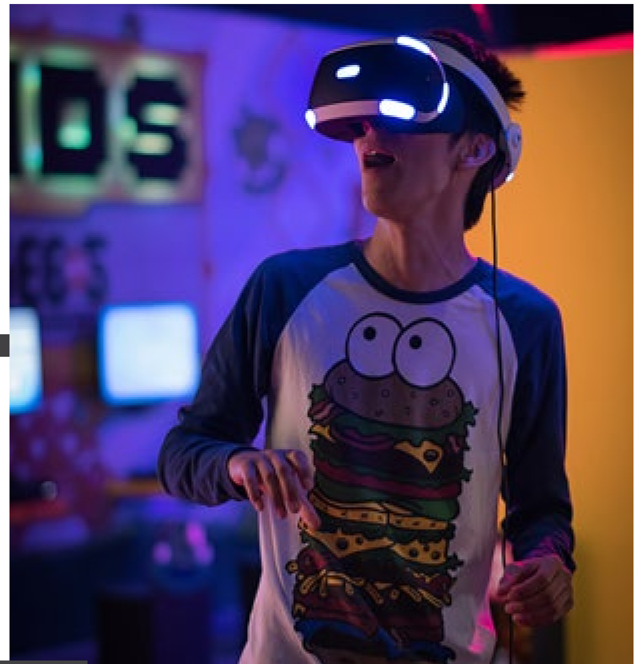
According to the Enerjisa Brand Awareness research, the brand's top-of-mind awareness score and spontaneous awareness score increased to 75% and 92% respectively in April 2019 (from 22% and 47% respectively in April 2015).

Enerjisa Enerji has been considered as one of the most admired and reputable companies in the energy sector and award-worthy by many institutions since 2009.

VISION AND MISSION

VISION

TO DIFFERENTIATE THE ENERGY SECTOR WITH PEOPLE, TECHNOLOGY AND CUSTOMER-ORIENTED APPROACHES WHILE OFFERING USER-FRIENDLY PRODUCTS, SERVICES AND INNOVATIVE SOLUTIONS.



MISSION

TO BE THE UNDISPUTED LEADER AND THE MOST ADMIRED ENERGY COMPANY IN EVERY FIELD AND LOCATION WE OPERATE. WE ARE HERE TO ADD ENERGY TO LIFE.

VALUES

INCLUSION

WE CREATE ENVIRONMENTS TO FACILITATE THE PARTICIPATION OF ALL OUR STAKEHOLDERS, ENCOURAGE THEM, VALUE DIFFERENT IDEAS AND GENERATE THE HIGHEST BENEFIT WITH MULTIPLE COLLABORATIONS.

COURAGE

WE EXPRESS OUR IDEAS FREELY, TAKE RISKS AND WE ARE NOT AFRAID TO MAKE MISTAKES. WE USE INITIATIVE TO TAKE RESPONSIBILITY AND ACTION.

CONTINUOUS DEVELOPMENT

WE QUESTION OURSELVES AND OUR WORK WITH A POSITIVE CURIOSITY AND A GENUINE EXCITEMENT ABOUT INNOVATION. TO ENSURE WE EXCEL, WE ALWAYS LEARN FROM OUR PAST EXPERIENCES, DEVELOP IN LIGHT OF OUR FUTURE VISION AND BECOME THE PIONEER OF CHANGE.

SINCERITY

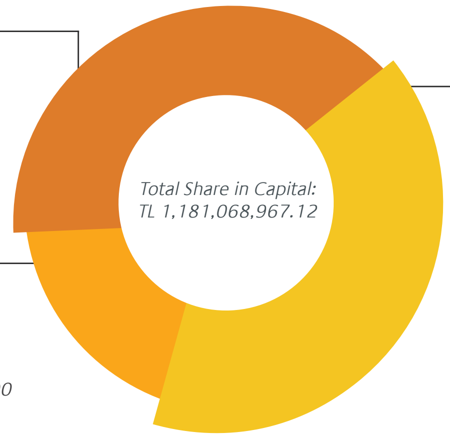
WE PUT LOVE, RESPECT AND TRUST AT THE CENTER OF ALL OUR STAKEHOLDER RELATIONS AND WE APPEAR AS WE ARE AND ACT AS WE APPEAR.

PASSION

WE APPROACH EVERYTHING WE DO WITH ENTHUSIASM, EXCITEMENT AND PERSEVERANCE; WE MOVE TO ENERGIZE OUR ENTIRE ENVIRONMENT.

CAPITAL AND SHAREHOLDER STRUCTURE

Enerjisa Enerji continues its operations and investments with the strength it derives from its strong shareholders; E.ON, which operates in the global energy market and Sabancı Holding, Turkey's leading business conglomerate.



*Kairos Investment Management SpA periodically holds over 5% of the free float.

e·on

The world's largest investor-owned energy service provider;

- In 2018, E.ON acquired a 76.8% stake in Innogy SE, which was founded under the umbrella of RWE. Following the completion of the takeover in 2020, E.ON will be the first company to be solely focused on distribution in the European electricity sector
- As of the end of 2019, E.ON has:
  - ~ €20 billion in Regulated Asset Base
  - 980,000 km electricity distribution network

SABANCI

One of Turkey's largest business conglomerates;

- Main business areas include banking, insurance, energy, cement, retail and industry
- Operates in 12 countries, as of end of 2019
- With its 11 subsidiaries trading on Borsa Istanbul in addition to the Holding's own shares, Sabancı Holding accounts for 8% of the market capitalization of Borsa Istanbul
- Partnerships with leading names in the world (Ageas, Aviva, Bridgestone, Carrefour, E.ON, Heidelberg Cement, Marubeni and Philip Morris)

ENERJİSA STOCK PERFORMANCE

Enerjisa Enerji stock started trading in BIST 30 Index following the successful IPO and has been included in the FTSE All-World Index in June 2018, MSCI Small Cap (Turkey) Index in November 2018, BIST Sustainability Index in October 2019 and BIST Corporate Governance Index in December 2019 subsequently.

2019 STOCK PERFORMANCE

Enerjisa Enerji A.Ş. shares have been trading under the "ENJSA" ticker on the Istanbul Stock Exchange ("BIST") since February 8, 2018. Following the successful IPO, the stock started trading in BIST 30 Index, IPO and has been included in the FTSE All-World Index in June 2018, MSCI Small Cap (Turkey) Index in November 2018, BIST Sustainability Index in October 2019 and BIST Corporate Governance Index in December 2019 subsequently.

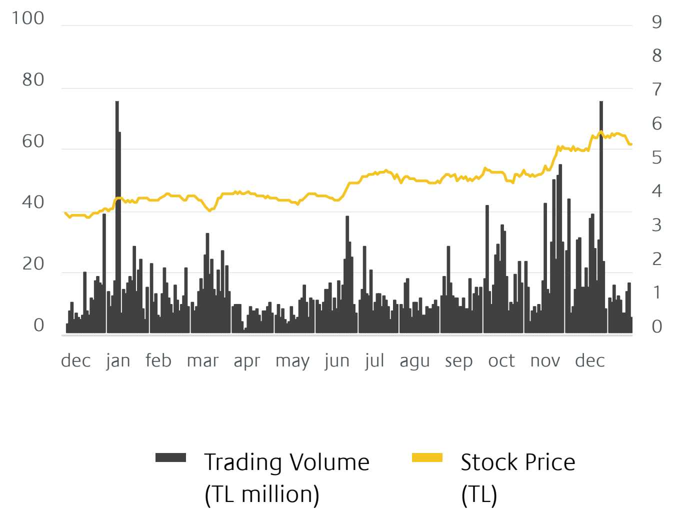
Stock Information	2019
Stock Exchange	Borsa Istanbul
BIST Ticker	ENJSA
Bloomberg Ticker	ENJSA TI
Reuters Ticker	ENJSA:IS
IPO Date	February 8, 2018
Total Number of Shares	1,181 million
Free Float	20%
Number Of Free Float Shares	236.2 million
Market Capitalization (31.12.2019)	TL 8.73 billion
Average Daily Trading Volume	TL 19.4 million
Highest Price (01.01.2019 –31.12.2019)	TL 7.84
Lowest Price (01.01.2019 –31.12.2019)	TL 4.86
Year-End Closing Price	**TL 7.39**

Source: Bloomberg.

ENERJİSA STOCK PERFORMANCE

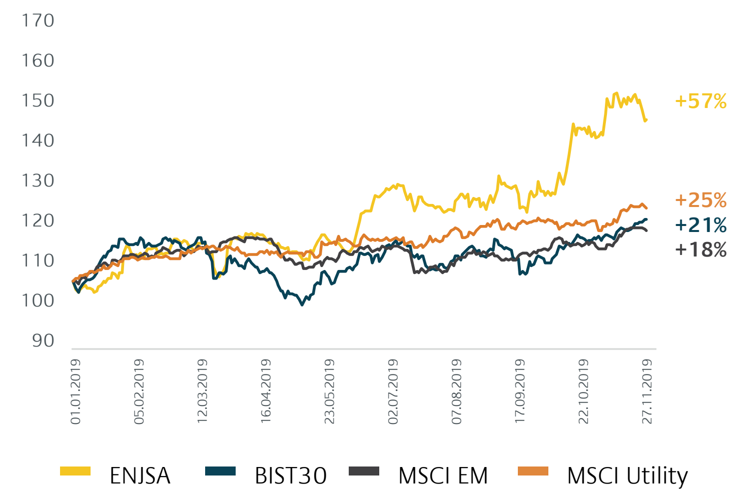
TRADING VOLUME

(TL million)



STOCK PERFORMANCE

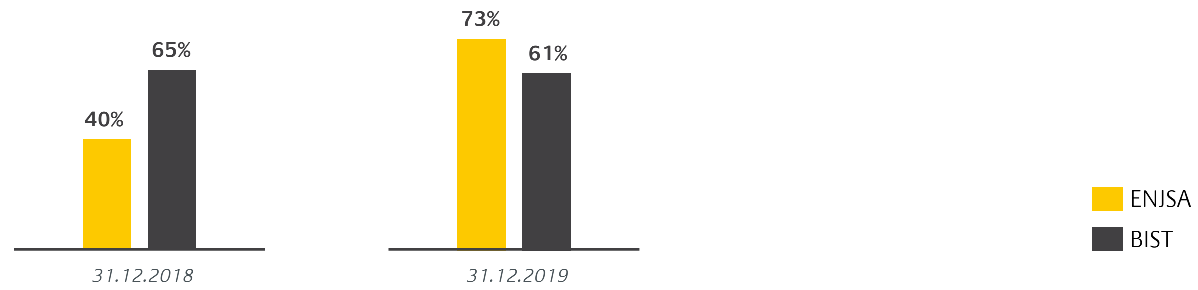
(%)



Enerjisa Enerji stock price increased 57% in 2019 and outperformed the BIST30, MSCI EM and MSCI Utility indices by 36%, 39% and 32% respectively in the same period. The average daily trading volume was TL 19.4 million during the year.

SHARE OF FOREIGN INVESTORS IN FREE FLOAT

As of 2019 year end, Enerjisa Enerji market capitalization was TL 8.73 billion. The share of foreign investors in the free float as of 2019 year end was 73%, compared to 61% in BIST in the same period.



SHAREHOLDER STRUCTURE

The shareholder structure of the Company as of December 31, 2019 is as follows:

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
Other*	236,213,792.00	20.00	20.00
Total	**1,181,068,967.12**	**100.00**	**100.00**

*Kairos Investment Management SpA periodically holds over 5% of the free float.

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.

2018 ORDINARY GENERAL MEETING OF SHAREHOLDERS

The Company held its Ordinary General Assembly for the fiscal year 2018 on March 28, 2019 with 86% attendance in terms of voting rights present. No agenda proposal for the meeting was made by the shareholders.

The minutes of the meeting were 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 were made and together with other information regarding the principles of general assemblies, were 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 were 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.

2018 DIVIDEND

Pursuant to the review of the audited Consolidated Financial Statements for the year 2018 prepared in accordance with the Turkish Financial Reporting Standards, it was resolved to distribute TL 0.40 per share in cash dividend to all shareholders, equivalent to TL 472,427,586. This dividend corresponds to a 65% payout of Underlying Net Income for the fiscal year 2018 of TL 730,417,000.

ENERJİSA STOCK PERFORMANCE

DIVIDEND DISTRIBUTION PROPOSAL FOR 2019

At the 2019 Annual Shareholders Meeting to be held on March 23, 2020, the Board of Directors will propose a cash dividend of TL 0.60 per share for the 2019 fiscal year. This corresponds to a payout ratio of 60% of the Company's Underlying Net Income of TL 1,175 million for fiscal year 2019 and is therefore in line with the communicated dividend policy of 60-70% of Underlying Net Income. Based on Enerjisa's year end 2019 closing share price, the proposed dividend is equivalent to a dividend yield of 8%.

CORPORATE GOVERNANCE RATING

Enerjisa Enerji became the first energy company to certify the transparency, accountability and sustainability of its management with its corporate governance rating. SAHA Corporate Governance and Credit Rating Services Inc. (SAHA), which has been authorized to perform ratings in accordance with the Capital Markets Board's (CMB) Corporate Governance Principles, completed the Corporate Governance Rating Report for Enerjisa Enerji. According to the report published on December 19, 2019, Enerjisa Enerji Corporate Governance Rating was determined as 94.53.

Subcategories	Weight	Rating
Shareholders	25%	95.06
Public Disclosure and Transparency	25%	98.35
Stakeholders	15%	99.51
Board of Directors	35%	89.28
Total	100%	94.53

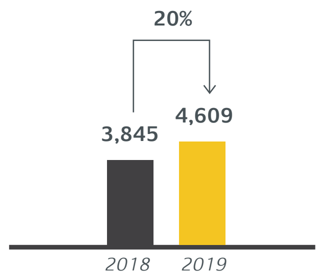
KEY OPERATIONAL AND FINANCIAL INDICATORS

In 2019, Enerjisa was able to continue on its track record of high earnings growth. Consolidated operational earnings (EBITDA + Capex reimbursements excluding exceptional items) increased by 20% from TL 3,845 million in 2018 to TL 4,609 million in 2019.

FINANCIAL INDICATORS

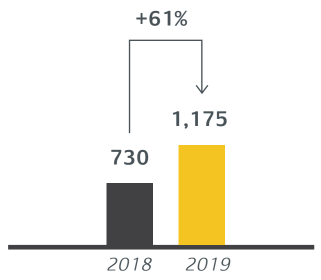
CONSOLIDATED OPERATIONAL EARNINGS

(TL million)



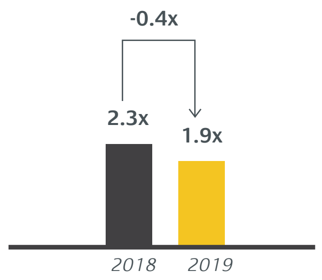
UNDERLYING NET INCOME

(TL million)



LEVERAGE

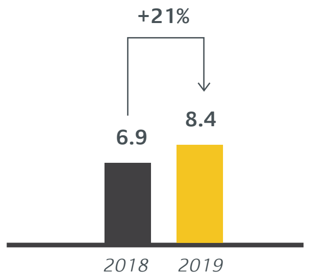
(Net Debt/Operational Earnings)



DISTRIBUTION OPERATIONAL INDICATORS

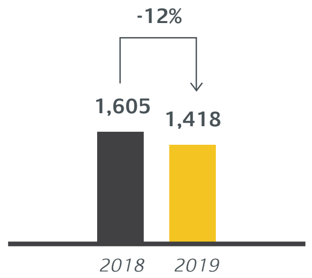
REGULATED ASSET BASE

(TL billion)



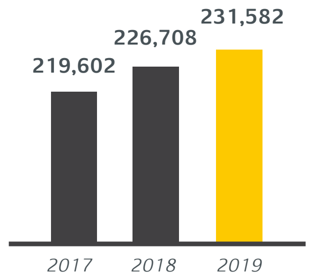
INFRASTRUCTURE INVESTMENTS

(TL million)



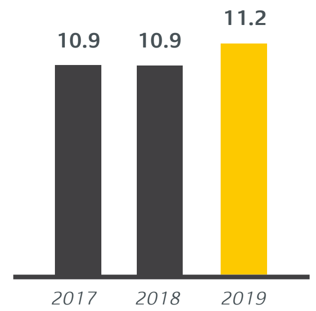
NETWORK LENGTH

(km)



NETWORK CONNECTIONS

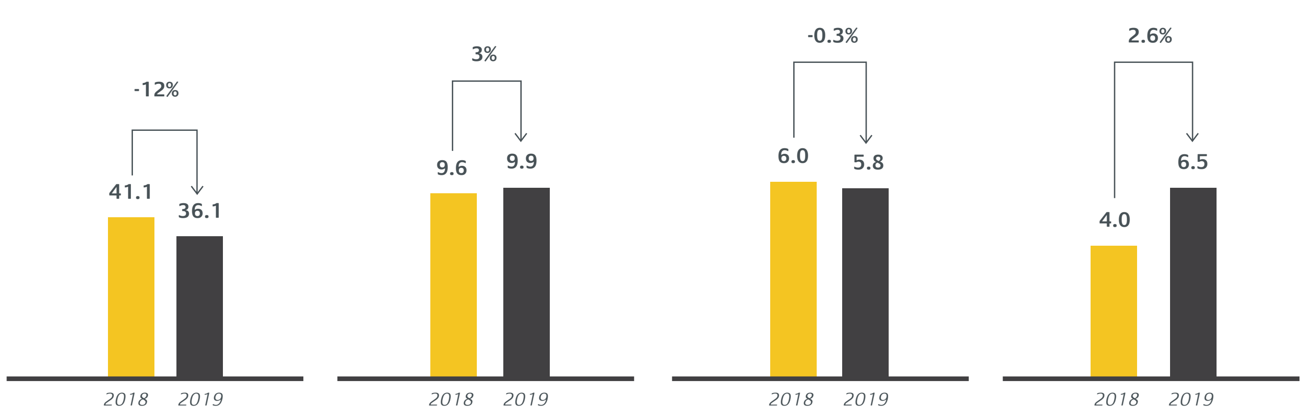
(million)



KEY OPERATIONAL AND FINANCIAL INDICATORS

RETAIL OPERATIONAL INDICATORS

RETAIL SALES VOLUME (TWh) | **NUMBER OF CUSTOMERS** (million) | **REGULATED GROSS PROFIT MARGIN** (%) | **LIBERALIZED GROSS PROFIT MARGIN** (%)



Consolidated	1 January 31 December 2019	1 January 31 December 2018	Delta	Delta %
Operational Earnings (TL million)	4,609	3,845	764	20%
Underlying Net Income (TL million)	1,175	730	445	61%
Economic Net Debt (TL million)	10,618	10,130	488	5%
Leverage (Net Debt/Operational Earnings)	1.9x	2.3x	-0.4	-
Distribution Business				
Operational Earnings (TL million)	4,073	3,490	583	17%
Regulated Asset Base (TL million)	8,400	6,948	1,452	21%
Infrastructure Investments (TL million)	1,418	1,605	-187	-12%
Network Connections (million)	11.2	10.9	0.3	3%
Network Length (km)	231,582	226,708	4,874	2%
Retail Business				
Operational Earnings (TL million)	559	390	169	43%
Retail Sales Volume (TWh)	36.1	41.1	-5.0	-12%
Number of Customers (million)	9.9	9.6	0.3	3%
Regulated Gross Profit Margin (%)	5.8%	6.0%		-0.3%
Liberalized Gross Profit Margin (%)	6.5%	4.0%		2.6%

OPERATIONAL EARNINGS

In 2019, Enerjisa recorded operational earnings of TL 4,073 million in the distribution segment and TL 559 million in the retail segment. In 2019, consolidated underlying net income increased by 61% to TL 1,175 million, up from TL 730 million in 2018.

The increase in operational earnings was mainly driven by the distribution segment, which as of the year-end 2019 contributed 88% of operational earnings for Enerjisa.

The increase in operational earnings for the distribution segment was mainly a consequence of higher financial income, which grew by 14% from 1,717 million in 2018 to TL 1,959 million in 2019. The increase in financial income is a result of a higher Regulated Asset Base (RAB), partially compensated by lower nominal return rates due to lower inflation expectations. Investment activities have slowed down from TL 1.6 billion in 2018 to TL 1.4 billion in 2019. Despite the reduction in investment volume, the Regulated Asset Base increased by 21% from TL 6.9 billion in 2018 to TL 8.4 billion at the end of 2019. The inflation rate (CPI) was announced at 15.7% for 2019 compared to 15.4% for 2018 adding to both the nominal investment return as well as the nominal Regulated Asset Base itself. Next to guaranteed investment returns, earnings from efficiency and quality parameters have increased 11% in line with inflation, from TL 816 million in 2018 to TL 902 million in 2019.

Operational Earnings (EBITDA) from our retail business increased by 43% from TL 390 million in 2018 to TL 559 million in 2019. This growth has exceeded the growth of the distribution segment in 2019 and the retail business contribution to the consolidated Operational Earnings of Enerjisa increased to 12%. The contribution of the retail segment has been driven with the regulated segment as a result of significantly higher average sales prices which increased around 25% year-over-year driven by regulated tariff developments and overcompensated any volume decline. For the liberalized market, the higher margins drove the year-over-year development.

UNDERLYING NET INCOME

Consolidated Underlying Net Income (Net Income excl. exceptional items) has increased by 61% from TL 730 million in 2018 to TL 1,175 million in 2019. Below Operational Earnings, the main effects were as follows:

- Depreciation grew by TL 115 million, which was mainly a result of the implementation of the new IFRS16 standard that capitalizes rent expenses and therefore reclassifies operating expenses to depreciation and interest expenses.
- Financial expenses increased from TL 1,489 million in 2018 to TL 1,673 million in 2019. Although the loan portfolio has been refinanced again at significantly lower rates in the second half of the year, the cumulative average loan financing rate ended up at around 18%, 1ppt higher than in 2018.
- The higher loan interest expense in 2019 was overcompensated by lower inflation revaluation expenses of the outstanding bonds and customer deposits.
- Other financial expenses remained flat although lease interest expenses were added under the scope of IFRS16 and significant one-off expenses were incurred to reprice the loan portfolio prematurely. Both of these were fully compensated by higher financial income on receivables against the price equalization system that mostly came from 2018 and contributed significantly due to the high interest rate level for most of the year.
- Finally, the effective tax rate for 2019 has decreased from 31% in 2018 to 25% in 2019. As guided before, this was achieved by starting to recognize a deferred tax asset at the Enerjisa Enerji holding company, thereby starting to use the tax shield of financial expenses of this legal entity.

MANAGEMENT

CHAIRMAN'S MESSAGE

While Enerjisa demonstrated its resilience against the crisis in 2018, it proved its speed of adaptation to the improving macro-economic conditions in 2019.

Dear Shareholders,

In 2019, we witnessed a recovery of the Turkish market from the financial turmoil during 2018 with inflation and interest rates significantly contracting and the currency becoming relatively stable. While 2018 showed the resilience of Enerjisa to a crisis environment, 2019 demonstrated that the Company is equally flexible to quickly adapt to a recovering macroeconomic situation. As a result of both macroeconomic sensitivities, as well as a very flexible financing structure, Enerjisa was able to again deliver an outstanding financial performance in a challenging environment.

The volatility we have experienced in our environment over the past two years has given the regulator the chance to prove the functionality of existing regulatory mechanisms as well as the reliability of its actions in order to provide an attractive investment environment in a capital intensive, long-term infrastructure business. From today's perspective, we feel reassured with respect to both regulatory framework as well as reliability of the regulator. Furthermore, also the regulator was reminded of the importance of these aspects while getting prepared for the next regulatory period starting in 2021 in order to continue attracting the required private capital into the Turkish electricity grid infrastructure.

Over the course of last year, Enerjisa also had two key management changes. Dr. Michael Moser has joined Enerjisa as new CFO from one of our large shareholders E.ON. With his strong background in finance, M&A, legal and compliance as well as his experiences in emerging markets and the customer solutions business, he is well equipped to take the Company to the next maturity level. Towards the end of 2019, Murat Pınar, our former General Manager of the distribution business, joined as new CEO.

With a tenure of more than 10 years at Enerjisa, Murat is a driving force of our business with deep operational understanding of the distribution business. He will not only ensure continuity of our business, but also take a strong role in shaping the regulatory environment with the next regulatory period just ahead of us.

In the fiscal year 2019, the Board of Directors carefully performed all its duties and obligations under law, 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 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' six regular meetings in the fiscal year 2019, we addressed in depth all issues relevant to the Company, including the financial and operational performance of the business and the reorganization project as well as key strategic and financial projections. Moreover, Board Committees convened multiple times during 2019 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.

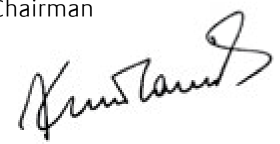
The management regularly provided us with timely and comprehensive information in both written and oral form. At the meetings of the full Board of Directors and its committees, we had sufficient opportunity to actively discuss the management's reports, motions and proposed resolutions. After thoroughly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

"The Board of Directors wishes to thank the management, all committees and all the employees of Enerjisa for their dedication and hard work during 2019. We furthermore like to thank our customers, who again have trusted us with providing "Turkey's Energy"."

Ernst & Young, the independent auditor appointed by the Annual General Meeting in 2019 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 31, 2019. The Consolidated Financial Statements are prepared in accordance with IFRS. At the Board of Directors meeting on February 11, 2020, 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 2019. We furthermore like to thank our customers, who again have trusted us with providing "Turkey's Energy".

Kıvanç Zaimler
Chairman



BOARD OF DIRECTORS

Kıvanç Zaimler

Chairman

Kıvanç Zaimler graduated from the Industrial Engineering Department of Istanbul Technical University in 1991. He started his professional career in 1992 and until 2008, held several senior management positions (in chronological order) in Turkish Electricity Industry, RAM Foreign Trade and Aygaz companies. Having joined Enerjisa in 2008, Zaimler served as Trade Director until 2013 and as Vice President of the Enerjisa Distribution Unit between 2013 and 2016. He later worked as Vice President of the Sales Unit and in March 2016, he was appointed as the CEO of Enerjisa Enerji. Since July 1, 2018, Mr. Zaimler has served as the Head of Sabancı Holding Energy Group.

Eric René C. Depluet, Ph.D.

Vice Chairman

A graduate of RWTH Aachen University, Department of Business Administration, Eric René C. Depluet holds a Ph.D. in Business Administration. After starting his career at Klöckner & Co. AG as the Control and Operations Manager in 1990, he served as Senior Vice President of Control, Operations and Accounting between 1992 and 1993. From 1993–1994, he served as the head of Accounting, Data Management and Purchasing at Max Kettner. He joined Ruhrgas AG in 1994 and worked in several leading roles, including Head of Control (1994–1996), Senior Vice President of Control (1997–1999), Senior Vice President of Technical Control and Support (1999–2000), Executive Vice President of Corporate Planning, Gas Economy Planning (2000–2001), Executive Vice President of Corporate Planning, Economical Planning, Analysis and Billing (2001–2004). Dr. Depluet joined E.ON Hungary in 2004 and served as the Board Member responsible for Gas Trade and Human Resources (2004–2007), the Senior Vice President of Corporate Social Responsibility (2007–2009) and as the CEO of E.ON Hungary (2009–2018).

Barış Oran

Board Member

Baris Oran is the CFO of Sabancı Holding. He started his career as an auditor at Price Waterhouse Coopers and from 1998 to 2003, worked at Sara Lee Corp in Chicago IL, in audit, finance and treasury/capital markets. Between 2003 and 2006, he worked as Senior Manager at Ernst and Young initially 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. Oran has started at Sabancı Holding in 2011. He graduated from Boğaziçi University, Department of Business Administration, completed his MBA studies at the University of Georgia and Advanced Management Program at the Kellogg School of Management, Northwestern University. Mr. Oran serves as the Chairman of the Board of Directors of Teknosa, Managing Director of Sabanci Dx and he is a member of the Board of Directors of Brisa, Çimsa, Carrefoursa, Enerjisa Enerji, Enerjisa Üretim and Philip Morris SA. He is also a Member of the Board of TÜSİAD.

Manfred Michael Paasch

Board Member

Manfred Michael Paasch received his diploma in business administration after completing his undergraduate studies in Bochum, Cologne and Münster. He started his professional career in 1983 at the audit firm KPMG. In 1994, he joined the energy company PreussenElektra, which later merged with the E.ON group. After holding several managerial positions, Mr. Paasch was appointed as the CEO of E.ON Bulgaria AG in 2005. From 2008 until his retirement in 2017, he served as the CFO of the energy company E.DIS AG, one of the largest distribution system operators within Germany and a subsidiary of E.ON SE. Since 2010, Mr. Paasch has served as the honorary CEO for PRO BRANDENBURG e.V., the oldest independent economical association in Brandenburg.

BOARD OF DIRECTORS

Hakan Timur

Board Member

A graduate of Istanbul University, Department of Economics (English), Hakan Timur holds a master's degree from Sabancı University in Energy and Technology Management. He started his professional career at Marsa-Kraft Foods International in 1997. He held several managerial positions in Sabancı Group, serving as Human Resources Manager in the Food Group, Human Resources Manager in Sabancı Holding, Global Human Resources Director at Kordsa Global, Vice President of Human Resources at Akçansa and Head of Human Resources and Corporate Competencies at Enerjisa. Since February 1, 2018, he has served as the Head of the Human Resources Group at Sabancı Group. In addition to his Human Resources Group Head role, Mr. Timur serves as an Executive Committee Member at Sabancı Holding and as a Board Member at Çimsa, Avivasa, CarrefourSA, Enerjisa Enerji, Enerjisa Üretim Santralleri, Teknosa and Sabancı Dx companies.

Eva-Maria Verena Volpert, Ph.D.

Board Member

Dr. Eva-Maria Verena Volpert holds a degree in business administration and is the Senior Vice President of Finance at E.ON. She joined E.ON in 2006 and is responsible for treasury, corporate and structured finance, financial control, financial settlements, asset management and insurance. Verena Volpert is also a Board Member at Enerjisa Enerji A.Ş., Enerjisa Üretim Santralleri A.Ş., Vibracoustic AG, E.ON Energie AG, PreussenElektra GmbH, E.ON International Finance B.V. ve E.ON Verwaltungs SE. Before joining E.ON, she headed the finance department of the media company Bertelsmann.

Fatma Dilek Yardım

Independent Board Member

Dilek Yardım completed the joint MBA program of University of Bangor and Manchester Business School after graduating from the Department of Business Administration at Boğaziçi University. She started her professional career as an auditor at Interbank A.Ş. in 1988. Between 1990 and 1999, she worked as Project Finance and Corporate Banking Manager at Bankers Trust. From 1999–2001, she served as the Vice President of Corporate Finance at Deutsche Bank. From 2011 until 2016, she served as the CEO and a Board Member at (in chronological order) Deutsche Bank, Credit Agricole CIN and Standard Chartered Bank. Since 2017, she has worked as a senior advisor at Experian plc. Ms. Yardım has also served as the head of various working groups at TÜSİAD and as an alternate Board Member since 2001. She also served as a Board Member at YASED (Foreign Investors Association) for three terms between 2007 and 2012. Ms. Yardım served as a Turkish-English Business Council Member at DEIK (Foreign Economic Relations Board) between 2012 and 2016.

Mehmet Sami

Independent Board Member

Following his graduation from Kingston University London, Department of Economics. Mehmet Sami completed his master's degree in Business Systems Analysis Design at City, University of London. He has more than 30 years of experience in corporate finance, venture capital fund advisory services (including the establishment of the first fund in Turkey) and capital markets. Mr. Sami has taken part in various privatizations, international mergers and acquisitions and international joint ventures undertaken by resident companies in Turkey. After EuroTurk Bank and Finansbank, he worked at Ata Invest, one of the largest independent firms in Turkey, for almost 19 years. In 2012, he joined Deloitte Corporate Finance to become the Lead M&A and Debt Advisory Partner. He also served on the Deloitte Global Mergers and Acquisitions Executive Board. Since 2015, he has been providing portfolio review and monitoring services, as well as advisory services on micro/macro risks and probable effects and corporate finance alternatives to foreign banks and multinationals through the consultancy firm he co-founded. A Founding Member of the Board Directors Association, Mr. Sami has also served in the Board of Directors of the Corporate Governance Association of Turkey (TKYD). Sami has been a member of the Board of Directors at Enerjisa since May 2018 and is the Chairman of the Corporate Governance Committee and a member of the Audit and Early Detection of Risk Committee.

Board of Director	Duty	Date of Appointment	End of Duty
Kıvanç Zaimler	Chairman	01.07.2018	29.03.2021
Eric René C. Depluet	Vice Chairman	15.06.2018	29.03.2021
Barış Oran	Member	29.03.2018	29.03.2021
Manfred Michael Paasch	Member	27.08.2018	29.03.2021
Hakan Timur	Member	20.09.2019	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

MANAGEMENT MESSAGE

We are aware of mega trends in the energy sector and we have a clear vision of how the industry will transform. As a result, we are preparing for these important changes by contributing to the shaping of regulations, discovering new business opportunities and leading the sector in transition to the New Energy World.

Dear Shareholders,

I have assumed the role of CEO at Enerjisa only very recently in November 2019, but I have been part of this great company for more than 10 years now and therefore I can speak to you as a very experienced company representative.

Looking back to 2019, despite the challenging environment, with our strategic moves and predictive risk management we left a successful year behind. Like last year, we continued our profitable financial growth. We fulfilled our commitments to our shareholders and even exceeded the promises and created value for all stakeholders. The supportive regulatory system and devoted efforts of Enejisa employees has incredible contribution to this success as well.

In this process, our goal remains to grow profitably and create shareholder value by continuing to deploy significant investments into the expansion and improvement of our networks and expanding the reach of our retail operations to the whole country, whilst focusing on customer needs.

We recognize that as a public service company and the market leader in the sector, we have a special responsibility towards the public and to be a role model within the sector. Furthermore, we are aware of the megatrends the energy sector is subject to and have a clear vision of how the sector will transform. We know that a big transformation is awaiting our sector. Adaptation to this new energy world requires reading the future well and acting quick and agile. As Enerjisa, whilst trying to focus on financial sustainability and perfection of our existing activities in today's energy world, we foresee our future strategies by predicting how the sector will transform, follow regulation and new business opportunities closely.

As a central part of this business strategy and being conscious of our responsibility as the market leader of a public service, we also want to drive sustainability in the following key areas:

- Customer centricity
- Social responsibility
- Health & Safety of our employees and contractors
- Environmental impact of our operations
- Diversity of our workforce
- Enerjisa brand awareness and corporate reputation

As Enerjisa, we aim to provide the maximum value to our investor and all other stakeholders. In this context, we approach sustainability from a holistic perspective with environmental impact, social welfare and responsibility dimensions. All of these will ensure 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 share my sincere thanks and regards to our investors who have been continuously supporting us in this path, our business partners that we share mutual values and our employees who work with dedication and passion.

Murat Pınar
CEO

Enerjisa Enerji fulfilled its promises and over performed the market expectations despite the challenging environment in 2019.

Dear Shareholders,

Even though I have joined Enerjisa only half a year ago, I can say that the past year fills me with pride to be part of this organization. We have managed to deliver an outstanding financial and operational performance in a very challenging environment achieving a net profit of more than TL 1 billion and turning the Company cash positive even after interest and tax payments for the first time in its history. All of that was realized after a very deep financial crisis in 2018 in Turkey. Despite the challenging environment, Enerjisa delivered on its promises and even exceeded market expectation. While this is first and foremost a reflection of the operational and financial performance of the Company, it is also enabled by a reliable regulatory framework that continues to prove itself even through tough times.

We commit to continue our prudent management approach while at the same time remaining agile in our decision-making to seize market opportunities in a highly dynamic environment. We would like to thank you for the trust you have extended to us to deliver on our promises.

Dr. Michael Moser
CFO

EXECUTIVE MANAGEMENT

Murat Pınar

CEO

A graduate of Karadeniz Technical University, Department of Electrical and Electronics Engineering, Murat Pınar received his MBA degree from the London School of Commerce and the University of Wales. Pınar started his professional career in 1998 at Siemens and worked in various capacities as an engineer and product, application and integration manager between 1998 and 2005. From 2005 to 2010, he worked at NSN (Nokia Siemens Network) as a Field Operations Manager responsible for 13 different countries and as the Program Manager in Telecommunications, Fiber Optics, Infrastructure, Construction and Integration. Mr. Pınar joined Enerjisa in 2010 and, until 2015, served in various Executive roles across Enerjisa's Başkent EDAŞ, AYEDAŞ and Toroslar EDAŞ organizations. Mr. Pınar was appointed as the General Manager of Enerjisa Distribution Companies in 2015 and as the President of Enerjisa Enerji Distribution Business Unit in 2016. He has served as the Enerjisa Enerji CEO since November 1, 2019*.

*Mr. Ziya Erdem, who served as the CEO of Enerjisa Enerji A.Ş. since 2018, left the Company as of October 31, 2019 and Mr. Murat Pınar, General Manager of Enerjisa Distribution Companies, was appointed as the CEO of Enerjisa Enerji A.Ş. as of November 1, 2019.

Michael Moser, Ph.D.

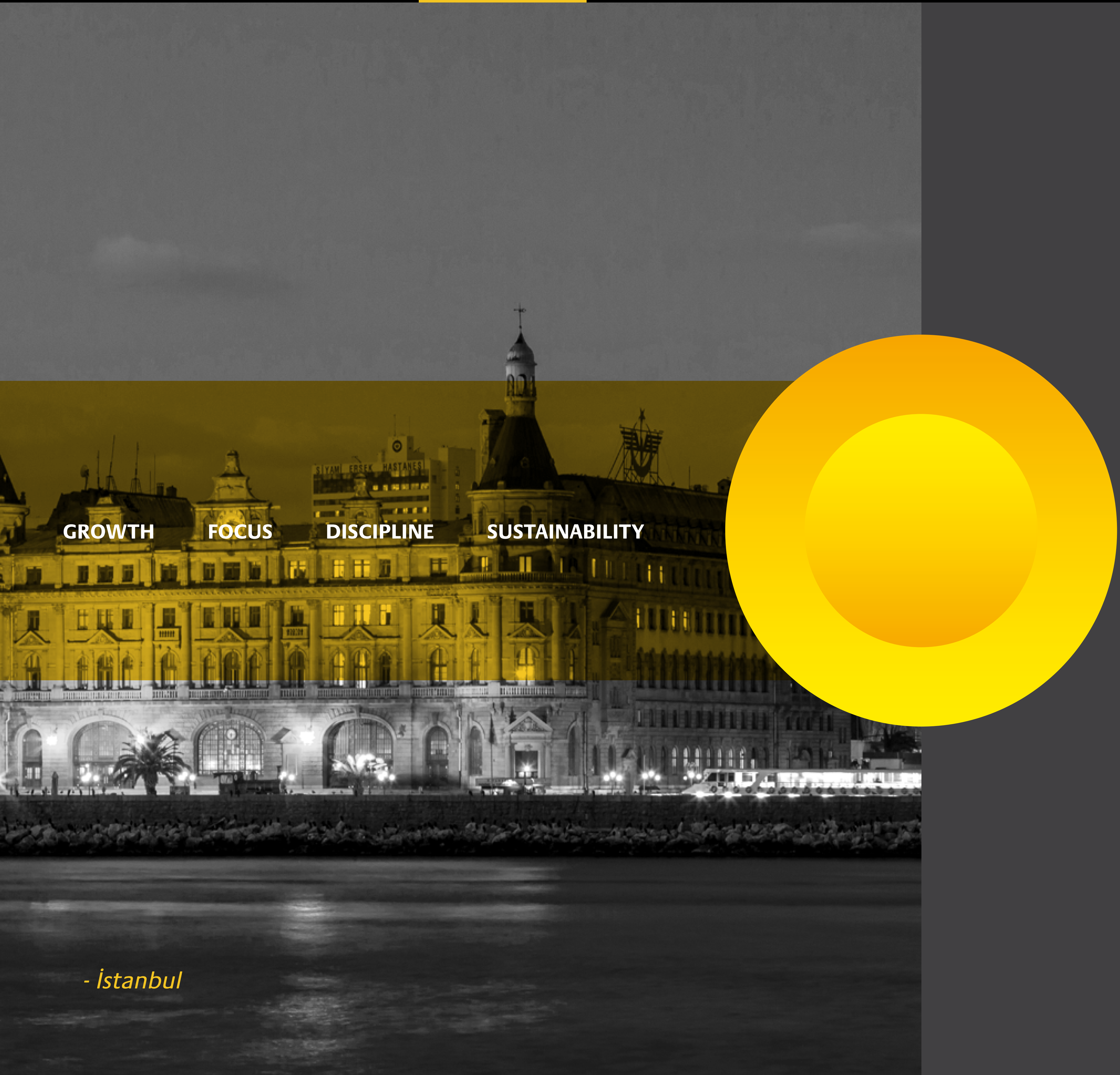
CFO

Dr. Moser has seven university degrees (incl. MBA) in economics and law and a PhD in international energy law. After starting his career in a private equity company, he joined Baker McKenzie in 2005 and 2008 E.ON first as Global Head of Legal M&A and then moved to the stock listed energy company Eneva S.A. in Rio de Janeiro as Chief Development Officer. Later he joined E.ON again as Project Leader for the spin-off and listing of Uniper SE, became thereafter the Chief Audit Officer and thereafter CFO of New Customer Solutions. Since 2019, Dr. Moser is the CFO of Enerjisa Enerji S.A.

GENERAL ASSEMBLY MEETING

ENERJİSA ENERJİ A.Ş. AGENDA FOR THE 2019 ORDINARY GENERAL ASSEMBLY MEETING TO BE HELD ON 23 MARCH 2020, AT 11.00 A.M

1. Opening and formation of the Meeting Council,
2. Reading and discussion of the 2019 Annual Report of the Board of Directors,
3. Reading the 2019 Independent Auditor's Reports,
4. Reading, discussion and approval of the 2019 financial statements,
5. Release of the members of the Board of Directors with regard to the 2019 activities,
6. Determination of the usage of the 2019 profit, dividend and dividend per share to be distributed,
7. Determination of the salaries, attandance fees, bonus, premium and similar rights to be paid to the members of the Board of Directors,
8. Presenting the members of the Board of Directors which had appointed during the current year due to the occurence of the absence in the Board of Directors' membership to serve for the remaining period for the approval of the General Assembly,
9. Election of the auditor,
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 2019,
12. Determination of an upper limit for donations to be made in 2020,
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,
14. Wishes and requests.



STRATEGY

TURKISH ELECTRICITY MARKET

In 2019, the Turkish electricity sector pulled out of the turbulent period experienced in 2018 and reached a stable outlook; while supply costs stabilized, sector continued to grow.

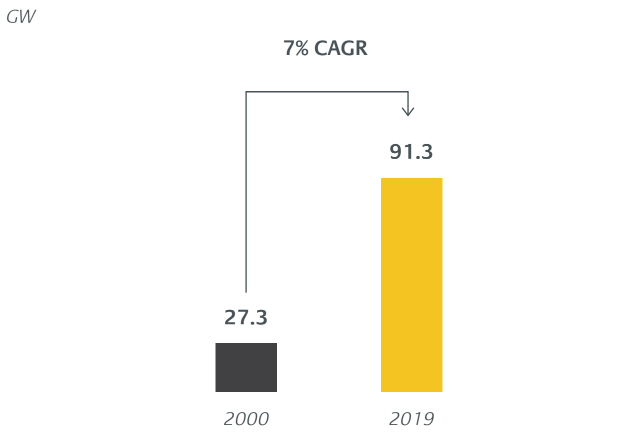
The main principles of Turkey's energy policies are supply security and reduction of foreign dependency in electricity generation. The Turkish electricity market has maintained its growth and reached 91.3 GW generation capacity thanks to the recently installed 2.7 GW of additional capacity in 2019. Generation capacity has been growing at an annual rate of 7% since 2000. The continuity of the Renewable Energy Resources Support Mechanism (YEKDEM), which currently offers foreign exchange-based incentives for new generation plants that will be operational after 2020 remains uncertain. Hence, it has been observed that the increase in the installed capacity of the renewable energy power plants[1] has accelerated in 2019. Renewable energy accounts for almost all of the newly installed power capacity. This trend is expected to continue in 2020.

As the share of renewable energy plants in total installed capacity increases, so does its share in the overall electricity generation. Thanks to positive market conditions, including favorable hydrology, the share of renewable energy sources in total gross electricity generation increased by 11% compared to 2018. In 2019, the share of renewable energy sources jumped to 42% of the total 304.3 TWh gross electricity generation. Gross energy demand, on the other hand, did not change much and remained at 303.7 TWh in 2019 due to the economic slowdown in 2018[2]. Long term trends in gross energy demand have demonstrated an approximately 5% annual increase since 2000 with the growth in GDP, increased population, developments in industrial production and growth in service industry. The share of residential, industrial and commercial consumers[3] in total electricity consumption remained the same as in 2018; around 25%, 41% and 29%, respectively.

Compared to the previous year, in 2019[4] the number of customers in the distribution system increased by 2.5% to around 45 million. Consequently, by the end of 2019, the energy transmission line was extended to 70,000 km to provide power to the 45 million customers in Turkey. Total investment for 21 distribution regions is predicted to be TL 5.7 billion for 2019.

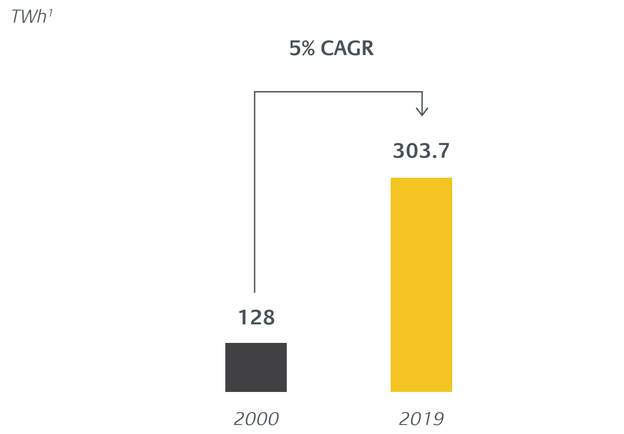
[1] In the context of the report renewable energy plants comprise wind, solar, geothermal, hydroelectric and biomass plants.
[2] 2018 gross electricity demand has been revised as 304 TWh by TEİAŞ histrocially.
[3] Compared to 11 month 2019 data provided by EMRA.
[4] Calculated based on 11 month 2019 data provided by EMRA.

GENERATION CAPACITY



Source: TEİAŞ

GROSS ELECTRICITY DEMAND

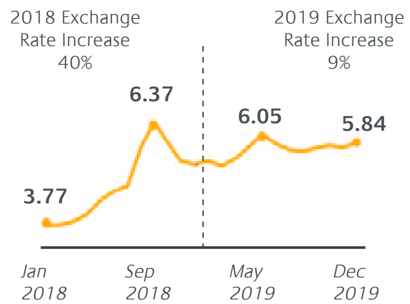


[1] Gross demand is equal to gross generation plus imports minus exports.
Source: TEİAŞ

MARKET PRICE DEVELOPMENTS

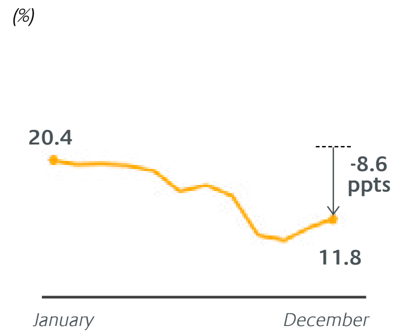
In contrast to the macroeconomic fluctuations and volatility in 2018, the turmoil settled and the economy regained its stability in 2019. While GDP decreased in the first two quarters of 2019 year-on-year, by 2.3% and 1.6%, respectively, a 0.9% growth was achieved in third quarter of 2019. As for monthly exchange rate averages; the Turkish lira lost around 40 percent of its value against the US dollar in 2018. However, the figure receded to 9% in 2019. The CPI decreased by around 8.6% and settled at 11.8% by the end of 2019. Population, on the other hand, increased by 1.40% in 2019. All indicators point to a newly established macroeconomic balance. Enerjisa Enerji emerged through such challenging times with a strong balance sheet to further prove its financial discipline and capabilities to manage uncertainty.

2018 & 2019 MONTHLY USD DEVELOPMENT



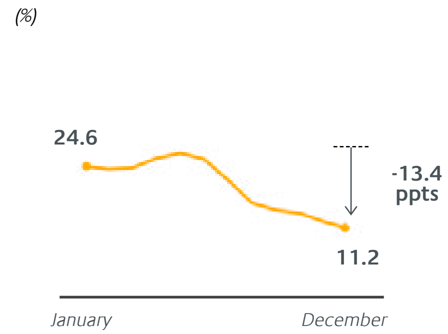
Source: TCMB

2019 INFLATION (CPI)



Source: TÜİK

2019 INTEREST RATE (6M TRLIBOR)



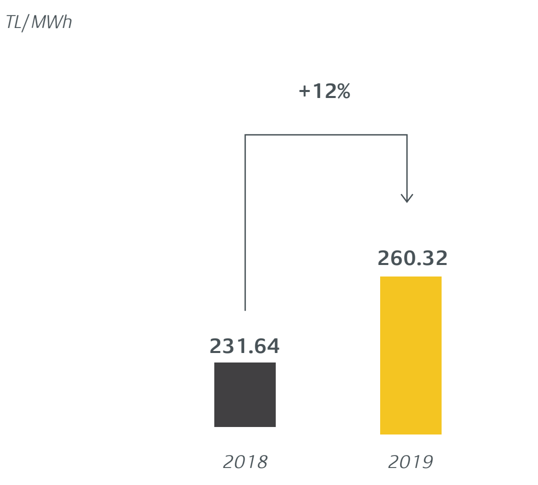
Source: TBB

TURKISH ELECTRICITY MARKET

The fluctuations in the US dollar exchange rate in 2018 prompted an increase in natural gas prices, which in turn surged electricity supply costs. However, 2019 reintroduced stability and the annual average electricity Market Exchange Rate (MER) rose only by 12% compared to 2018. The initial annual average MER in 2019 was 260 TL/MWh; but as several electric power plants on seasonal or long-term purchase guarantee contracts were decommissioned, the MER figures rose higher in the second half of the year. Similarly, bilateral contract tariffs between EÜAŞ, the state-owned Electricity Generation Company and mandated energy supply companies increased steadily through each quarter, culminating in a 70% increase in the fourth quarter.

The regulatory authority has reflected the rising electricity supply costs since 2018 to national tariffs in several steps. While the second quarter of 2019 brought a discount thanks to seasonality, the third and fourth quarters witnessed 20% and 15% tariff increases, respectively, for residential consumers, and 17% and 15% rises respectively in other tariffs. Throughout 2019, the residential tariff maintained its 35% advantage compared to other tariff groups on a cost basis in 2019.

MARKET EXCHANGE RATE (MER)



Source: EPİAŞ

END-CONSUMER COSTS

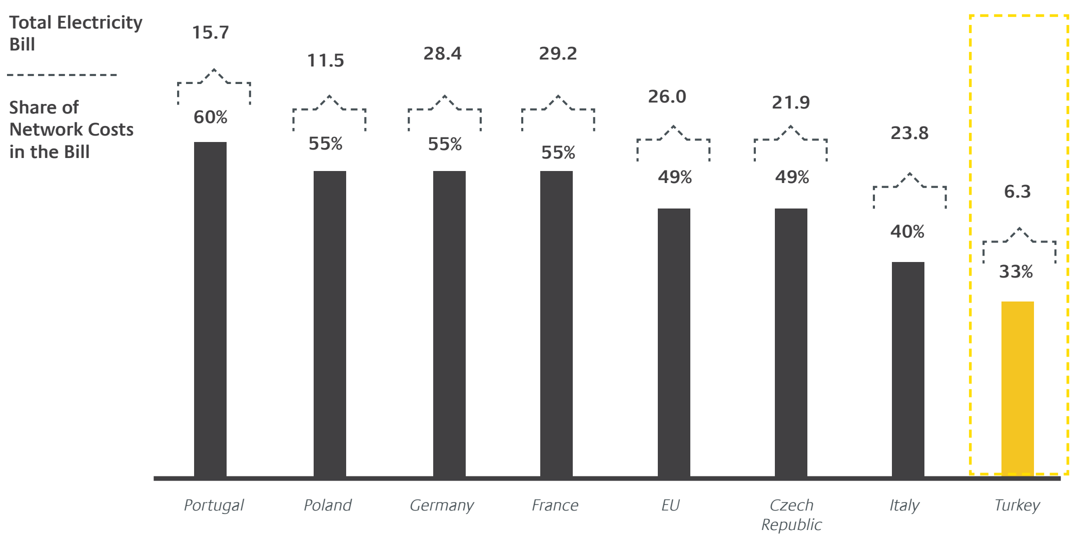
To fund the operating and maintaining costs of the existing electricity system, and attract investments into new and improved generation and network infrastructure, the end-consumer electricity bill includes the following components:

- ***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:*** VAT, Energy Fund surcharge, TRT surcharge, Electricity Consumption tax etc.

A comparison between the ratio of transmission and distribution grid costs, excluding taxes and VAT, to the total bill in European Union countries and in Turkey highlights that Turkey is substantially below the European Union average of grid costs, 32% against 49%, respectively, for residential users consuming below 1,000 kWh/year. Furthermore, Turkey stands out among other European countries with the relatively affordable end-consumer electricity cost of 6.3 eurocent/kWh, excluding taxes and VAT. Although Turkey's ranking in the The World Economic Forum electricity supply quality ranking increased from 89.8 out of 100 in 2018 to 90.9 in 2019, overall it still resides in 82nd out of 141 countries. Turkey's grid quality has fallen behind the global standards. Turkey's transmission and distribution grid needs robust investments and renovation to reach global standards.

COMPARISON OF 2018 TOTAL ELECTRICITY BILL AND SHARE OF NETWORK COSTS IN THE BILL

(Eurocent/KWh)



[1] Consumers below 1,000 kWh consumption
[2] Total Electricity Bill and Share of Network Costs in the Bill include tax costs

Source: Eurostat

STRATEGIC PRIORITIES

As the leading electricity distribution and retail company in Turkey we strive to deliver the highest quality in our services and investments with a keen focus on customer needs.
Our goal is to grow profitably and create shareholder value by continuing to expand our high quality network in our distribution regions and expanding the reach of our retail operations to the whole country. We recognize that as a public service company and the market leader in the sector, we have a special responsibility towards the public and to be a role model within the sector.

We function in a dynamic energy sector that is transforming with megatrends and have a clear vision of potential changes and value creation opportunities. We are already preparing for these fundamental changes today by helping to shape regulation, exploring new business opportunities and leading the sector into the New Energy World.

In order to achieve our goal and be ready for the future, we have set the following five key strategic priorities for Enerjisa:

1. "FOCUS" ON THE CORE

We are well positioned in a growing market with strong growth fundamentals in place. We will leverage on our experience and expertise to continue growing in our distribution and retail businesses.

a. Use the significant organic growth opportunities to expand the network in our distribution regions
b. Sustain quality of network and operations by focusing on operational excellence and digitalization
c. Grow our customer base in our retail operations with excellent service quality and agile operations that quickly adapt to changing market conditions
d. Prepare for the upcoming tariff period and be a strong partner of the regulator

2. "EXPLORE" ADJACENCIES

We think holistically with a 360° perspective to capture growth opportunities in our adjacencies.

a. Leverage the existing large customer base with regards to both market access and data
b. Prepare for changing expectations and needs of our customers
c. Formulate new business models that integrate local market expectations and already effective trends like roof-top solar and energy efficiency

3. PREPARE FOR THE "FUTURE"

We are aware of the megatrends that influence our sector and we are preparing for the New Energy World.

a. Tap the start-up ecosystem to add important capabilities and solutions to get ready for the New Energy World
b. Chase organic and inorganic opportunities to penetrate potential future growth areas such as e-mobility, smart cities and energy storage
c. Prepare for future data monetization prospects

4. SUPPORT THE "ECOSYSTEM"

We implement a trusted partnership approach based on the needs and expectations of our key stakeholders – government, local authorities, general public, customers, alliances, shareholders, subcontractors, capital investors and employees.

a. Leverage on common interests between business and stakeholders
b. Become trusted partner of municipalities
c. Work together and win together

5. "PERFORMANCE CULTURE"

We maximize our efficiency by learning from our experience, being flexible and measuring our performance.

a. Drive business excellence
b. Ensure strong performance management
c. Nurture a performance driven, constructive and productive organizational climate

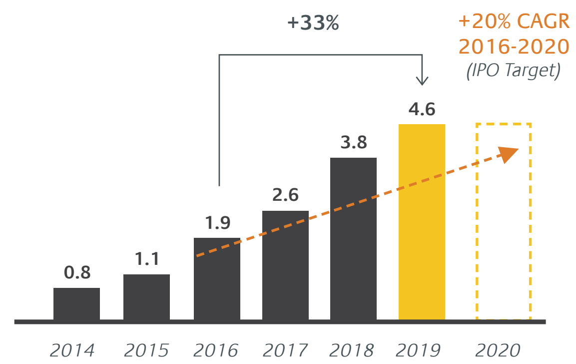
We committed to the following mid-term financial targets for the period 2016-2020, to have a reference point for the implementation of the strategic priorities we stated above:

- Ensure growth in Consolidated Operational Earnings (EBITDA + CAPEX reimbursements excluding exceptional items) with a CAGR of 20% p.a.
- Ensure growth in 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
- Do not exceed a leverage (Period End Financial Net Debt/Consolidated Operational Earnings) of 3.5x

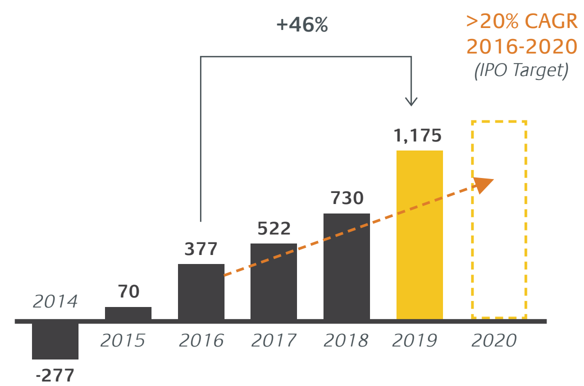
In 2019, Enerjisa has again significantly over-performed and exceeded its financial targets. 2020 will be the last year of the current mid-term guidance period and the last year of the current regulatory period. We will be specifying targets for 2020 during the fiscal year.

FINANCIAL TARGETS

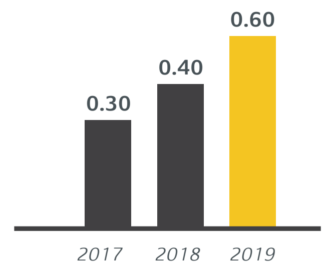
CONSOLIDATED OPERATIONAL EARNINGS *(TL billion)*



CONSOLIDATED UNDERLYING NET PROFIT *(TL million)*

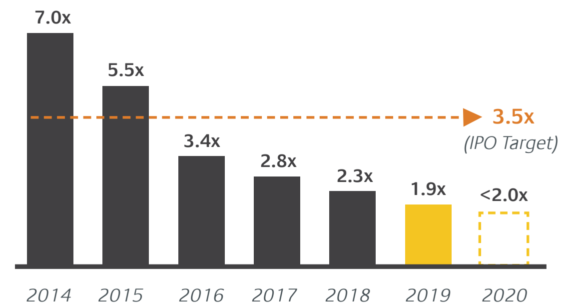


DIVIDEND POLICY: 60-70% OF UNDERLYING NET INCOME



	2017	2018	2019
Dividend Pay Out Ratio	68%	65%	60%

LEVERAGE <3.5X NET DEBT / OPERATIONAL EARNINGS



GROWTH FOCUS DISCIPLINE SUSTAINABILITY

Enerjisa Enerji aims to sustain the strong growth and the value it has created for shareholders historically, by continuing its investments to increase the quality and expand distribution networks in its regions. Enerjisa Enerji, while pursuing the organic growth opportunities that the distribution sector provides, will also closely monitor the new energy mega trends and continue to meet customer needs and experiences.

- Adana

FINANCIAL DEVELOPMENTS

DISTRIBUTION FINANCIAL DEVELOPMENTS

Operational Earnings (EBITDA + Capex reimbursements excl. exceptional items) of our distribution business increased by 17% from TL 3,490 million in 2018 to TL 4,073 million in 2019. As a result, the distribution business unit contribution consolidated Operational Earnings of Enerjisa has been 88%.

OPERATIONAL EARNINGS

(TL million)	1 January - 31 December 2019	1 January- 31 December 2018	Delta TL	Delta %
Sales Revenue	6,599	6,986	-387	-6%
Financial Income	*1,959*	*1,717*	*242*	*14%*
Distribution Revenue	*3,351*	*4,281*	*-930*	*-22%*
Pass-Through Transmission Revenue	*998*	*760*	*238*	*31%*
Lighting Sales Revenue	*291*	*228*	*63*	*28%*
Cost of Sales	-2,029	-1,690	-339	20%
Energy Purchases (Lighting, T&L)	*-1,024*	*-930*	*-94*	*10%*
Pass-Through Transmission Cost	*-998*	*-760*	*-238*	*31%*
Other	*-7*	*0*	*-7*	-
Gross Profit	**4,570**	**5,296**	**-726**	**-14%**
Opex	-1,563	-1,272	-291	23%
Other Income/(Expense)	-105	-240	135	-56%
Operating Profit Before Finance Income/(Expense)	**2,902**	**3,784**	**-882**	**-23%**
Adjustment of Depreciation and Amortization	113	26	87	335%
Adjustment Related to Operational Fx Gains And Losses	4	44	-40	-91%
Interest Income Related to Revenue Cap Regulation	-186	-44	-142	323%
EBITDA	**2,833**	**3,810**	**-977**	**-26%**
Capex Reimbursements	1,058	798	260	33%
EBITDA+Capex Reimbursements	**3,891**	**4,608**	**-717**	**-16%**
Fair Value Changes of Financial Assets	230	-984	1,214	-123%
Competition Authority Penalty Provision	-	8	-8	-
Non-Recurring Income Related to Previous Fiscal Years	-48	-142	94	-66%
Operational Earnings	**4,073**	**3,490**	**583**	**17%**

INVESTMENTS

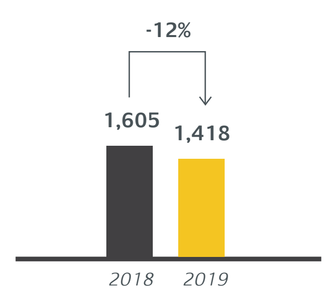
The increase in revenue was mainly a consequence of higher financial income, which grew by 14% from TL 1,717 million in 2018 to TL 1,959 million in 2019. The increase in financial income is a result of a higher RAB, partially compensated by lower nominal return rates due to lower inflation expectations.

Investment activities have slowed down from TL 1.6 billion in 2018 to TL 1.4 billion in 2019. Despite the reduction in investment volume, the Regulated Asset Base increased by 21% from TL 6.9 billion in 2018 to TL 8.4 billion at the end of 2019. The inflation rate (CPI) was announced at 15.7% for 2019 compared to 15.4% for 2018 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 planned investments until the end of the concession period.

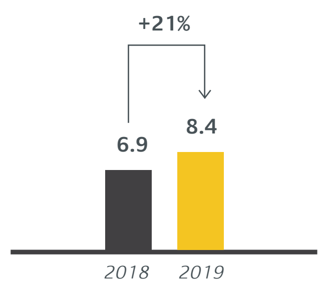
CAPEX

(TL million)



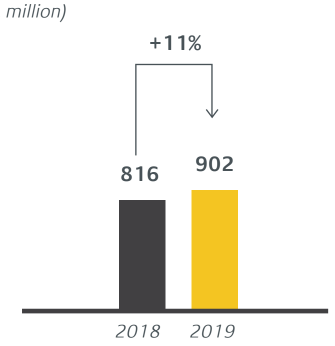
RAB

(TL billion)



EFFICIENCY & QUALITY[1]

(TL million)



2018 2019

[1] Ind. 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 33% from TL 798 million in 2018 to TL 1,058 million in 2019 in line with actual investments in previous regulatory periods.

DISTRIBUTION FINANCIAL DEVELOPMENTS

EFFICIENCY & QUALITY PARAMETERS

Next to guaranteed investment returns, earnings from efficiency & quality have increased in line with inflation, with the composition of outperformances roughly unchanged.

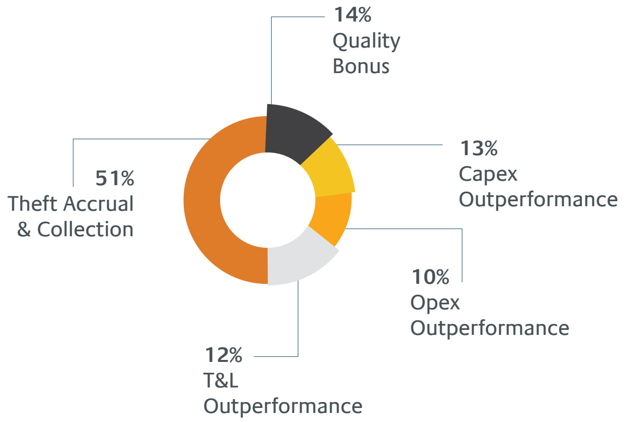
The total of Capex, Opex and Theft & Loss (T&L) outperformances as well as theft accrual & collection income and quality bonus grew again by 11% from TL 816 million in 2018 to TL 902 million in 2019. Overall, the main contributor remained theft accrual & collection income. Growth for this regulatory mechanism in particular came from the higher power price level and improved collection performance. Theft accrual & collection income contributed 52% of the total efficiency & quality earnings component in 2019.

The second driver of the increase in efficiency & quality earnings is the quality bonus mechanism, which contributed TL 160 million in 2019. 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 2019, Enerjisa was eligible to receive a bonus of 3.5% of the regulated revenue requirement, compared to 3.2% in 2018.

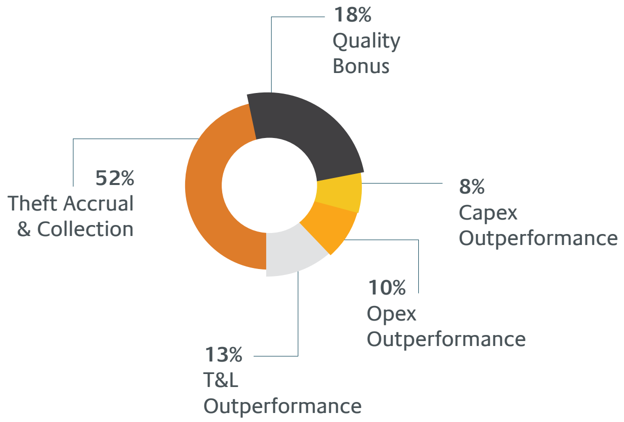
The remaining 1/3 of efficiency & quality earnings in 2019 came from Capex, Opex and T&L outperformances.

- **Capex outperformance** decreased compared to last year in line with the slowdown in Capex execution, as well as the slight reduction in the outperformance margin from 7% in 2018 to 5% in 2019 as a result of unit cost developments in a very volatile market environment that were not fully compensated by the regulatory indexation methodology.
- Contributions from **Opex outperformance** remained constant at 5% of the Opex allowance and therefore increased with the inflation indexation of the allowance.
- **T&L outperformance** increased slightly from 1.1% in 2018 to 1.2% in 2019. However, with the higher power price levels, the T&L outperformance increased by close to 20% year on year.

EFFICIENCY & QUALITY 2018



EFFICIENCY & QUALITY 2019



FREE CASH FLOW BEFORE INTEREST AND TAX

Operating cash flow before interest and tax remained almost constant in 2019 at TL 2,377 million, which was 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. By the end of 2018, the Company has depleted the initial allowed Capex and the additional investments made will be cash-effective in 2021.

The working capital requirement increased by TL 520 million in the course of 2019, mainly driven by; tariffs not yet reflecting earnings recognition and actual energy procurement costs.

Cash-effective Capex almost remained flat, from TL 1,549 million in 2018 to TL 1,555 million in 2019 despite the decrease in investment volume.

As a consequence, Free Cash Flow before interest and tax for Distribution decreased from TL 825 million in 2018 to TL 822 million in 2019.

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

(TL million)	1 January-31 December 2019	1 January-31 December 2018	Delta TL	Delta %
Financial Income	1,959	1,717	242	14%
Capex Reimbursements	1,058	798	260	33%
Efficiency & Quality	902	816	86	11%
Tax Correction	174	133	41	31%
Other	-20	26	-46	-177%
Operational Earnings	**4,073**	**3,490**	**583**	**17%**
Financial Income Not Yet Cash Effective	-1,178	-1,082	-96	9%
Capex Outperformance	-69	-105	36	34%
Working Capital and Vat	-449	71	-520	-732%
Operating Cash Flow Before Interest and Tax	**2,377**	**2,374**	**3**	**-**
Actual Allowed Capex (Nominal)	-1,418	-1,605	187	-12%
Capex Outperformance	69	105	-36	-34%
Unpaid/Previous Year Capex and Vat	-206	-49	-157	320%
Cash-Effective Capex	**-1,555**	**-1,549**	**6**	**-**
Free Cash Flow Before Interest and Tax	**822**	**825**	**-3**	**-**

RETAIL FINANCIAL DEVELOPMENTS

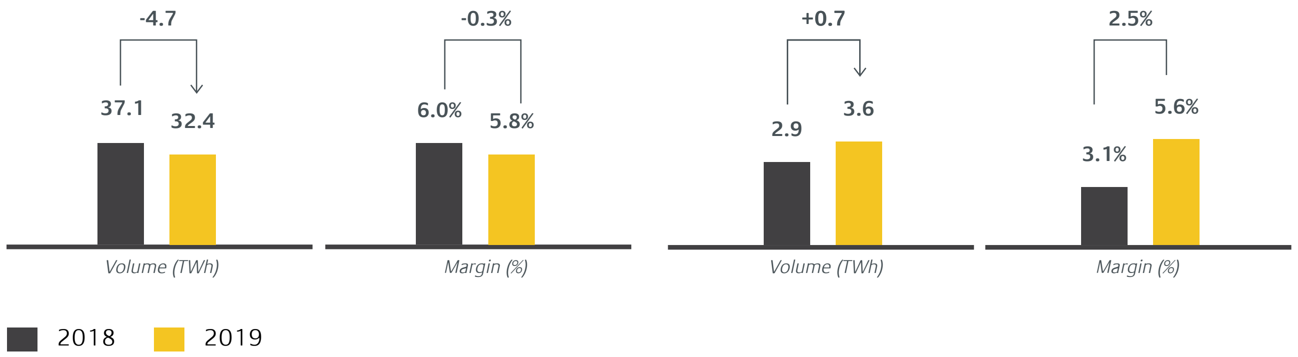
Operational Earnings (EBITDA) from our retail business increased by 43% from TL 390 million in 2018 to TL 559 million in 2019. This growth has exceeded the growth of the distribution segment in 2019 and the retail business contribution to the consolidated Operational Earnings of Enerjisa increased to12%.

OPERATIONAL EARNINGS

(TL million)	1 January - 31 December 2019	1 January - 31 December 2018	Delta TL	Delta %
Revenue	12,854	11,361	1,493	13%
Regulated	*11,369*	*10,301*	*1,068*	*10%*
Liberalised	*1,464*	*1,044*	*420*	*40%*
Customer Solutions	*21*	*16*	*5*	*31%*
Cost of Sales	-12,080	-10,690	-1,390	13%
Regulated	*-10,711*	*-9,679*	*-1,032*	*11%*
Liberalised	*-1,362*	*-1,003*	*-359*	*36%*
Customer Solutions	*-7*	*-8*	*1*	*-13%*
Gross Profit	**774**	**671**	**103**	**15%**
OPEX	-367	-341	-26	8%
Other Income/(Expense)	-9	-305	296	-97%
Operating Profit Before Finance Income/(Expense)	**398**	**25**	**373**	**1,492%**
Adjustment of Depreciation and Amortization	47	23	24	105%
Adjustments Related to Fair Value Difference Arising From Deposits	114	243	-129	-53%
EBITDA	**559**	**291**	**268**	**92%**
Competition Authority Penalty Provision	-	99	-99	-
Operational Earnings	**559**	**390**	**169**	**43%**

Revenues increased from TL 11.4 billion in 2018 to TL 12.9 billion in 2019 as a result of higher power prices. Regulated segment volumes declined from 37.1 TWh in 2018 to 32.4 TWh in 2019, as corporate customers with consumption above the last resort tariff limit have switched to the liberalised segment in the beginning of 2019. On the liberalized segment, corporate volume growth has been moderate. The main reason behind this is the selectivity of the Company to keep the last resort tariff customers in terms of profitability and working capital requirements. While profitability for the regulated segment slightly decreased from 6% in 2018 to 5.8% in 2019, liberalised corporate segment gross profit margins increased significantly from 3.1% in 2018 to 5.6% in 2019.

REGULATED SEGMENT | LIBERALIZED CORPORATE SEGMENT



SALES VOLUMES

(TWh)	1 January - 31 December 2019	1 January - 31 December 2018	Delta TWh	Delta %
Regulated	32.4	37.1	-4.7	-13%
Corporate	*10.0*	*16.5*	*-6.5*	*-39%*
Residential & SME	*22.4*	*20.6*	*1.8*	*9%*
Liberalized	3.8	4.0	-0.2	-5%
Corporate	*3.6*	*2.9*	*0.7*	*24%*
Residential & SME	*0.2*	*1.1*	*-0.9*	*-82%*
Total Sales Volume	**36.1**	**41.1**	**-5**	**-12%**

GROSS PROFIT MARGINS

(%)	1 January - 31 December 2019	1 January - 31 December 2018	Delta %
Regulated	5.8%	6.0%	-0.3%
Liberalized	6.5%	4.0%	2.6%
Corporate	*5.6%*	*3.1%*	*2.5%*
Residential & SME	*-*	*6.6%*	*-*
Total	**6.0%**	**5.9%**	**-0.1%**

RETAIL FINANCIAL DEVELOPMENTS

OPEX increased below inflation from 2018 to 2019. Bad debt related income continued to provide a positive net earnings contribution as collection rates improved on an already high level, while late payment income significantly increased on the back of a higher late payment penalty rate.

The operating and free cash flow before interest and tax for the retail business has increased significantly in 2019 as the negative working capital effects from 2018 reversed in 2019 as expected. Overall, the retail segment closed 2019 with a free cash flow before interest and tax at TL 1,725 million, around three times operational earnings.

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

(TL million)	1 January-31 December 2019	1 January-31 December 2018	Delta TL	Delta %
Regulated Gross Profit	657	621	36	6%
Liberalised Gross Profit	97	46	51	111%
Customer Solutions Gross Profit	19	11	8	73%
Opex	-325	-323	-2	1%
Bad Debt Related Income and Expense	111	35	76	217%
Operational Earnings	**559**	**390**	**169**	**43%**
Price Equalization Effects	811	-454	1,265	279%
Net Customer Deposit Additions	64	246	-182	-74%
Δ In Net Working Capital	342	-317	659	208%
Operating Cash Flow Before Interest and Tax	**1,776**	**-135**	**1,911**	**-**
Capex	-51	-38	-13	34%
Free Cash Flow Before Interest and Tax	**1,725**	**-173**	**1,898**	**-**

CONSOLIDATED FINANCIAL DEVELOPMENTS

OPERATIONAL EARNINGS

(TL million)	1 January-31 December 2019	1 January-31 December 2018	Delta TL	Delta %
Operating Profit Before Finance Income/(Expense)	3,065	2,811	254	9%
Adjustment of Depreciation and Amortization	373	258	115	45%
Adjustment of Goodwill Impairment Expense	-	753	-753	-
Adjustment Related to Operational Fx Gains and Losses	4	44	-40	-91%
Adjustments Related to Fair Value Difference Arising from Deposits	114	243	-129	-53%
Interest Income Related to Revenue Cap Regulation	-186	-44	-142	323%
EBITDA	**3,369**	**4,065**	**-696**	**-17%**
Capex Reimbursements	1,058	798	260	33%
EBITDA+Capex Reimbursements	**4,427**	**4,864**	**-437**	**-9%**
Fair Value Changes of Financial Assets	230	-984	1,214	123%
Competition Authority Penalty Provision	-	107	-107	-
Non-Recurring Income Related to Previous Years	-48	-142	94	-66%
Operational Earnings	**4,609**	**3,845**	**764**	**20%**

Consolidated Operational Earnings (EBITDA + Capex reimbursements excl. exceptional items) of Enerjisa increased by 20% from TL 3,845 million in 2018 to TL 4,609 million in 2019. This increase in Operational Earnings was mainly driven by the distribution segment, which as of the year-end 2019 contributed 88% of consolidated Operational Earnings.

The increase in operational earnings for the distribution segment was mainly a consequence of higher financial income, which grew by 14% from TL 1,717 million in 2018 to TL 1,959 million in 2019. The increase in financial income is a result of a higher RAB, partially compensated by lower nominal return rates due to lower inflation expectations. Investment activities have slowed down from TL 1.6 billion in 2018 to TL 1.4 billion in 2019. Despite the reduction in investment volume, the Regulated Asset Base increased by 21% from TL 6.9 billion in 2018 to TL 8.4 billion at the end of 2019. The inflation rate (CPI) was announced at 15.7% for 2019 compared to 15.4% for 2018 adding to both the nominal investment return as well as the nominal Regulated Asset Base itself. Next to guaranteed investment returns, earnings from efficiency & quality parameters have increased 11% in line with inflation, from TL 816 million in 2018 to TL 902 million in 2019.

The contribution of the retail segment has been driven with the regulated segment as a result of significantly higher average sales prices which increased around 25% year-over-year driven by regulated tariff developments and overcompensated any volume decline. For the liberalized market, the higher margins drove the year-over-year development.

CONSOLIDATED FINANCIAL DEVELOPMENTS

UNDERLYING NET INCOME

Consolidated Underlying Net Income (Net Income excl. exceptional items) has increased by 61% from TL 730 million in 2018 to TL 1,175 million in 2019. Below Operational Earnings, the main effects were as follows:

- Depreciation grew by TL 115 million, which was mainly a result of the implementation of the new IFRS16 standard that capitalizes rent expenses and therefore reclassifies operating expenses to depreciation and interest expenses.
- Financial expenses increased from TL 1,489 million in 2018 to TL 1,672 million in 2019. Although the loan portfolio has been refinanced again at significantly lower rates in the second half of the year, the cumulative average loan financing rate ended up at around 18%, 1 ppt higher than in 2018.
- The higher loan interest expense in 2019 was overcompensated by lower inflation revaluation expenses of the outstanding bonds and customer deposits.
- Other financial expenses remained flat although lease interest expenses were added under the scope of IFRS16 and significant one-off expenses were incurred to reprice the loan portfolio prematurely. Both of these were fully compensated by higher financial income on receivables against the price equalization system that mostly came from 2018 and contributed significantly due to the high interest rate level for most of the year.
- Finally, the effective tax rate for 2019 has decreased from 31% in 2018 to 25% in 2019. As guided before, this was achieved by starting to recognize a deferred tax asset at the Enerjisa Enerji holding company, thereby starting to use the tax shield of financial expenses of this legal entity.

(TL million)	1 January-31 December 2019	1 January-31 December 2018	Delta TL	Delta %
Operating Profit Before Finance Income/(Expense)	3,065	2,811	254	9%
Financial Income/(Expense)	-1,673	-1,489	184	12%
Profit Before Tax	1,392	1,322	70	5%
Taxation	-358	-574	216	-38%
Net Income	**1,034**	**748**	**286**	**38%**
Fair Value Changes of Financial Assets	179	-768	947	-123%
Competition Authority Penalty Provision	-	107	-107	-
Goodwill Impairment Expense	-	753	-753	-
Non-Recurring Income Related to Prior Fiscal Years	-38	-110	72	-65%
Underlying Net Income	**1,175**	**730**	**445**	**61%**

FREE CASH FLOW AFTER INTEREST AND TAX

The free cash flow after interest and tax increased from TL -562 million in 2018 to TL 505 million in 2019.

The improvement in the free cash flow before interest and tax was driven by the retail segment. The operating and free cash flow before interest and tax for the retail business has increased significantly in 2019 as the negative working capital effects from 2018 reversed in 2019 as expected. Overall, the retail segment closed 2019 with a free cash flow before interest and tax at TL 1,725 million, around three times operational earnings.

(TL million)	1 January-31 December 2019	1 January-31 December 2018	Delta TL	Delta %
Operating Cash Flow Before Interest and Tax	4,168	2,122	2,046	96%
Capex	-1,621	-1,602	19	1%
Free Cash Flow Before Interest and Tax	**2,547**	**520**	**2,027**	**390%**
Tax Payments	-456	-35	-421	1,203%
Interest Received	122	96	26	27%
Interest Paid	-1,708	-1,143	-565	49%
Free Cash Flow After Interest and Tax	**505**	**-562**	**1,067**	**-**

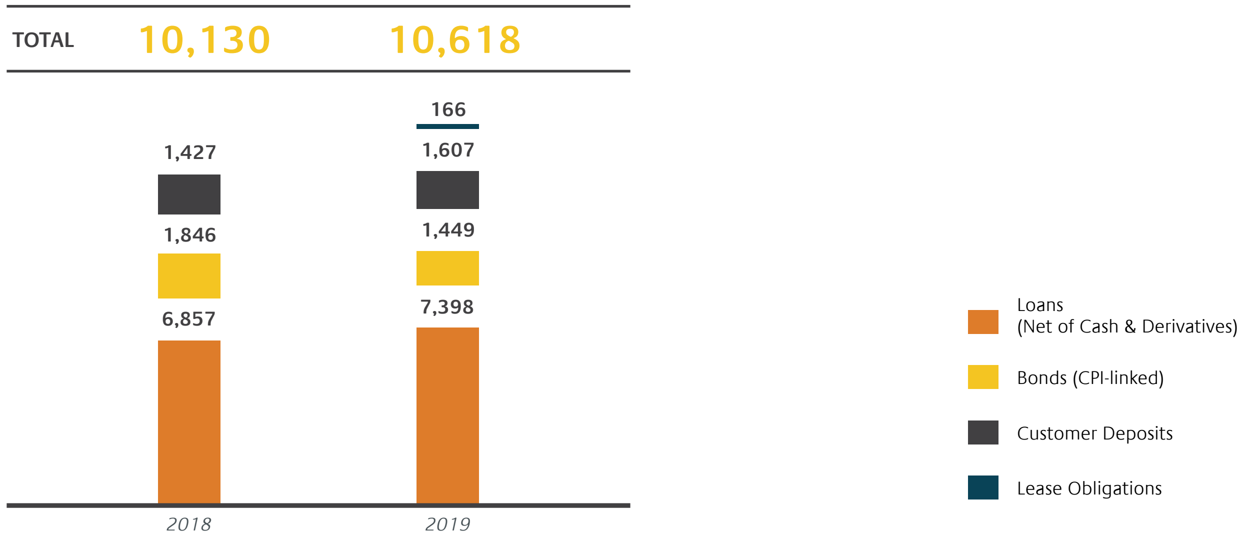
CONSOLIDATED FINANCIAL DEVELOPMENTS

ECONOMIC NET DEBT

The economic net debt increased only moderately from TL 10,230 million in 2018 to TL 10,618 million in 2019. As the operating cash flow in 2019 was sufficient to cover interest and tax payments as well as the dividend payment for the year 2018, the remaining increase in economic net debt was only a result of the following:

- With the implementation of the new IFRS16 standard, the lease expenses were capitalized, resulting a TL 166 million increase in lease obligations.
- Customer deposits showed a net increase of TL 180 million in 2019.
- The remaining increase is mainly a function of interest accruals not yet paid in cash especially related to the bond inflation component.

Economic Net Debt Composition *(TL million)*



CONSOLIDATED: ECONOMIC NET DEBT DEVELOPMENT

	(TL million)
Economic Net Debt (31 December 2018)	-10,130
Free Cash Flow Before Interest and Tax	2,547
Net Interest Payments	-1,586
Tax Payments	-456
Dividend Payment	-472
Other (FX, Interest Accrual)	-521
Economic Net Debt (31 December 2019)	**-10,618**

FINANCING

Enerjisa Enerji, like in 2018, has continued to have external financing requirements in 2019, in addition to the operating cash flow of the Company. The additional financing was deployed for new investments, obligations related to the acquisition of the operating rights and working capital requirements

Following the volatility in 2018, 2019 has been a more stable year, whereby the interest rates have decreased and the financing environment has improved especially for the companies with strong financials.

Enerjisa Enerji has benefited from this environment and though out the year has completed financings and refinancings to match the payback period of the investments with the debt portfolio maturity, diversify the financing sources and decrease financing costs.

Despite the recovery of the debt capital markets in 2019, market conditions for the issuance of long-term CPI-indexed corporate bonds was not available. Therefore, Enerjisa Enerji did not issue any additional bonds in 2019 and with the with the repayment of the bonds due in Q3, the proportion of the bonds in the debt portfolio decreased to 16%.

Issuer	Issue Amount (TLm)	Real Coupon Rate	Value Date	Maturity
Enerjisa Enerji	405	4.75%	2-Mar-17	23-Feb-21
Enerjisa Enerji	335	5.00%	1-Aug-17	26-Jul-22
Enerjisa Enerji	100	4.75%	20-Oct-17	15-Oct-21
Enerjisa Enerji	162	5.00%	5-Apr-18	30-Mar-23
Total	**1,002**			

Although there were no bond issuances in 2019, Enerjisa Enerji continued its credit rating for the bond investors and Fitch Rating confirmed national long-term rating for Enerjisa Enerji and Başkent EDAŞ as "AA(tur)" with a stable outlook on January 17, 2020

Whilst the interest rates kept going down in 2019, Enerjisa Enerji refinanced fixed rate loans utilizing early payment options and managed to decrease financing costs for 2019 and following years, as well as extending the portfolio maturity.

The debt portfolio does not has FX exposure; all the loans and bonds are either directly denominated in or swapped to Turkish Lira. The only exception is the TEDAŞ payable of €53.2 million as of December 2019 (€60.7 million as of December 2018), which has been fully hedged at the beginning of 2019. The hedge has limited the FX loss from this payable and has protected Enerjisa from any impacts of possible volatility.

As in previous years, Enerjisa continued to lead the market by developing and utilizing new products in corporate finance. Accordingly, Enerjisa signed credit agreements for 5-year loans both from European Bank for Reconstruction and Development (EBRD) and Garanti Bank linked to the newly established Turkish Lira Overnight Reference Rate (TLREF).

In 2019, Enerjisa capitalized on the improvement in the financial environment in the best way possible by decreasing its financing costs and increasing maturity terms without taking liquidity or interest rate risks. Going forward in 2020, Enerjisa aims to continue its financial operations with the same objectives.

GROWTH FOCUS DISCIPLINE SUSTAINABILITY

Enerjisa Enerji is the leading electricity distribution company in Turkey, operating in electricity distribution and retail sales business segments. Enerjisa Enerji focuses on its main businesses to provide a predictable earnings model for its shareholders within the perimeters of a well defined regulatory system that has proved its reliability and functionality.

- Mersin

OPERATIONAL DEVELOPMENTS

DISTRIBUTION

Enerjisa Enerji is the sector leader with its distribution services focusing on people, solutions and innovation. The Company continued to expand its network grid in 2019 as well.

One of Enerjisa Enerji's main business areas is electricity distribution. The Company has an outreach to 21.5 users, which accounts of 26% of the network connections in Turkey, in 14 provinces located in the 3 distribution regions. Company's distribution regions consist of Başkent, AYEDAŞ and Toroslar.

What rests at the core of Enerjisa Enerji's distribution operations are its people, solution and innovation-oriented activities. As the sector leader, the Company plays a pioneering role with its distribution operations aimed at improving service quality.

Enerjisa Enerji is one of the most receptive companies in Turkey in terms of openness for development and application of new technologies. The Company is distinguished among distribution companies for rapidly adapting global and local innovative applications to its system. Today, Enerjisa Enerji holds the largest market share in electricity distribution sector in Turkey.

DISTRIBUTION OPERATIONS

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.

Each incumbent distribution network operator is responsible for the below activities in their regions:

- To undertake necessary investments for maintenance, repair, environment, safety, renovation and expansion
- To read and maintain electricity meters
- To prepare demand forecasts and investment plans
- To monitor theft/loss rates
- To procure electricity for technical and commercial losses
- To take all necessary technical and operational measures to reduce electrcity theft/loss
- To provide lighting in public areas

TL 8.4 billion
RAB *(Regulated Asset Base)*

231,582 km
Distribution Network Length

11.2 million
Network Connections

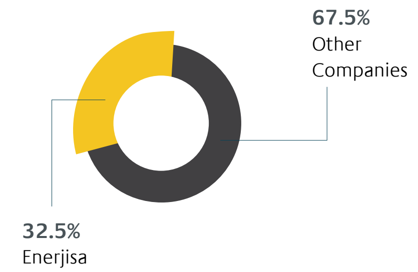
TL 1.4 billion
Infrastructure Investments

Enerjisa Enerji centrally manages and monitors all its network operations and plans and undertakes all distribution network operations across the 3 distribution regions.

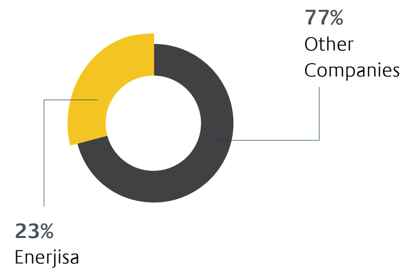
As part of its network management processes, the Company works towards expanding and renovating its grid; boosting the grid's operational efficiency and partaking in R&D activities. For all three distribution regions, these various activities enable Enerjisa;

- To standardize grid management processes
- To create centralized procedures
- To ensure compliance with EMRA's technical, commercial and supply security standards and to meeting outage, theft and loss targets
- To plan system improvements
- To control and monitor local networks
- To perform customer service operations

ENERJİSA'S SHARE IN TURKEY'S REGULATED ASSET BASE *2018[1]*



ENERJİSA'S SHARE IN 2016-2020 CAPEX ALLOWANCE IN TURKEY *Total TL 18 billion[2]*



[1] The information above is calculated based on the initial Capex allowance for the tariff period.
[2] Enerjisa RAB accounts for actual Capex.
Source: EMRA, The Company.

DISTRIBUTION COMPANIES

The electrcity distribution operations of Enerjisa Enerji are carried out in 14 provinces acros 3 regions by **Başkent Elektrik Dağıtım A.Ş.** (Başkent EDAŞ), **İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş.** (AYEDAŞ) and **Toroslar Elektrik Dağıtım A.Ş.** (Toroslar EDAŞ). The Company distributed approximately 45.8 TWh gross electricity via a 231,582 km long distribution network.

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 7.5 million population in Ankara, Bartın, Çankırı, Karabük, Kastamonu, Kırıkkale and Zonguldak. In 2019, Başkent distributed approximately 15.9 TWh of gross electricity via a 113,814 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 USD 1,225 million bid. The share transfer was completed on January 28, 2009. Under the Transfer of Operating Rights (TOR) agreement signed with

DISTRIBUTION

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, Çankırı and Karabük - for a period of 30 years, until September 1, 2036.

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 İstanbul Asian Side Electricity Distribution Region. The Company distributes electricity to approximately 5.5 million population residing on the Asian side of İstanbul. In 2019, AYEDAŞ distributed about 12.4 TWh of gross electricity via a 24,715 km long distribution network.

Enerjisa won the privatization tender for the block sale of the entire shares of AYEDAŞ with a USD 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 İstanbul until December 31, 2042.

TOROSLAR ELEKTRİK 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 8.5 million population in Adana, Osmaniye, Gaziantep, Mersin, Kilis and Hatay. In 2018, Toroslar distributed about 17.6 TWh of gross electricity via a 93,053 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.

	License Start Date	License End Date
Başkent	March 13, 2003	September 1, 2036
AYEDAŞ	September 1, 2006	December 31, 2042
Toroslar	September 1, 2006	December 31, 2042

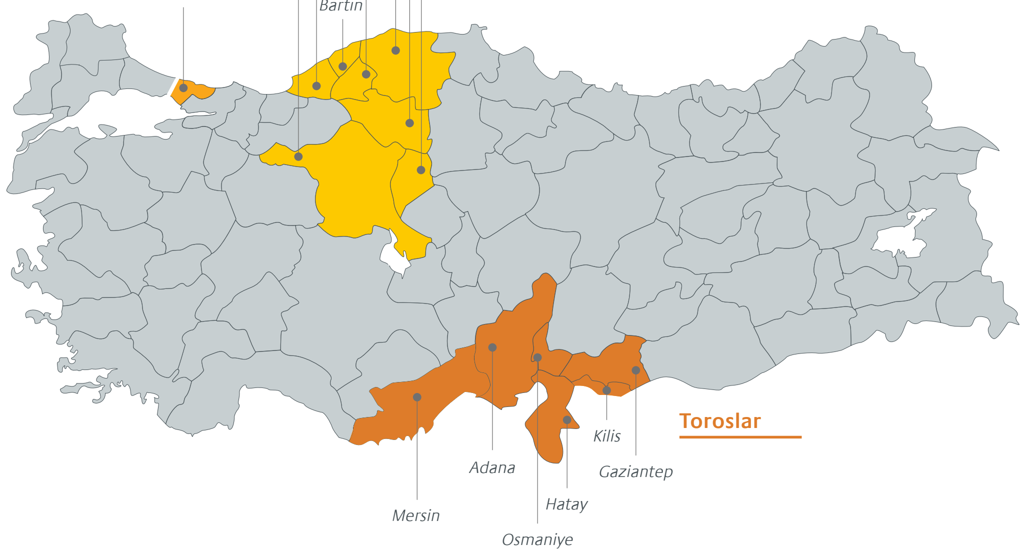
The Company is distinguished among distribution companies for rapidly adapting global and local innovative applications to its system.

DISTRIBUTION

Başkent
7.5 million

AYEDAŞ
5.5 million

Toroslar
8.5 million



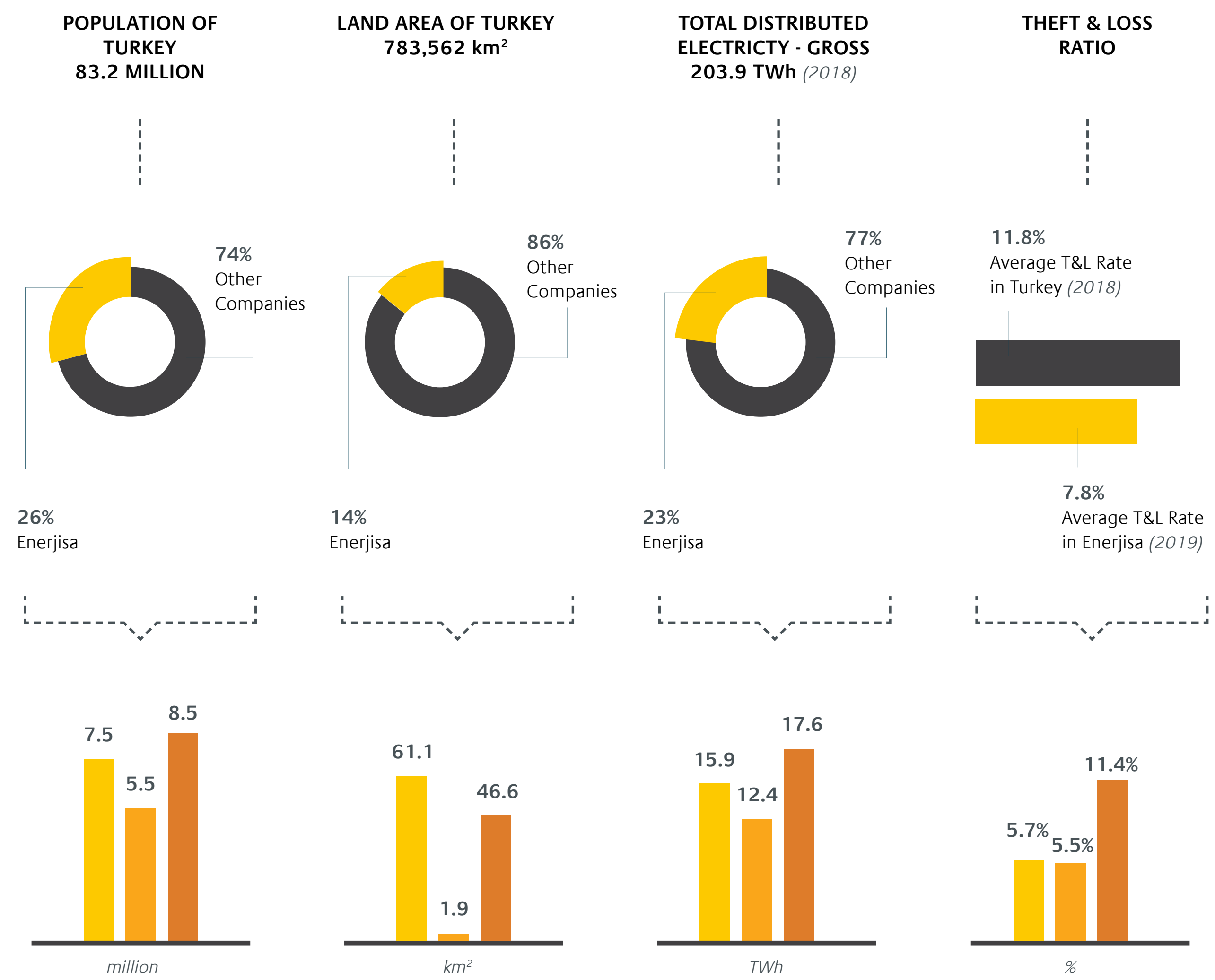
REGULATED ASSET BASE *(TL million)*	
2017	5,322
2018	6,948
2019	8,400

AMOUNT OF DISTRIBUTED ELECTRICITY - GROSS *(TWh)*	
2017	45.5
2018	46.2
2019	45.8

TOTAL DISTRIBUTION LENGTH *(km)*	
2017	219,602
2018	226,708
2019	231,582

TOTAL NUMBER OF NETWORK CONNECTIONS	
2017	10,858,900
2018	10,930,992
2019	11,205,296

DISTRIBUTION COMPANIES IN NUMBERS



POPULATION	LAND AREA	DISTRIBUTED ELECTRICITY - GROSS	AVERAGE THEFT & LOSS RATIO
21.5 MILLION	109,663 km²	45.8 TWh	7.8%

Başkent AYEDAŞ Toroslar

DISTRIBUTION

INVESTMENTS

Enerjisa Enerji sustained its strong growth in 2019 and invested TL 1.4 billion. Thanks to its dynamic operational structure and financial strength, the Company has the means to undertake grid improvements, new connections and other investment needs in the distribution regions.

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.

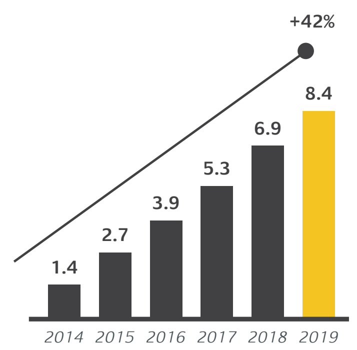
Investment plans are developed by reviewing the quality and other indicators about the status and operation of the grid, the requirements determined through field studies, energy demand and requests made by customers, local administrations, public institutions and organizations and all other investment needs within the Company. Enerjisa Enerji revises and updates its investment plans throughout the year in line with the dynamic nature of investments, financing costs and ever-changing field needs.

The Company maintained its strong growth in 2019. Within the context of Turkey's prioritization of improving the quality of electricity supply, Enerjisa Enerji continued its investments and completed TL 1.4 billion investments in 2019. The Company continued its major improvements to reduce technical and commercial losses.

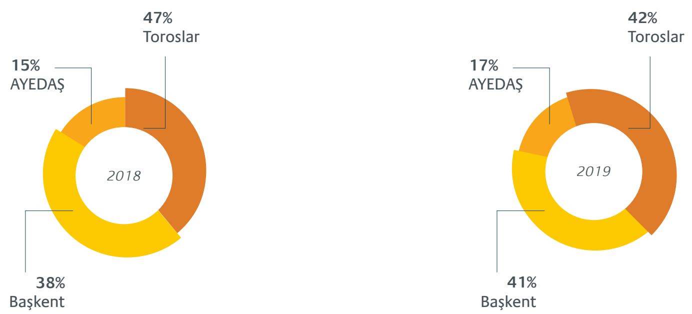
Electricity distribution investments are fully regulated. As of 2019 year-end, the Regulated Asset Base, which constitutes a major component of Enerjisa Enerji's earnings, reached the TL 8.4 billion level.

Enerjisa Energy has grown its Regulated Asset Base (RAB) by more than 40% thanks to the continuous investments it has made since privatization.

REGULATED ASSET BASE *(TL billion)*



INVESTMENTS BY DISTRIBUTION REGIONS



CUSTOMER EXPERIENCE

Enerjisa Energy diversifies its communication channels that provide one-to-one contact with its customers in light of today's needs and prioritizes process of customer queries and complaints through these channels promptly.

One of the key priorities of Enerjisa Enerji is to optimize customer experience. Enerjisa Enerji strives to ensure that a customer focused culture is adopted by all its operational units to advance the quality of service it provides to its customers.

While Enerjisa Enerji distribution companies continue their operations by offering new services to customers and investing in the field of customer experience, they keep improving their operational processes in line with the quality and sustainability principles.

Enerjisa Enerji prioritizes the diversification of customer communication channels that provide one-to-one contact with the customers in light of today's needs. The Company continues its intense operations by responding and resolving customer queries and complaints through these channels promptly.

Enerjisa Enerji's customers use various channels, such as petitions, email, telephone, websites, a mobile application (Mobile 186), registered electronic mail (REM), Twitter support accounts, Facebook corporate accounts, sikayetvar.com corporate accounts and WhatsApp "Local Authorities (Muhtar) Hotline" to submit their requests and complaints to the Company. The information shared through these channels is logged and shared with the operational units in accordance with the Company's customer experience principles. Feedback received from operational units is transmitted back to customers using their feedback channel of choice.

Enerjisa Enerji launched the following projects in 2019 to improve its customer experience in line with the technological developments and customer requests and complaints:

- ***Index Reading – Digital Index Notification (DEBİ) Project:***
  With this project, customers can view their index notifications electronically following their approval. After the necessary configurations, index notifications are sent to customers via email and SMS at 21:00 on the same day for each customer meter whose index values are logged. The project kicked-off in three regions (AYEDAŞ, Toroslar EDAŞ and Başkent EDAŞ) as of July 2, 2019. Each month, the Company sends digital index notifications of approximately 1,200 installations to its customers via SMS and email.
- ***Meter Operations – Additional Accrual Due to Meter Failure Project:***
  If consumption is measured inaccurately due to meter failures, a corrective invoice must be issued for the period when the meter is defective to prevent customer dissatisfaction or company losses. With this project, the calculation of the consumption amount reflected on the corrective invoice has been automated. Therefore, the process flows automatically for all customers whose meter is changed. With this project, the Company plans to switch to a completely user-independent system in 2020. It also plans to increase customer satisfaction by detailing the information texts sent to the customer and to prevent user-related errors. The Company plans to launch other projects, which aim to automate supplier information forms, once this project is completed.
- ***New Subscriptions – Mobil Device Atlas Application Integration:***
  One of the biggest problems in the new connection processes occurs when the address for the new connection cannot be found in the system, leading to a failure in address verification and the termination of certain field orders. By entering the lot and block

DISTRIBUTION

information into the Ministry of Environment and Urbanization's Atlas App, the coordinate data and the map of the building can be retrieved. With this integration project, Enerjisa Enerji has provided access to the Atlas App via mobile devices used in the field. Consequently, the issue of being unable to find the addresses in customer orders is eliminated by using the attained coordinate data to navigate to the correct address.

- ***Disconnection/Reconnection – Sending SMS:***
  Permanent Data Storage is used to maintain records of transactions carried out at Enerjisa Enerji for subsequent retrieval purposes. This way, the consumer can examine the recorded information that was sent/received earlier at his/her convenience later. With this app, the Company ensures compliance with the Electricity Market Consumer Services Regulation and increases customer satisfaction. An SMS is sent to the consumer by specifying the date and time of the transaction, for connection, disconnection and reconnection due to new subscription, termination, default and payment of past-due invoice.

- ***Receivables Management – Indemnity Process Improvement***
  With this improvement, the Company has redesigned its indemnity management process. If the customer's reconnection procedures are completed within a designated time, reconnecting from the distribution line and reconnecting from the meter procesesses are merged into a single process.

- ***Ability to Display Failure-Related Outages on the Mobile 186 Application:***
  In addition to planned outages, outages caused by malfunctions are also displayed on the Mobile 186 App. Thanks to this development, customers can receive the most up-to-date information about outages known to Enerjisa Enerji in the region in which they are inquiring by entering their location and address.

- ***RPA:***
  This project uses robotic processes to automate the evaluation steps of the customers' damage claims. The process is supported by a robot engaged to evaluate and generate written responses to such damage claims. Thanks to this project, the robot performed preliminary evaluation to improve the manual evaluation process performed by the Grid Operation. This preliminary assessment processes aims to increase the quality of the answers given to the customers. Following the evaluation, the written response prepared by the Customer Relations is written by the robot. The robot's evaluations saved the Company 98 hours of work in one month during the request evaluation process.

- ***Customer Satisfaction Measurement System:***
  A measurement system has been established to measure and monitor the customer satisfaction throughout Enerjisa Enerji's customer journeys across all customer contact points.

	Call Center	Mobile App	Social Media	Petition	Email	WhatsApp Local Authorities (Muhtar) Hotline	Website
Index-Reading	x	x	x	x	x	x	
Meter Operations	x	x	x	x	x	x	
Disconnect/ Reconnect	x	x	x	x	x	x	
Failure-Related Outages	x	x	x	x	x	x	x
Damage	x			x	x	x	
Lighting Failure	x	x	x	x	x	x	x
Electricity Theft	x			x	x	x	
New Connection	x	x	x	x	x	x	

CALL CENTER

Enerjisa Enerji received 19.7 million calls through its call center in 2019. The respond rate of the received call was 97.5% and the service level value was 90.4%. Consequently, Enerjisa Enerji Call Center performed well above the sector average.

Enerjisa Enerji's customers can reach Enerjisa Enerji distribution companies, which conducts a comprehensive customer relations operations with their increasing customer numbers, 24 hours a day, 7 days a week. The 186 Call Center, which provides an uninterrupted communication between the Company and its customers, employs a total of 800 personnel based in Ankara, Adana and Rize.

EMRA has determined customer complaints and call center performance as key quality parameters. In this context, good performance compared to targets provides financial return on the revenue requirement.

Enerjisa Enerji puts customer satisfaction at the center of its service quality and works to improve its operational processes by analyzing all customer queries and complaints. The Company continuously measures customer satisfaction and takes necessary steps to increase satisfaction. It undertakes studies to improve customer satisfaction by performing detailed analyses of the declining channel and process based measurements.

Enerjisa Enerji received 19.7 million calls through its call center in 2019. The respond rate of the received call was 97.5% and the service level value was 90.4%. Consequently, Enerjisa Enerji Call Center performed well above the sector average.

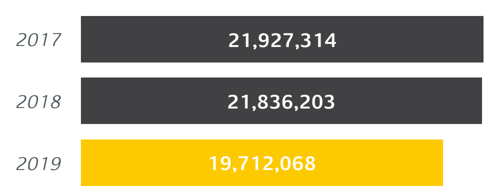
The following projects were launched in 2019 within the scope of Call Center operations:

- ***Autodialer:***
  This project enables the switchboard to automatically dial and connect any external call that was manually made by a call center staff. Within the scope of the project, external calls are made using the Autodialer technology. Once the customer has answered the phone, the call is automatically transferred to the relevant representative.

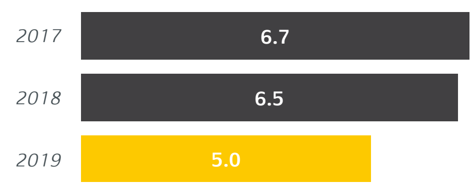
- ***IVR Optimization:***
  This project enables the system to recognize the customers who call the 186 Call Center and uses the interactive voice response (IVR) system to read back the available information about planned outages in their region. This way, customers can meet their needs over the IVR without being connected to a call center representative.

- ***360-Degree CRM Screens:***
  The call center screens in the 360-Degree CRM project work in tandem with the integrated SAP-CRM system. Summary information pertaining to the customer who is on the line appears on the call center representative's screen.

RESPOND NUMBERS OF THE RECEIVED CALLS



CALL CENTER RESPONSE SPEED *(sec)*



DISTRIBUTION

R&D

Enerjisa Enerji is the sector leader with its R&D projects that are developed in line with considering operational efficiency, global international technological developments and occupational health and safety.

Enerjisa Enerji's R&D business unit undertakes projects focused on developing a new product, system or design. In doing so, the Company not only explores the best global practices available for the distribution network, but also performs detailed analyses of the information and communication technologies available in Turkey and the relationship between these technologies. Enerjisa Enerji's projects include both the interface and integration, which help improve the efficiency, reliability and continuity of electricity distribution. The Company undertakes all its projects using domestic and foreign funding.

All Company projects are identified and selected by considering the strategic goals of the Company, internal needs and expectations and the latest updates on international R&D developments. The R&D work plays an important role in fostering the innovation culture within the Company. Additionally, since the outputs related to the projects are shared with EMRA, they also help shape future legislation.

Enerjisa Enerji is the sector leader in terms of its R&D projects and the funding it receives for these projects. The Company serves at both the management and technical evaluation committee of the EUROGIA 2020 cluster, operating in the energy field under the umbrella of international R&D support program EUREKA. The cluster is chaired by Enerjisa Enerji CEO Murat Pınar.

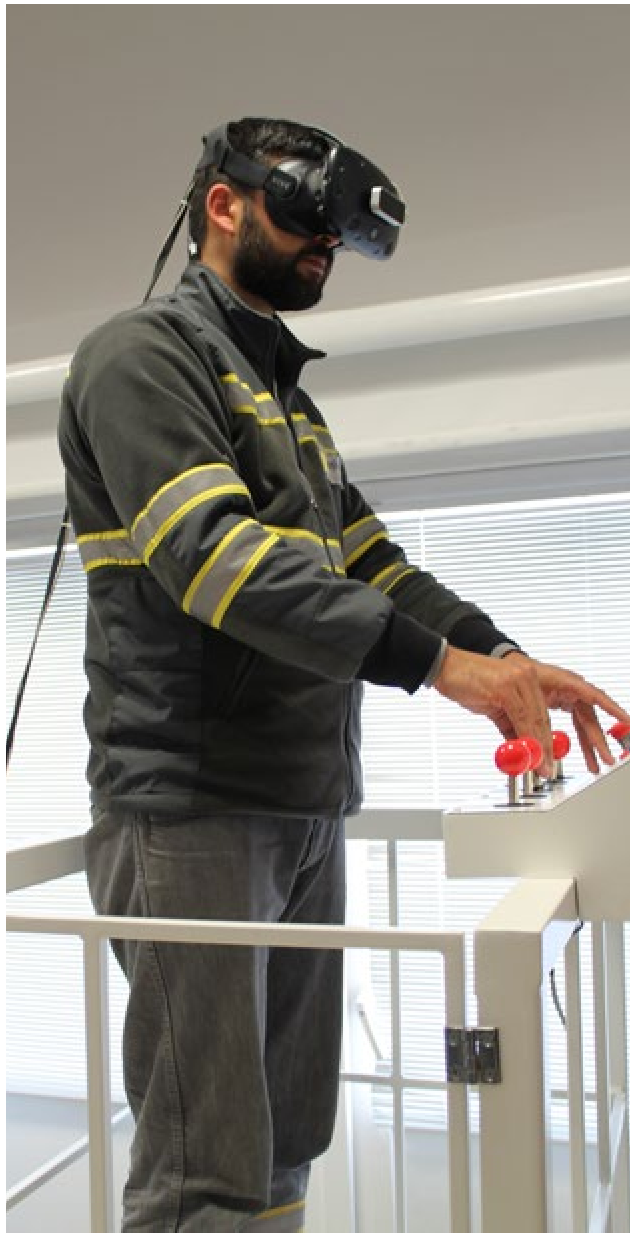
The Company completed the following R&D projects in 2019:

- ***Personal Energy Administration Kiosk App (PEAKAPP):***
  The Project was awarded Achievement Award by TÜBİTAK and was supported by the European Union Framework Program Horizon 2020.
- ***Error Warning System:***
  This project is supported by the EMRA R&D Fund.
- ***The Effects of Electromagnetic Fields Created by the Distribution Network on Human Health:***
  This project is supported by the EMRA R&D Fund.
- ***The Corporate and Customer Safety Project in the Electricity Distribution Sector:***
  This project is supported by the EMRA R&D Fund.

In 2019, Enerjisa Enerji received funding for the following nine projects supported by the EMRA R&D Fund:

- ***Microgrid Management Methods and Control Equipment Development:***
  This project aims to develop microgrid control hardware and management software.
- ***Humidity Problem in Substations:***
  This project aims to find a solution to the negative effects of humidity on electrical equipment in substations.
- ***Developing Sensor and Monitoring Software for High Voltage Overhead Lines and Increasing Efficiency of Energy Quality:***
  This project enables the development of wireless theft & loss sensors that communicate with the Automatic Meter Reading System (OSOS).
- ***Error Warning System – Phase 2:***
  This project helps develop novel products that can identify hard-to-detect faults in low voltage overhead lines.
- ***Duplex Substation Design:***
  In this project, a smaller and two-story substation is designed to solve the space allocation problem for the substations.
- ***Energy Efficiency Harvest Project:***
  The project aims to identify applications that will increase energy efficiency in the electricity distribution sector.
- ***Reducing Losses and Preventing Fire Risk for Power Transmission Lines by Foresting the Land under the Lines – Project Daphne:***
  To mitigate the risk of fire and outages caused by the contact of lines with trees, the Company plants value-added small trees with high moisture content under the lines.
- ***Fault Detection and Analysis Through Image Processing:***
  Faults in transmission lines are detected and analyzed using the image processing technique.
- ***Grid Downtime Estimation and Optimization:***
  This project develops artificial intelligence, big data, data analysis and business intelligence based platform to predict and optimize grid downtime.

In 2020, Enerjisa Enerji aims to receive domestic and foreign funding for its planned projects that take operational efficiency, occupational health and safety and international technological advances into account.



DISTRIBUTION

TECHNOLOGY

Enerjisa Enerji closely follows all technological developments and trends and effectively utilizes them in its business processes and projects.

Enerjisa Enerji operates with the objective of providing a world-class service quality to 21.5 million users who live in the three distribution regions covering 14 provinces. The Company effectively utilizes technology in all its business processes and projects.

Following technological developments closely to realize innovative ideas that add value to people, growing with customer focused solutions and providing innovative, customized services and solutions to customers are to top priorities of Enerjisa Enerji.

The Company completed the following technological projects in 2019:

- *Supply Continuity System – Process of Adapting to the EMRA Quality Factor Method:*
  Enerjisa Enerji has made a series of system and process improvements to implement the requirements of the quality factor method on supply continuity, for which legal provisions were published by EMRA in 2018.

- *Contractor Communication Portal:*
  The Company aims to develop a portal to help its subcontractors cultivate and develop a culture of Occupational Health, Safety and Environment (OHS-E) for the work they jointly perform during the distribution operations. The portal will present the OHS-E plan stipulated by the occupational health and safety terms and conditions, including the contractor's staff and tools to be used in the field and the subcontractor processes. This will enable systematic follow-up of business plans and the approval processes will be performed on the portal. Therefore, the Company will ensure transparency and traceability in operations carried out with contractors.

- *Automatic Meter Reading System (OSOS):*
  The Company installs automatic meter reading systems (OSOS) for the remote-reading of meters in its three distribution regions. Public street lighting and high consumption and manufacturer meters must have OSOS by legal obligations. The number of installations with the OSOS was 68,000 at the beginning of 2019 and increased to 75,000 by the end of the year.

- *Ensafe Mobile:*
  The Company is developing a mobile app that will allow field workers to report dangerous and risky situations via tablet.

- *Geographic Information System (GIS) Monitoring Project:*
  As per the regulations, the use of Geographical Information Systems is mandatory for companies in this sector. These systems are also viewed as a basic data for many operational technologies. The Company designed a user-friendly portal to analyze, monitor and verify GIS data at ease.

- *Mobile Geographic Information System (GIS) Project:*
  The Geographic Information System map will be presented to users with a new app that will be integrated into the workforce management system currently used by the field teams. Field teams will be able to post outage/fault points, inventory changes and connectivity changes they detect directly on the GIS map.

- *Single Line Drawing App:*
  With this app, the Company ensures the automatic generation of single line charts using the Geographic Information System data. These charts show the regional-/feeder-based high voltage grid connection model. They are normally drawn and revised by grid operations and SCADA and are actively used by field/wireless operators.

- *E-Public Project:*
  With the Expropriation Management System (EMS) application, authorized users can post any record; perform queries and instantly access, archive and geographically display all map-based projects undertaken by the Directorate of Real Estate and Expropriation in the three distribution regions.

- *Electronic Document Management System (EDMS) CRM Integration:*
  With the EDMS system that has been put into operation in 2018, responses to customer queries written by the Customer Relations Department before have been formed and sent out electronically. In 2019, with the further developments in the EDMS system, it is now possible to view these responses in relation to the request number in CRM. In 2020, it is aimed to shorten the response times by signing the responses from mobile devices.

- *New Connection Digitalization Project:*
  This project plans to digitalize the processes involved in the new connection requests and enables authorized electricians to apply and monitor their applications online without physically visiting our operational sites. Consequently, the aim is to eliminate the cost of using paper for both the Company and authorized electricians during the application process.

- *Artificial Intelligence Assisted Virtual Assistant App (Chatbot):*
  Chatbot is an artificial intelligence project initiated to make life easier for Enerjisa Enerji customers and to meet their needs. With the Chatbot project, the Company aims to transform customer experience into a faster, 24/7 accessible, developable and optimizable service. With the help of the virtual assistant app that will be put into service on the distribution websites, customers will be able to easily inquire about the outages in their region and leave an outage notification. The Company plans to put the virtual assistant into service in 2020.

	Stakeholder Management	Customer Experience	Digitalization	Quality	OHS
Supply Continuity System	x		x	x	
Contractor Communication Portal	x		x	x	
OSOS			x	x	
Ensafe Mobile					x
GIS Monitoring			x	x	
Mobile GIS			x	x	
Single Line Drawing			x	x	
E-Public			x	x	
EDMS CRM Integration		x	x	x	
Distribution Connection Fee Refunds		x	x	x	
Mobile 168		x	x	x	
New Connection Digitalization		x	x	x	
Chatbot		x	x	x	

DISTRIBUTION

SECTORAL DEVELOPMENTS

2019 witnessed many important developments in the electricity sector, such as:

- *IV. Tariff Period:* The Energy Market Regulatory Board Resolution No. 8750 dated July 25, 2019, published in the Official Gazette dated July 27, 2019, announced the validity period of the fourth (IV.) Implementation Period as: January 1, 2021 (inclusive) through December 31, 2025 (inclusive). The tariff period will regulate revenue/tariff parameters of all distribution and incumbent retail companies.

- *Late Payments Fee Rate:* The late payment fee rate has been changed twice in 2019. The change in the rate is given in the table below:

Late Payment Fee Rate Applicable for Public Receivables (To be Applied Separately for Each Month)	
19.10.2010 – 04.09.2018	1.40%
05.09.2018 – 30.06.2019	2%
01.07.2019 – 01.10.2019	2.5%
02.10.2019 – 30.12.2019	2%
After December 30, 2019	1.6%

- *Unlicensed Electricity Generation Regulation:* The Unlicensed Electricity Generation in the Electricity Market regulation was published in the Official Gazette dated May 12, 2019 and entered into force on the same day.

- *Agricultural Irrigation and Industry Subscriber Groups:* The scope of industrial and agricultural irrigation subscriber groups was expanded by the Decree on the Amendment of the Principles and Procedures Regarding the Tariff Applications of Legal Entities with Distribution Licenses and Incumbent Energy Suppliers. The Decree was published in the Official Gazette No. 30714 dated March 14, 2019, which went into effect on the same day.

- *Eleventh Development Plan (2019–2023):* The Development Plan was published in the 2nd Edition of the Official Gazette on July 23, 2019.

  - Specialized courts will be established in areas such as environment, zoning and energy and efforts will be taken to ensure that certain lawsuits in areas such as commercial, intellectual and industrial rights, will be heard in specialized courts in the provincial centers.
  - A legislation will be drafted to establish a heating market to spread energy-efficient district heating and cooling systems across the country and to allow heating energy trading.
  - In the field of renewable energy, new investment models will be introduced through mechanisms that will include topics such as the use of local equipment, R&D, technology transfer and public procurement.
  - Regulations will be developed to save energy in outdoor lightingof the provincial, district and subdistrict municipalities and to promote the use of locally manufactured equipment to support new generation lighting devices.

RETAIL

Enerjisa Enerji is the sector leader in terms of sales volume and the total number of customers in retail sales, which is one of its core business areas. The Company continued to grow the retail sales profit in 2019 with its strong financial capabilities.

One of the core businesses of Enerjisa Enerji is retail, where it is the sector leader in terms of sales volume and the total number of customers. The Company has 22% market share and serves approximately 9.9 million customers through the retail companies operating under its umbrella in 14 provinces across 3 regions.

Enerjisa Enerji retail companies act as the incumbent retail companies in the regulated electricity market, under the supply license issued by the Energy Market Regulatory Authority (EMRA), 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.:* The Asian side of İstanbul

- *Enerjisa Toroslar Elektrik Perakende Satış A.Ş.:* Adana, Mersin, Gaziantep, Hatay, Osmaniye, Kilis

Operating under the umbrella of Enerjisa Enerji, the above retail companies sell electricity exclusively to non-eligible customers within the Company's distribution regions as the incumbent retail companies, as well as to eligible customers in their respective regions and in other parts of Turkey without regional limitations.

As an the incumbent retail company, Enerjisa Enerji conducts retail activities in its regions to a portfolio of customer consisting of residential, industrial and commercial customers. Additionally, Enerjisa Enerji engages in wholesale and retail sale of electricity to eligible customers across Turkey.

Serving 21.5 million users and 9.9 million customers through physical and digital channels, Enerjisa Enerji strives to meet the needs of its customers in the best possible way, create value in electricity procurement and provide after-sales support.

In the core of the Enerjisa Enerji's customer focused business model and innovative market approach, increasing the life quality of customers and elevating them to global standards stands out.

Electricity is indispensable and essential for human life. Enerjisa Enerji develops its products and services with this consciousness and under its core strategy of sustainability and serves its customers with the latest technology.

Wide spread of sales channels and after sales services of Enerjisa Enerji is the good reflection of its customer focused culture. In 2019, the Company continued its operations in 41 Customer Service Centers (CSC), 81 Enerjisa Transaction Centers (ETC) and through the Call Centre that operates 7 days a week and 24 hours a day. In addition to these physical channels, the Company also provided services to both individual and corporate customers through digital channels such as web and mobile platforms.

Enerjisa will continue to take steps to increase its effectiveness, flexibility and efficiency in all its operations in accordance with the operational excellence principle.

36.1 TWh
sales volume in 2019

9.9 million
customers as of 2019 year-end

RETAIL

RETAIL COMPANIES

Enerjisa Enerji is engaged in the retail sales of electricity in 14 provinces across 3 regions through Enerjisa Başkent Elektrik Perakende Satış A.Ş. (Başkent EPSAŞ), Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş. (AYESAŞ) and Enerjisa Toroslar Elektrik Perakende Satış A.Ş. (Toroslar EPSAŞ).

ENERJİSA BAŞKENT ELEKTRİK PERAKENDE SATIŞ A.Ş.

Enerjisa Başkent Elektrik Perakende Satış A.Ş. was founded in 2013 and has been operational since then.

Enerjisa Başkent Elektrik Perakende Satış A.Ş., as the incumbent retail company, serves 3.8 million predominantly residential and commercial customers in the Capital Region (Ankara, Kırıkkale, Çankırı, Kastamonu, Karabük, Bartın, Zonguldak).

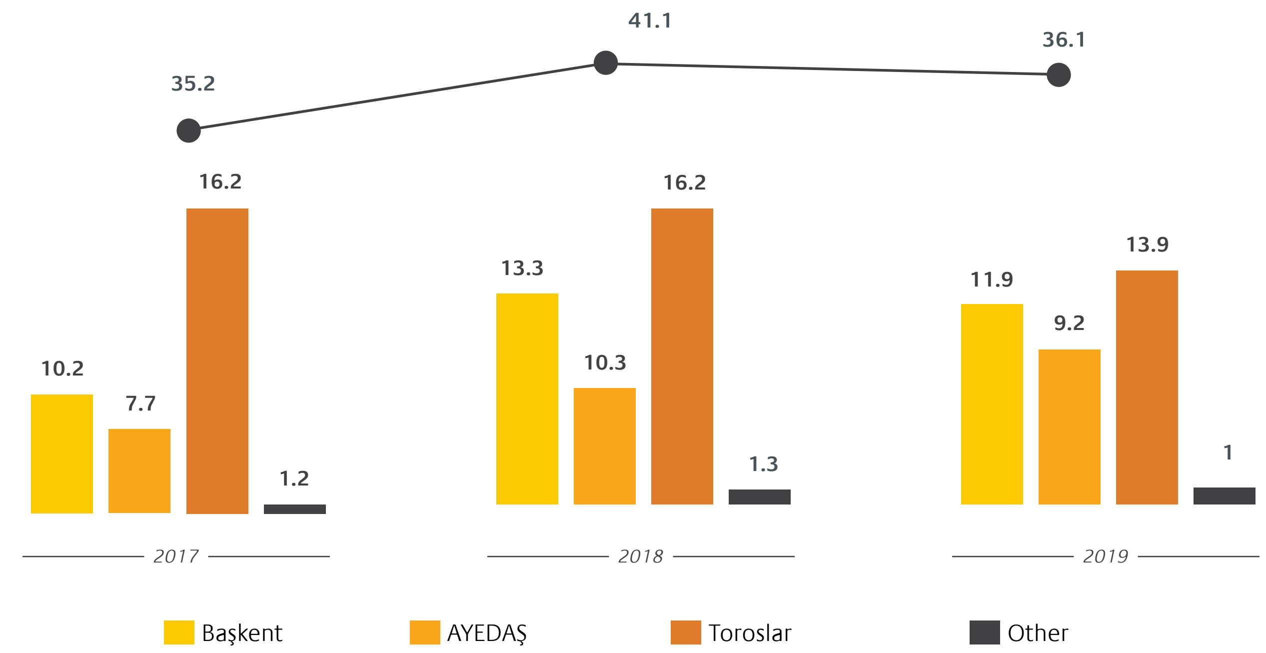
ENERJİSA İSTANBUL ANADOLU YAKASI ELEKTRİK PERAKENDE SATIŞ A.Ş.

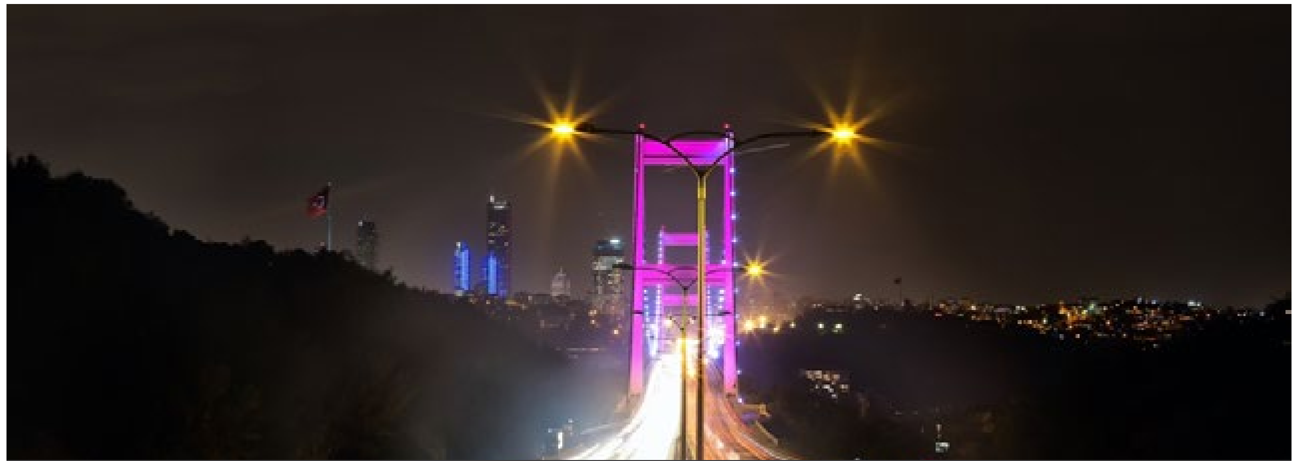
The transfer of shares of Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş. to Enerjisa Enerji under the privatization program was completed with the signing of the share purchase agreement on July 31, 2013. Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş., as the incumbent retail company, serves 2.5 million predominantly residential and commercial customers, in the Asian side of İstanbul.

ENERJİSA TOROSLAR ELEKTRİK PERAKENDE SATIŞ A.Ş.

The transfer of shares of Enerjisa Toroslar Elektrik Perakende Satış A.Ş. to Enerjisa Enerji under the privatization program was completed with the signing of the share purchase agreement on September 30, 2013. Enerjisa Toroslar Elektrik Perakende Satış A.Ş., as the incumbent retail sales company, serves 3.6 million predominantly residential and commercial customers in the Toroslar Region (Adana, Mersin, Gaziantep, Hatay, Osmaniye and Kilis).

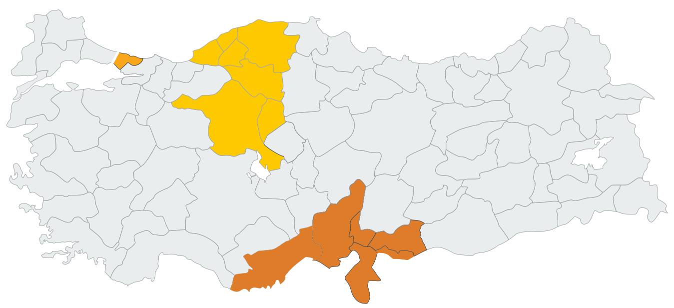
ELECTRICITY SALES VOLUME *(TWh)*





Wide spread of sales channels and after sales services of Enerjisa Enerji is the good reflection of its customer focused culture.

RETAIL



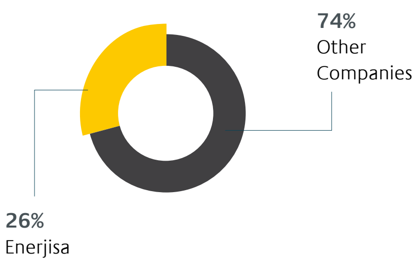
Başkent
Ankara, Bartın, Çankırı, Karabük, Kastamonu, Kırıkkale, Zonguldak

Toroslar
Adana, Gaziantep, Hatay, Kilis, Mersin, Osmaniye

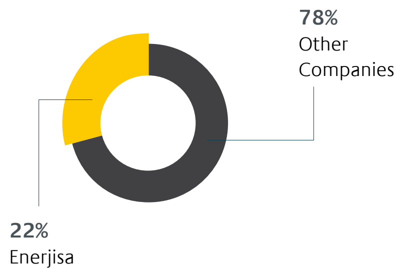
AYESAŞ
İstanbul - Anatolia

Other Regions

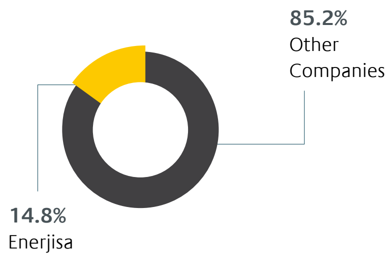
POPULATION OF TURKEY 83.2 MILLION



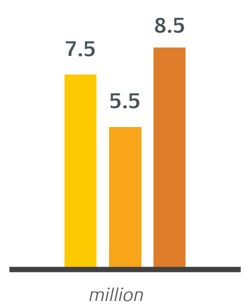
TOTAL CUSTOMERS IN TURKEY 45.1 MILLION



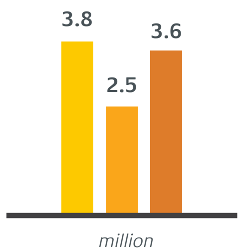
TOTAL ELECTRICITY SOLD IN TURKEY 245 TWh



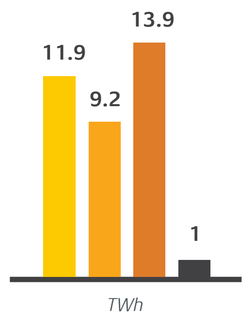
ENERJİSA



POPULATION 21.5 MILLION



NUMBER OF CUSTOMERS 9.9 MILLION

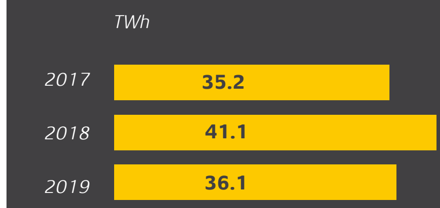


ELECTRICITY SALES 36.1 TWh

Başkent   AYESAŞ   Toroslar   Other

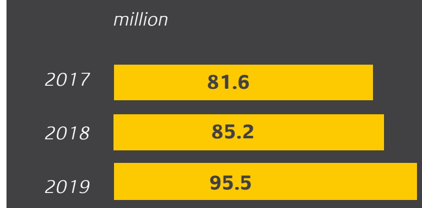
SALES VOLUME

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.



NUMBER OF INVOICES

Annually 95 million invoices are issued in the field and centrally.

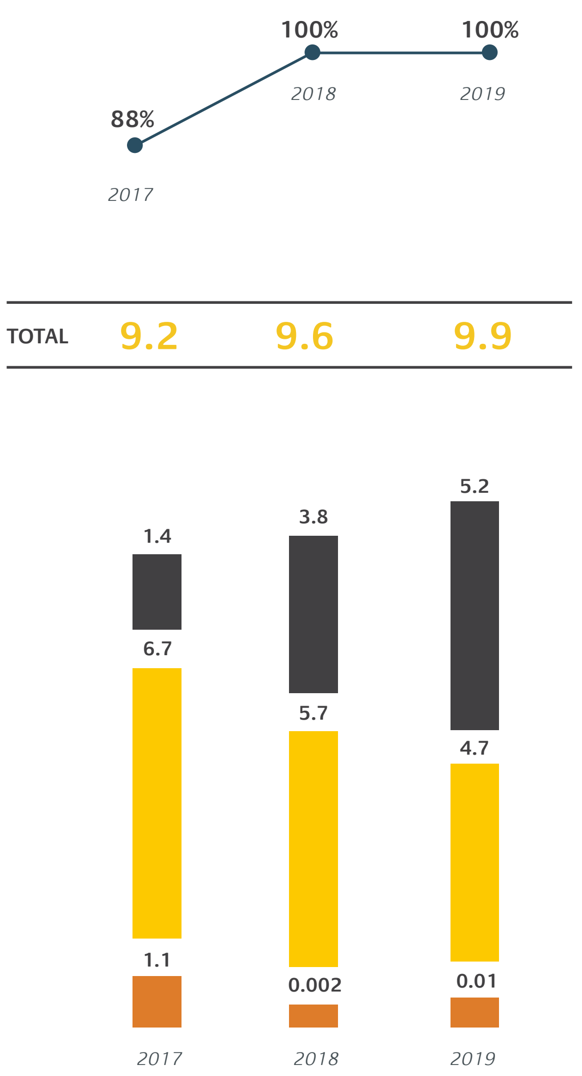


RETAIL SALES MARKET

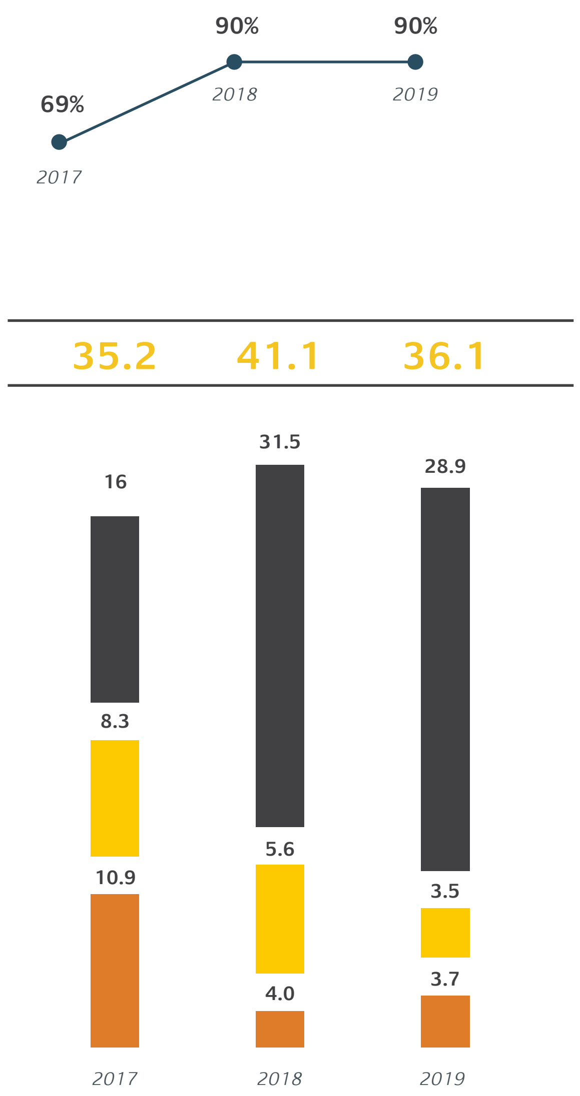
Market Type	Customer Type (By Eligibility)	Consumption Volume (kWh per year)	Purchase Conditions	Supplier
Regulated Market	Non-eligible Customer *Can not Choose Procurement Company*	0-1,600 kWh *(0-1,400 kWh as of January 1, 2020)*	National Tariff (Compulsory)	Incumbent Energy Procurement Companies
Free Market	Eligible Customer *Can Choose Procurement Company*	≥ 1,600 kWh *(1,400 kWh as of January 1, 2020)*	National Tariff (Optional)	Incumbent Energy Procurement Companies
			In the Free Market Retail Energy Sales Price	Incumbent Energy Procurement Companies Other Energy Procurement Companies
	Last Resource Procurement Customer *Can Choose Procurement Company*	≥ 10 Million kWh *(7 Million kWh, as of January 1, 2020)*	Energy Costs (Including Feed-in Tariff) x 1.0938% (If free market procurement company cannot be found)	Incumbent Energy Supply Companies
			In the Free Market Retail Energy Sales Price	Incumbent Energy Supply Companies Other Energy Supply Companies

RETAIL

NUMBER OF CUSTOMERS BY TYPE *(million)*

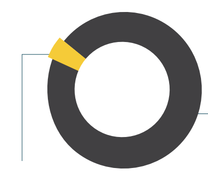
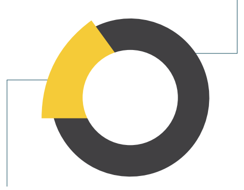


SALES VOLUME BY CUSTOMER TYPE *(TWh)*



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

SALES CHANNELS AND CUSTOMER SEGMENTS

KEY FIGURES	NUMBER OF CUSTOMER* *(Percentage in Total Enerjisa)*	SALES VOLUME *(Percentage in Total Enerjisa)*	SALES VOLUMES BY CUSTOMER TYPE *(Liberalized-Regulated)*
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.	9.9 million	*Total* 22.4 TWh 0.16 TWh 22.3 TWh	 99% Regualated 1% Liberalized
CORPORATE • Mostly industrial and commercial customers with high electricity consumption • Customer based solutions and specialized service need	10,000	*Total* 13.6 TWh 3.6 10.0	 74% Regualated 26% Liberalized

* 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 addresses.

Regualated | Liberalized

RETAIL

PRODUCTS AND SERVICES

Meeting the needs and expectations of customers in line with the latest developments and trends in the sector is one of the cornerstones of Enerjisa Enerji's business understanding. The Company manages all of its products and services accordingly.

Enerjisa Enerji structures its products and services under 2 groups as electrical and non-electrical, while effectively managing the varying expectations and needs of its individual and corporate customers.

The Company considers the market and sector developments, develops proposals with the best pricing methods for customers accordingly and offers different campaigns and services to its residential and commercial customers under the individual customer segment periodically. Additionally, the Company does extensive planning to adopt the projects developed for the corporate customers to the individual customer segment and non-electrical products and services.

Enerjisa Enerji develops fixed and variable priced commercial products to meet the expectation and the needs of the corporate customers. The Company also provides its customers energy solutions other than electricity sales, such as energy efficiency and technology-independent, project-based electricity generation at the point of consumption.

		Electricity Tariffs
Individual	Residential	• National Tariff
	Commercial	• Fixed Tariff
Corporate	Commercial and Industry Medium-Sized Customers	• Green Energy Tariff • Flexible Electricity Tariffs
	Commercial and Industry Large and Special Customers	• Flexible Electricity Tariffs • Intraday Market Tariff

TARIFFS

Enerjisa Enerji's approach to business pivots on meeting customer's energy related expectations and needs. Furthermore, the Company closely follows the developments in Turkey and globally and offers various tariffs in the regulated market. The tariffs offered by the Company are as follows:

- ***National Tariff:*** Refers to the tariff published by the EMRA quarterly, which is applicable to Eligible Customers who do not exercise their eligibility rights or end uses whose consumption is below the Eligible Customer Limit.

- ***Fixed Tariff:*** Refers to the tariff where the unit price of active electricity energy is fixed during the relevant contract period, without being affected by fluctuations in procurement cost.

- ***Green Energy Tariff:*** Green Energy is defined as the energy produced from renewable energy sources, certified by internationally accredited institutions and transparently reported. Users prefer green energy sources to reduce or neutralize greenhouse gas emissions from electricity consumption. Enerjisa Enerji offers green energy solutions with two types of certificates:

  1. **Carbon Reduction Certificate:** Refers to the standardized and tradable credit expressed in terms of metric ton of carbon dioxide (ton-CO_2) claimed by a real or legal person (a business/ power plant that generates energy from renewable energy sources), such as Gold Standard, VCS.

  2. **Renewable Energy Certificate:** Renewable energy certification is a market-based tool that represents the proprietary rights of environmental, social and other non-power qualities of renewable electricity generation. Certified by international organizations, it indicates that 1 MWh electricity is produced from a renewable energy source and delivered to the electricity network. Example: IREC

- ***Flexible Tariff:*** Based on the need of the corporate customers, cost components that make up the tariff are customized such as indexed, fixed or prepaid under the flexible tariff.

- ***Intraday Market Tariff:*** "Market Clearing Price (MCP)" is defined as the price where production and consumption quantities formed in the day-ahead market are balanced. Likewise, the prices formed in the balancing power market are known as the "System Marginal Price (SMP)". In the Intraday Market, participants who over forecast the energy requirement in the day-ahead market sell the extra energy they bought at the MCP rates back to the market at 97% of the MCP and SMP rates, whichever is lower. Similarly, participants who under forecast in the day-ahead market, purchase the extra energy at 103% of the MCP and SMP rates, whichever is higher in the intraday market. The intraday market tariff includes the services of updating the customer's consumption estimates on an hourly basis up to 2 hours prior.

RETAIL

SALES CHANNELS

Enerjisa Enerji while diversifying its channel and service offerings to provide the best customer experience, it also aims to use its resources in the most efficient manner. In this respect, the Company continuously reviews and improves its processes.

In 2019, the Company strengthened its channel structure and expanded both the product range and the service network. Enerjisa Enerji sales channels are shown below:

PHYSICAL SALES CHANNELS

- Customer Service Centers (CSC)
- Enerjisa Transaction Center (ETC)

DIGITAL SALES CHANNELS

- Alternative Sales Channels
- Online Services Center (OSC)
- Enerjisa Mobile
- Social Media

CUSTOMER

CALL CENTER

CORPORATE SALES CHANNELS

Residential and Commercial	**Physical Sales Channels**	• 41 CSCs • 81 ETCs • These channels provide solutions for subscription, termination and transfer transactions of residential and commercial customers and respond to applications and requests.
	Digital Sales Channels	• Subscription and termination transactions completed by telephone • Invoice viewing • Application/request tracking
	Call Center	• Contract transactions • Billing • Payments • Eligible customer transactions • Information updates • Appointments • Technical support
Corporate	**Medium-Sized Customers**	• Electricity sales • Customer-specific solutions • VIP support line • Personalized services
	Large-Scale Customers	• Reactive energy service
	Specific-Sized Customers	• Energy efficiency • On-site production • Energy monitoring service – Energy IoT Platform

Touching the lives of a sizable population, Enerjisa Enerji manages its customer experience on four main journeys. These journeys and their scope are described below:

- *Moving and Sales Journey:* Enerjisa Enerji maps customers' journeys based on their experiences during the subscription process and plans process development actions depending on their needs/requests. In the projects, crossfunctions work together to launch actions aimed at improving customer experience. The Company follows the results of customer satisfaction in all journey steps and shares them with the related functions.

- *Application and Request Management Journey:* Includes activities such as taking customers' requests and complaints, following up on the solutions and creating journey maps showing the each step the customer took on this journey. The Company deals with all periodic and ad-hoc market research studies as well as the management and responsibility of the satisfaction measurement system.

- *Journey from Meter to Payment:* This journey begins with meter reading and continues with creating invoices, understanding and paying bills, communicating debt reminders before payment, applying termination and enforcement procedures in case of non-payment and mapping all such steps from the customer's eyes and determining actions to improve customer experience. Additionally, the measurement and improvement of customer satisfaction are among the primary concerns on this journey.

- *Corporate Customer Experience Journey:* Refers to producing and examining the journey maps for electrical and non-electrical services using cross-functions. The Company builds the necessary infrastructure to measure the experiences of corporate customers, determines the areas of improvement by developing journey maps and boosts improvement efforts.

The sales channels used in these journeys are described below:

Journey	Call Center	Customer Service Center (CSC)	Enerjisa Transaction Center (ETC)	Telemarketing	Alternative Sales Channels (web/email)	Online Services Center (OSC)	Enerjisa Mobile	Social Media
Moving and Sales		x	x	x		x		
Application and Request Management Inquiry	x	x	x		x	x	x	x
From Meter to Payment			x			x	x	

RETAIL

PHYSICAL CHANNELS

Fostering a customer-focused culture, Enerjisa Enerji intends to offer the best customer experience through physical channels, where an approximate total of 2.5 million transactions were processed in 2019. These channels and the services they provide are as follows:

Customer Service Center (CSC)

Enerjisa Enerji continues to serve its customers with a total of 41 Customer Service Centers in 3 regions. Transactions carried out in Customer Service Centers:

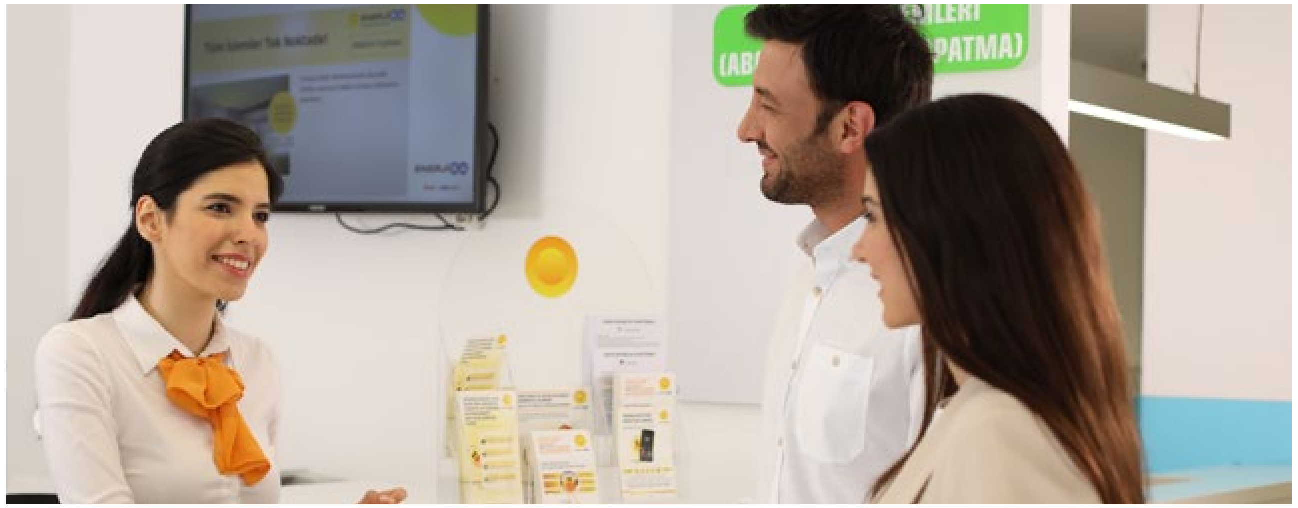
- Subscription and contracts
- Billing
- Petition transactions

To increase the availability of services in remote locations where there are no Customer Service Centers or Enerjisa Transaction Centers, Enerjisa continues to provide high quality service to its customers in the Başkent and Toroslar regions through 12 mobile service vehicles (Mobile CSC).

Enerjisa Enerji strives to offer the best customer experience with its 41 Enerjisa Customer Service Centers, 81 Enerjisa Transaction Centers and 12 Mobile Service Vehicles in 3 regions. The Company processed 2.5 million transactions at these centers in 2019.

Enerjisa Transaction Center (ETC)

Enerjisa Enerji continues to serve its customers with a total of 81 Enerjisa Transaction Centers in 3 regions. The Company strengthened its physical channel structure in 2019 and added electricity subscription, termination and transfer (relocation) transactions, as well as electricity and other bill payment services to its product range. In addition, the Company continued to take all kinds of electricity-related customer applications and complaints at the Enerjisa Transaction Centers to respond to customer requests, ensuring customer satisfaction.



DIGITAL CHANNELS

The digital channels developed by Enerjisa Enerji to provide the best service to its customers and the transactions performed over these channels are as follows:

Alternative Sales Channels

Enerjisa Enerji guarantees its customers access to the Company through alternative channels such as telephone, WhatsApp, mobile app, www.enerjisa.com.tr and the Online Service Center. Additionally, it is able to improve customer satisfaction by developing customized solutions. In 2019, the Alternative Sales Channels Department has begun to handle subscription and termination transactions by telephone, diversifying the Company's channel and service structure. The transactions that can be performed over this channel are:

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

Online Services Center (OSC)

Enerjisa Enerji customers can make appointments through the Online Service Center and complete their transactions quickly without waiting in queues at the physical channels.

The transactions performed by the Online Service Center are as follows:

- Subscription and contracts,
- Billing transactions,
- Petition transactions.

Enerjisa Mobile

Enerjisa Enerji customers can make an appointment via the Enerjisa Mobile App to quickly perform their transactions through the physical channels. Using this app, they can also view periodic invoices, monitor their monthly energy consumption trend, track any applications they have filed and pay their bills.

RETAIL

CALL CENTER

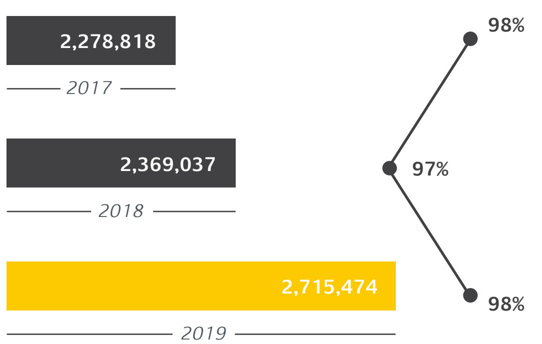
Boasting its nearly 800 staff size, Enerjisa Enerji's call center represents an important channel for the Company. This channel, where a wide range of customer traffic is managed, provides services under the following subjects:

- Contract Transactions
- Billing
- Payments
- Eligible Customer Transactions
- Information Updates
- Appointments
- Technical Support

The Call Center received a total of 4,359,308 calls in 2019, 38% of which were handled by the voice response system and 98% of the 2,715,474 queued-up calls were answered.

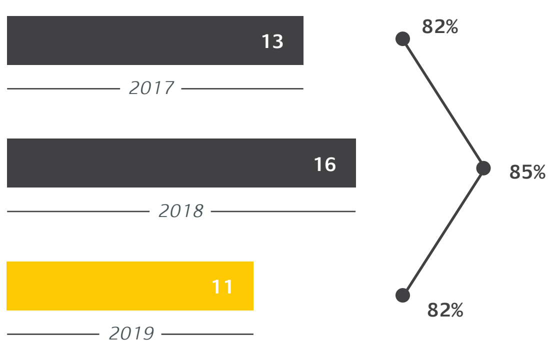
The average response time was 11 seconds. The most frequently received calls were about billing (36%), followed by subscriptions (30%).

NUMBER OF CALLS AND RESPONSE RATE *(%)*



Number of Calls
Call Response Rate

CALL RESPONSE SPEED *(sec)*



Average Response Speed (sec)
Response Rate in 20 seconds

CUSTOMER SOLUTION CENTER

Enerjisa Enerji tracks the customer requests, complaints and inquiries received through all channels with the help of the Customer Solution Center and responds accordingly via the customer's preferred communication channel. The process in the Customer Solution Center proceeds as follows:

- All customer communications are logged into the SAP-CRM system and transferred to the corresponding department directly through the system.
- After investigating the issue, the related department produces a solution and provides the Solution Center with a description of the solution over the system.
- The Solution Center translates the solution into a form that can be explained to the customer and shares the solution through the customer's preferred channel.

In 2019, the Solution Center received 318,628 calls with a follow-up and response requests. The center responded to 97% of these requests within the legally prescribed time period. The average completion period of the requests was 5 business days.

Enerjisa Enerji digitalized the process of preparation, confirmation and communication of the Solution Center responses in 2018. This way, pre-formatted responses are drafted on the system using software to ensure they are ready to be shared following receipt of an e-signature. Printing/delivery stages were added to the project in 2019. By doing so, preparation, confirmation, printing and delivery of texts have become completely digital.

RETAIL

CUSTOMER EXPERIENCE

While Enerjisa develops special services and products compatible with the digitalized world and utilizes the latest technologies as part of its customer focused approach, it also prepares itself for the energy procurement practices of the future, offering systems that will ensure high customer satisfaction.

The "Customer Experience" approach has quickly gained prominence around the world and in Turkey, with changes transpiring in customer behavior and needs. Customer satisfaction and service quality have always been prioritized by Enerjisa Enerji in its investments and strategies.

The Company aims to provide the best service in energy procurement by continuously improving its products and services developed for more than 21.5 million energy distribution and sales customers. With its customer focused approach, the Company develops exclusive services and products that keep up with the digitalized world and utilizes this cutting-edge technology for its customers. By doing so, it prepares for future energy procurement practices, while offering services that provide a high level of customer satisfaction.

Customer Experience teams strive to improve the interactions between customers and Enerjisa Enerji. For this purpose, they closely and continuously engage with internal stakeholders and customers. Before launching any business initiative, the Company first get feedback from its customer service staff and takes customers' opinions by conducting surveys and focus group studies. It then takes relevant action in accordance with this feedback. The most important priority in customer relations is data security and the protection of personal data. In every communication with customers, these two issues are considered high priority.

In addition to the projects that Enerjisa Enerji undertook in 2019 to get better feedback from the customers, the Company launched several projects to enhance the in-house customer-focus and develop digitalized processes and to simplify the lives of the employees who touch customers' lives.

- *Customer Satisfaction Measurement System:* A measurement system has been established to measure and follow-up on the customer satisfaction levels throughout Enerjisa Enerji's customer journeys at all contact points. The Company currently measures the satisfaction of its customers at 38 points and is planning new projects to increase these satisfaction values.

- *Digital Subscription Project:* With this project, Enerjisa Enerji has aimed to easily and quickly complete the subscription and termination processes of its customers through web and mobile app channels. Thus, the Company plans to save time and workload in the processes through digitalization and to provide its customers with the ease of completing their transactions without resorting to physical channels.

- *Online Appointment System (OREO):* With this system, Enerjisa Enerji has enabled its customers to make appointments digitally before visiting the physical channels and change or cancel their existing appointments, if necessary, providing an operational improvement and increasing customer satisfaction.

- *Dijital Dashboard:* This app has allowed the Company to track the metrics affecting the customer experience on a single platform and share the critical values with relevant employees so that quick action can be taken when necessary.

- *Service Design Strategy Project:* Enerjisa Enerji has launched an initiative to determine the service design strategy for its customers whose needs and expectations change with technological and demographic trends and to commission the implementation phase to create a journey. Strategy and planning phases of the project has been completed and in 2020 for selected journeys improvement actions will be taken into action.

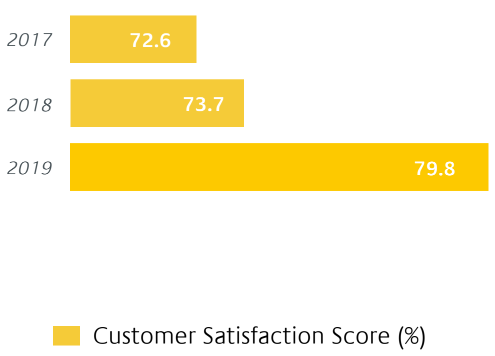
RETAIL

- ***Customer Experience Analytics:*** The Company started working on analytical models using 100 operational data sets, to understand the driving reasons behind the CSAT (Customer Satisfaction) and NPS (Net Promoter Score) scores and predict how customers will evaluate the Company in the future.

- ***Customer Focus Project:*** With this project, Enerjisa Enerji plans to develop training programs and projects to improve the customer focused perspective of the customer facing employees and create memorable customer experience. In 2019, approximately 400 Enerjisa Enerji mostly customer facing employees participated in the training programs titled Customer Experience, Customer Focus and Understanding Your Customer. 50 customers selected by the Experience Ambassadors project shared their brief customer experiences with approximately 600 employees working at their locations.

- ***360 CRM Screens Project:*** A more user-friendly, practical and concise interface (other than the SAP CRM interface) was designed for the Distribution Call Center employees. Using this interface, customer representatives can now view the most basic information about their customers in one shot and access detailed information when necessary. With this project, Enerjisa Enerji expects to generate higher customer and customer representative satisfaction, and, therefore, see an increase in efficiency.

CUSTOMER SATISFACTION



- ***E-Government Gateway Subscription and Termination:*** To allow its customers to send their subscription and termination requests over the e-government channel, Enerjisa Enerji has made improvements to this channel and moved it to the live system. The customers can now actively submit their applications for subscription and termination using this channel.

- ***En Portal:*** The Company has been able to directly deliver announcements, trainings, exams and surveys to the ETCs with this platform, which was built to communicate directly with the field and to improve brand loyalty with the project.

In addition to all these projects, Enerjisa Enerji measures customer satisfaction using the IVR method every month at the contact points where customers get direct service. The values obtained are shared at the monthly senior management meetings and action plan is prepared to improve the results.

Top priorities in customer relations are data security and protection of personal data. In all communication with customer these two subjects are regarded as priority.

ENERGY MANAGEMENT

Enerjisa effectively manages its energy procurement process, which has great importance for sustainability. Enerjisa leads the market with its flexible product procurement, strong risk management policy, sector-leading IT infrastructure and its expert human resources.

TURKISH ELECTRICITY MARKETS

Electricity trading is performed by incumbent retail companies, other sales companies and electricity generation companies. Transactions are carried out through bilateral agreements in the spot and future markets.

Serving as a market operator, **Enerji Piyasaları İşletme A.Ş.** (EPİAŞ) is responsible for the operation of the day-ahead and intraday markets, carrying out reconciliation transactions between the relevant market participants and preparation of the notifications of their resulting receivable/payable balances and overseeing the eligible customer transactions.

Türkiye Elektrik İletim A.Ş. (TEİAŞ), which is the mandated system operator in Turkey, organizes and operates the balancing power market and ancillary services market by building and managing the electricity transmission system to ensure supply security and continuity.

Physical Markets	Forward Markets	OTC	
		EFM (2020)	EPİAŞ
	Spot Markets	Day Ahead Market	
		Inta-day Market	
	Real Time Markets	Balancing Power Market	TEİAŞ
		Ancillary Service Market	
Financial Markets	Forward Markets	OTC	
		VIOP	BORSA İSTANBUL

RETAIL

ENERJİSA ENERGY MANAGEMENT

Enerjisa effectively manages its energy procurement process, which has great importance for sustainability. Enerjisa leads the market with its flexible product procurement, strong risk management policy, sector-leading IT infrastructure and its expert human resources.

Energy management at Enerjisa aims to oversee the entire energy procurement process related to its retail portfolio (regulated and liberalised market) and to contribute to sustainable and foreseeable profitability by effectively managing the risks associated with this process.

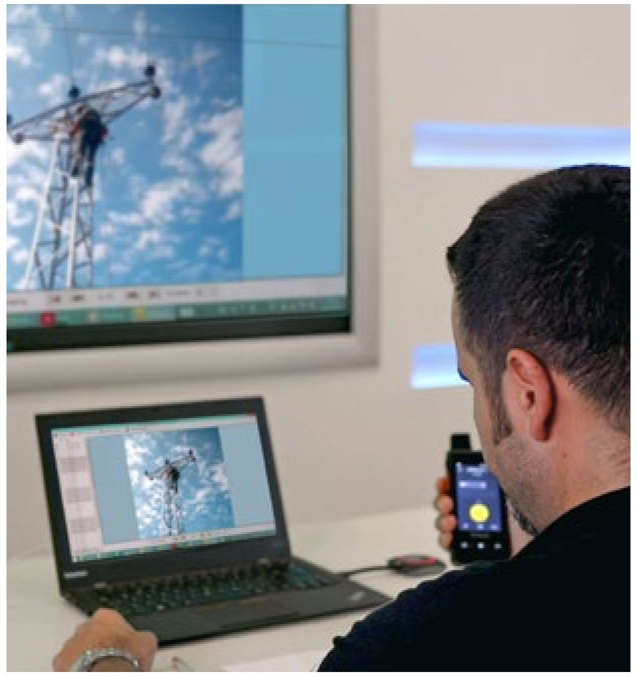
Most of the electricity required for the regulated market is procured from Elektrik Üretim A.Ş. (EÜAŞ) and the remainder from the day-ahead market. The electricity required for the liberalized market is procured from over-the-counter market, day-ahead and intraday markets. The Electricity Futures Market (EFM), which is planned to be commissioned by EPİAŞ starting from 2020, will also be used in the procurement processes when it is operational.

The Turkish energy supply market saw significant developments in 2019.

- The contracts between the power plants that were granted construction and operation rights and EÜAŞ expired in 2019, therefore the electricity volumes supplied by EÜAŞ to the incumbent energy procurement companies have declined since 2018. This has resulted in an increase in the total amount of purchases from the day-ahead market by the mandated energy procurement companies.
- Developments in electricity tariffs have led to an increase in the sales to eligible customers. Accordingly, the trading volume has also increased significantly in the futures markets (over-the-counter market, Futures and Options Market).
- To reduce the counterparty risks that may occur in the market, the "Unaccounted Market Transactions" practice was introduced by the market operator.
- In order to avoid commercial disputes between the energy companies that happened in 2018 to happen again, market participants conducted studies on contract Again with the same purpose, EPİAŞ shared its preliminary studies on the Electricity Futures Market (EFM) with the market participants, which may be an alternative to the over-the-counter market.

Enerjisa closely monitors all market conditions and develops products that will contribute to the development of the market. The number of Enerjisa's energy suppliers was increased from 2 in 2018 to 13 in 2019 by developing alternative supply channels. The amount of energy sourced from the over-the-counter electricity market through bilateral contracts increased by 100% year-over-year.

The 2020 targets of Enerjisa for energy procurement are to increase the number of active suppliers and product diversity, to diversify the hedging mechanisms, to develop competitive procurement strategies, to improve the forecast performance using effective demand forecasting methods and to increase the procurement diversity for the green energy sales portfolio.



GREEN ENERGY SUPPLY

In 2019, Enerjisa Enerji has begun procuring green energy that is certified by internationally accredited institutions. To contribute to environmental sustainability, the Company took an important step on the procurement and sale of green energy and introduced its green energy product into its systems in the last quarter of 2019.

Another important step Enerjisa Enerji took on renewable energy in 2019 involved its efforts to switch to green energy in its headquarters buildings. Supplying green energy to its customers as of 2020, Enerjisa Enerji plans to use green energy in its headquarters, CSCs and certain distribution facilities as well.

RISK MANAGEMENT

Enerjisa Enerji effectively manages the risks posed by the uncertainty and volatility in the energy markets on the energy procurement process and targets sustainable and foreseeable profitability.

Enerjisa Enerji ensures financial sustainability by managing its commodity risks within the framework of specified rules and its portfolio using the Energy Trade and Risk Management (ETRM) system it has developed. Enerjisa Enerji is one of the first companies in the energy sector, which can effectively leverage this management structure.

As part of the approved risk policy, Enerjisa Enerji oversees its energy management under four main headings:

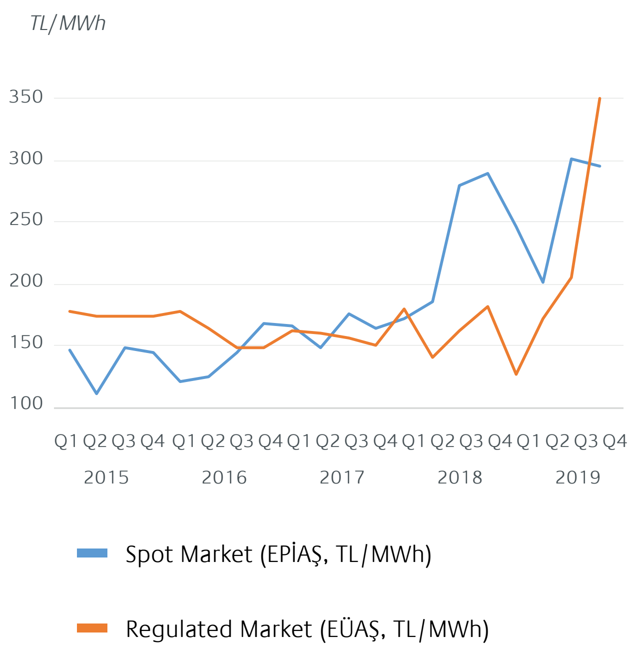
1. Price
2. Volume
3. Feed-in Tariff (YEKDEM, Renewable Energy Resources Support Mechanism)
4. Counterparty

Enerjisa Enerji aims to protect the value created by sales activities through effective risk management policies.

RETAIL

SECTORAL DEVELOPMENTS

- ***EÜAŞ Prices:*** In 2019, the EÜAŞ prices increased from 174 TL/MWh to 349 TL/MWh according to the year-end 2018 data. Because EÜAŞ prices hovered above the spot prices, particularly after the 70% price hike in the fourth quarter, EÜAŞ has posted increases in its volumes, which were above the protocol.



- ***National Tariff:*** The tariff was updated in January, April, July and October in 2019 and the increases in the active energy prices ranged from 5.5% to 33.9% depending on the tariff groups compared to the 2018 year end.

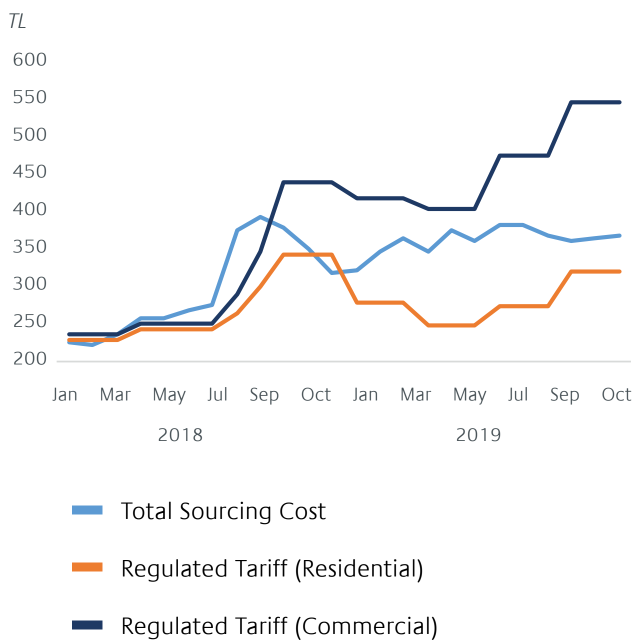
  Its effect on the end consumer ranged from 18.9% to 32.4% depending on the tariff groups. With these increases in the tariff, the number of Enerjisa Enerji's liberalized customers has increased. With the changing national tariff levels, the commercial segment become more attractive in the liberalized market and sales in this segment started.

- ***MCP+X Mechanism:*** As of 2019, the MCP+X mechanism has been introduced and the financial cost incurred for the electricity purchased from EPİAŞ for the regulated portfolio has been included in the tariff and is paid to the incumbent energy procurement companies.

- ***Feed-in Tariff (YEKDEM) Costs:*** In the past, the feed –in tariff costs were collected three months in advance (t-3 period) in the regulated market. However, with the change in tariffs in 2018, these costs are now collected in the relevant month (t period). In the transition period, the quarterly amounts were collected in monthly installments until September 30, 2019.

- ***Tariff Period:*** Negotiations on the fourth tariff period started in 2019. As the first step, all incumbent energy procurement companies in Turkey formed working groups and the negotiations with the EMRA will follow.

TOTAL SOURCING COST



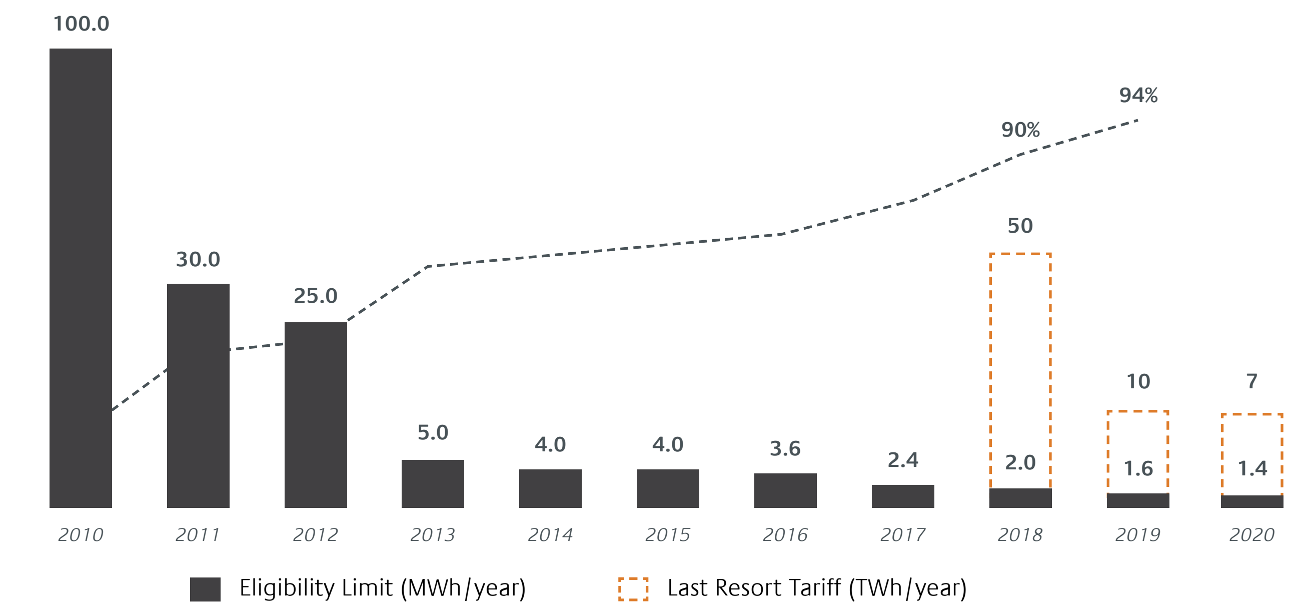
- ***Last Resort Tariff (LRT):*** The EMRA communiqué no. 30307 dated January 20, 2018 for the Last Resort Tariff which went into effect as of April 2018 has been amended with EMRA communiqué no. 8861 dated September 30, 2019. In line with the communiqué Last Resort Tariff limit for residential segment has been determined as 50 million kWh and for other segments as 7 million kWh per annum as of January 1, 2020.

- ***Eligible Customer Limit:*** The decline of the eligible customer limit over the years is the most important development in the liberalization process of the electricity sales market. Following the reduction of the eligible customer limit to 2,000 kWh for 2018 with the EMRA resolution no. 7474 dated November 30, 2017, the limit was further reduced to 1,600 kWh for 2019 with the EMRA resolution no. 8261 dated December 20, 2018 and then to 1,400 kWh for 2020 with the EMRA resolution no. 9019 dated December 26, 2019.

- ***Electricity Consumption Support for the Underprivileged:*** The Presidential Decree on the provision of electricity consumption support to the households in need was published in the Official Gazette No. 30700 dated February 28, 2019. The purpose of the decree is to provide energy support to meet the minimum needs of the households who are Turkish citizens and who are currently eligible to receive monthly or regular social assistance from the Social Assistance and Solidarity Foundations. This mandate aims to provide the following monthly electricity consumption support: 75 kWh for households of one–two people, 100 kWh for households of three people, 125 kWh for households of four people, 150 kWh for households of five or more.

- ***Installed Capacity Limit for Unlicensed Users at YEKDEM:*** The Presidential Decree on Amending the Decree Regarding the Prices and Periods of the incentives applicable for the Facilities Engaged in Electricity Generation Based On Renewable Energy Sources and the Additional Local c Contribution rate was published in the Official Gazette No. 30770 dated May 10, 2019. The installed capacity limit of the generation facilities whose installed capacity relies on a maximum of 1 MW of renewable energy resources and who were eligible for an invitation letter for a connection agreement, was increased to 5 MW.

DEVELOPMENT OF LIBERALIZED SEGMENT



AWARDS

Turkey's leading energy company Enerjisa, which continues to add value to its customers, employees and Turkey with future-oriented approaches and applications, received various awards across different categories in 2019.

CAPİTAL MAGAZINE'S MOST ADMIRED COMPANIES SURVEY

Most Admired Energy Company for the 11th time

GLOBAL CAPITAL, EQUITY CAPITAL MARKETS AWARD

"ECM Deal of the Year in Turkey, the Middle East and Africa" with the exceptional IPO in 2018.

WOMEN ENERGIZING TURKEY AWARDS PRESENTED BY THE MINISTRY OF ENERGY AND NATURAL RESOURCES

Most Reputable Brand in Turkey in the Energy Sector

CAPİTAL 500 SURVEY

20th Largest Company in Turkey

BONDS & LOANS TURKEY AWARDS

IPO Deal of the Year Finalist

MOST POPULAR COMPANIES 2018 SURVEY

Ranked first among the Top 50 Companies in the Energy Sector (2018 survey jointly conducted by Realta Consultancy, 3IK and Pinaps Group)

TUBITAK ABOVE-THRESHOLD AWARD

The project, for which the Company responded to the European Commission Framework Program H2020-ICT-2019-2 Call, was given the "Above-Threshold Award" by TÜBİTAK.

FORTUNE 500

19th Largest Company in Turkey

CREDIBILITY INDEX OF TURKEY 2018

Most Reputable Brand in Turkey in the Energy Sector (2018 survey conducted by Turkey Credibility Academy under the reportership of Yıldız Technical University)

ELDER AND GAZBIR R&D WORKSHOP

"Achievement Award" for the Mobile Meter Tester Project

ESRİ SPECIAL ACHIEVEMENT AWARD

The "Special Achievement Award in Geographic Information System" from Esri, one of the leading GIS (Geographic Information Systems) software companies in the world, with the GIS Decision Support System Project.

IDC TURKEY ENERGY TECHNOLOGIES AWARDS

Four awards with the Self-Service Analytical Platform, 360 CRM Transformation Screen Project and the Data Security Project

TOPTALENT.CO TOP100 TALENT PROGRAM

The "First Prize in the Energy Sector" for the Enter Talent Program

SABANCI GOLDEN COLLAR AWARDS

The "Sabancı of the New Generation" Award with the "Young Advisory Board" project Second Prize in the digitalization category with the "El Dispatcho" project

LACP 2019 INSPIRE AWARDS

The "Golden Award" with its first sustainability report, ranking 39th among the Top 100 Global reports.

CONTACT CENTER WORLD AWARDS 2019

The "Silver" Award to Enerjisa Retail Call Center in the "Best Contact Center" and "Best in Customer Service" categories

COMMUNITAS AWARD FOR "LEADERSHIP IN ETHICAL AND ENVIRONMENTAL RESPONSIBILITY"

The "Leadership in Ethical and Environmental Responsibility" Award with the CSR Project "I'm Protecting the Energy of the World"

IDC DIGITAL TRANSFORMATION AWARDS

Digital Disruptor Jury Special Award

LACP 2018 VISION AWARDS

Four awards with the 2018 Annual Report

- Silver Award in the Energy Sector Annual Report category
- Technical Achievement Award in the Annual Report category
- Top 10 Turkish Annual Reports
- Europe, Middle East and Africa Region Top 50 Annual Reports

IMI CONFERENCES TURKEY CALL CENTER AWARDS

"Most Praiseworthy" Award in the Best Customer Experience category

TÜSİAD DIGITAL TRANSFORMATION PROGRAM IN INDUSTRY

Commercialization Potential Plaque

AUSTRIAN ENERGY GLOBE AWARD

Special Jury Prize for the PEAKApp Project

2019 ARC AWARDS

Honor Award in the Traditional Annual Reports category (Energy Sector)

GROWTH FOCUS **DISCIPLINE** SUSTAINABILITY

Enerjisa Enerji closely monitors macroeconomical developments and global trends and develops effective strategies to achieve a long term and sustainable success. The Company focuses on creating value for all its stakeholders, by achieving a sustainable financial success by the use of its efficient operations and to maintain its strong balance sheet it manages market, liquidity, credit, operational and regulations risks effectively.

- Kastamonu

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMPLIANCE REPORT

In the 2019 fiscal year Enerjisa 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 Corporate Governance Compliance Report Form and Corporate Governance Information Forms 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.

	Company Compliance Status					Explanation
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS	**Yes**	**Partial**	**No**	**Exempted**	**Not Applicable**	
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The Company ensures the clarity of the General Assembly agenda and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the Board of Directors about transactions conducted on their behalf within the scope of the Company's activities in order for these transactions to be presented at the General Shareholders' Meeting.				X		Enerjisa Insiders List is available on the IR website (https://www.enerjisainvestorrelations.com/en/corporate-governance/insiders-with-administrative-responsibilities). But no transactions to be reported.
1.3.8 - Members of the Board of Directors who are concerned with specific agenda items, auditors and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		X				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 related KAP announcements and company website.
1.4. VOTING RIGHTS	**Yes**	**Partial**	**No**	**Exempted**	**Not Applicable**	
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The Company does not have shares that carry privileged voting rights.	X					
1.4.3 - The Company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.				X		There are no companies in which Enerjisa has cross-ownerhips.
1.5. MINORITY RIGHTS						
1.5.1 - The Company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twenthieth of the outstanding shares and expand the scope of the minority rights.				X		Minority Rights are not expanded.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the Company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings and their allocations, are stated in the relevant agenda item.				X		This was not mentioned as Enerjisa distributed dividend
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the Company.	X					Enerjisa complies with its Dividend Policy (https://www.enerjisainvestorrelations.com/en/corporate-governance/policies/dividend-policy) for dividend payments.
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Company Compliance Status					Explanation
2.1. CORPORATE WEBSITE	**Yes**	**Partial**	**No**	**Exempted**	**Not Applicable**	
2.1.1. - The Company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The Company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1 - The Board of Directors ensures that the annual report represents a true and complete view of the Company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the Company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The Company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	X					

	Company Compliance Status					Explanation
	Yes	**Partial**	**No**	**Exempted**	**Not Applicable**	
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The Company has adopted an employment policy ensuring equal opportunities and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criterias are documented.	X					
3.3.3 - The Company has a policy on human resources development and organises trainings for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the Company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination and to protect employees against any physical, mental and emotional mistreatment.	X					
3.3.8 - The Company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Company Compliance Status					Explanation
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS	**Yes**	**Partial**	**No**	**Exempted**	**Not Applicable**	
3.4.1 - The Company measured its customer satisfaction and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The Company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The Company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2 - The Company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The Board of Directors has ensured strategy and risks do not threaten the long-term interests of the Company and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the Board of Directors discussed and approved strategy, ensured resources were adequately allocated and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1 - The Board of Directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the Board of Directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the Company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					

	Company Compliance Status					Explanation
	Yes	**Partial**	**No**	**Exempted**	**Not Applicable**	
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The Board of Directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The Company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		X				Enerjisa has subscribed to Board of Directors a liability insurance of 25 mEUR. For the coverage of 25% of the capital, required operations are ongoing.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The Board of Directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.		X				Allthough there is not a written policy, the existing practice meets the %25 criteria.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1 - Each board member attended the majority of the board meetings in person.	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed and board resolutions include director's dissenting opinions if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				Board Member's assignments in different companies are limited on the basis of creating conflict of interest. There are no such incidents with Board Members.

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Company Compliance Status					Explanation
4.5. BOARD COMMITTEES	**Yes**	**Partial**	**No**	**Exempted**	**Not Applicable**	
4.5.5 - Board members serve in only one of the Board's committees.			X			Due to 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 Board of Directors were assigned to multiple committees.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	No external consultancy service is used for Board Committees.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1 - The Board of Directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	X					
4.6.4 - The Company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.		X				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 disclosed with a distinction between the Board of Directors and senior executives considering the Law of Protection of Personal Data. Additionally, Remuneration Policy is written and disclosed via Annual General Assembly Meeting to stakeholders.

CORPORATE GOVERNANCE INFORMATION FORM

1. SHAREHOLDERS	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDERS RIGHTS	
The number of investor meetings (conference, seminar/etc.) organised by the Company during the year	175 Meetings, internal and abroad 7 roadshows, 4 conferences and 1 analyst day
1.2. RIGHT TO OBTAIN AND EXAMINE INFORMATION	
The number of special audit request(s)	0
The number of special audit requests that were accepted at the General Shareholders' Meeting	0
1.3. GENERAL ASSEMBLY	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/en/Bildirim/745076
Whether the Company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Provided
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	Such transactions are not existing.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	No transactions in the scope of Article 9
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	No transactions in the scope of Article 10
The name of the section on the corporate website that demonstrates the donation policy of the Company	https://www.enerjisainvestorrelations.com/en/corporate-governance/policies/donation-grants-policy

CORPORATE GOVERNANCE INFORMATION FORM

The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/en/Bildirim/750490
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	N/A
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	https://www.kap.org.tr/en/Bildirim/750490
1.4. VOTING RIGHTS	
Whether the shares of the Company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	N/A
The percentage of ownership of the largest shareholder	40%
1.5. MINORITY RIGHTS	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association.	N/A
1.6. DIVIDEND RIGHT	
The name of the section on the corporate website that describes the dividend distribution policy	Under CG Policies tab in IR web site
Minutes of the relevant agenda item in case the Board of Directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	Not proposed
PDP link to the related general shareholder meeting minutes in case the Board of Directors proposed to the general assembly not to distribute dividends	Not proposed

GENERAL ASSEMBLY MEETINGS

General Meeting Date	The number of information requests received by the Company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the Board of Directors	The link to the related PDP general shareholder meeting notification
28.03.2019	0	86%	0%	86%	CG-General Assambly	N/A	N/A	0	https://www.kap.org.tr/en/Bildirim/745076

2. DISCLOSURE AND TRANSPARENCY	
2.1. CORPORATE WEBSITE	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Under CG section in IR web site.
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	https://www.enerjisainvestorrelations.com/en/corporate/shareholder-structure
List of languages for which the website is available	English and Turkish

CORPORATE GOVERNANCE INFORMATION FORM

2.2. ANNUAL REPORT	
THE PAGE NUMBERS AND/OR NAME OF THE SECTIONS IN THE ANNUAL REPORT THAT DEMONSTRATE THE INFORMATION REQUESTED BY PRINCIPLE 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the Board of Directors and executives conducted out of the Company and declarations on independence of board members	2019 Annual Report - Management and CG sections
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	2019 Annual Report - Management and CG sections
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	2019 Annual Report - CGP Compliance Report and Information forms
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	2019 Annual Report - Operational Development sections
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Activity reports which are published in the PDP with financial results.
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Not existing
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	Not existing
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	2019 Annual Report - Sustainability section

3. STAKEHOLDERS	
3.1. CORPORATION'S POLICY ON STAKEHOLDERS	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	https://www.enerjisainvestorrelations.com/en/corporate-governance/policies/anti-bribery-anti-corruption-policy/Compensation-Policy
The number of definitive convictions the Company was subject to in relation to breach of employee rights	47
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Head of Internal Audit
The contact detail of the Company alert mechanism	ENETIK@enerjisa.com
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	Enerjisa corporate website - HR Policy
Corporate bodies where employees are actually represented	Enerjisa corporate website - HR Policy
3.3. HUMAN RESOURCES POLICY	
The role of the board on developing and ensuring that the Company has a succession plan for the key management positions	Enerjisa corporate website - HR Policy
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	Enerjisa corporate website - HR Policy
Whether the Company provides an employee stock ownership programme	There isn't an employee stock ownership programme
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Enerjisa corporate website - HR Policy
The number of definitive convictions the Company is subject to in relation to health and safety measures	5

CORPORATE GOVERNANCE INFORMATION FORM

3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY	
The name of the section on the corporate website that demonstrates the code of ethics	https://www.enerjisa.com.tr/en/about-enerjisa/company-profile/working-principles
The name of the section on the Company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Annual Report - Sustainability CSR
Any measures combating any kind of corruption including embezzlement and bribery	https://www.enerjisainvestorrelations.com/en/corporate-governance/policies/anti-bribery-anti-corruption-policy
4. BOARD OF DIRECTORS-I	
4.2. ACTIVITY OF THE BOARD OF DIRECTORS	
Date of the last board evaluation conducted	17.Dec.19
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities and descriptions of such duties	Chairman: Kıvanç Zaimler Deputy Chairman: Eric Rene C. Depluet
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	18 process audit reports and 102 ethic investigation reports
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	2019 Annual Report - CG Section
Name of the Chairman	Kıvanç Zaimler
Name of the CEO	Murat Pınar
If the CEO and Chair functions are combined: provide the link to the relevant PDP annoucement providing the rationale for such combined roles	Not combined
Link to the PDP notification stating that any damage that may be caused by the members of the Board of Directors during the discharge of their duties is insured for an amount exceeding 25% of the Company's capital	Enerjisa has subscribed to Board of Directors a liability insurance of 25 mEUR. For the coverage of 25% of the capital, required operations are ongoing.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	No written diversity policy, but application is in line with the relevant term.
The number and ratio of female directors within the Board of Directors	2, %25

CORPORATE GOVERNANCE INFORMATION FORM

COMPOSITION OF BOARD OF DIRECTORS

Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
Kıvanç Zaimler	Executive	Not independent director	1.07.2018	N/A	Not considered	No	Yes
Eric René C. Depluet	Executive	Not independent director	15.06.2018	N/A	Not considered	No	Yes
Hakan Timur	Non-executive	Not independent director	20.09.2019	N/A	Not considered	No	No
Manfred Michael Paasch	Non-executive	Not independent director	27.08.2018	N/A	Not considered	No	Yes
Eva-Maria Verena Volpert	Non-executive	Not independent director	29.03.2018	N/A	Not considered	No	Yes
Barış Oran	Non-executive	Not independent director	29.03.2018	N/A	Not considered	No	Yes
Fatma Dilek Yardım	Non-executive	Independent director	29.03.2018	https://www.kap.org.tr/en/Bildirim/671488	Not considered	No	Yes
Mehmet Sami	Non-executive	Independent director	29.03.2018	https://www.kap.org.tr/en/Bildirim/671488	Not considered	No	Yes

4. BOARD OF DIRECTORS-II

4.4. MEETING PROCEDURES OF THE BOARD OF DIRECTORS	
Number of physical board meetings in the reporting period (meetings in person)	6
Director average attendance rate at board meetings	98%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	7
The name of the section on the corporate website that demonstrates information about the board charter	Investor Relations - Corporate Governance
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	N/A
4.5. BOARD COMMITTEES	
Page numbers or section names of the annual report where information about the board committees are presented	2019 Annual Report - CG Information Report
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/en/Bildirim/819919

COMPOSITION OF BOARD COMMITTEES-I

Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Audit Committee	N/A	Fatma Dilek Yardım, Mehmet Sami	Yes	Board member
Corporate Governance Committee	N/A	Mehmet Sami, Michael Moser, Manfred Paasch, Hakan Timur	Yes	Board member
Committee of Early Detection of Risk	N/A	Fatma Dilek Yardım, Mehmet Sami, Hakan Timur, Eric René C. Depluet	Yes	Board member

4. BOARD OF DIRECTORS-III

4.5. BOARD COMMITTEES-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	2019 Annual Report - CG Information Form
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	2019 Annual Report - CG Information Form
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	2019 Annual Report - CG Information Form

CORPORATE GOVERNANCE INFORMATION FORM

Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	2019 Annual Report - CG Information Form
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	2019 Annual Report - CG Information Form
4.6. FINANCIAL RIGHTS	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	2019 Annual Report - Strategy
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Under CG Policies tab in the IR website.
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	2019 Annual Report - Independent Audit Report

COMPOSITION OF BOARD COMMITTEES-II

Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Audit Committee	N/A	100%	100%	4	4
Corporate Governance Committee	N/A	75%	50%	4	4
Committee of Early Detection of Risk	N/A	75%	25%	5	8

AMENDMENTS IN THE ARTICLES OF ASSOCIATION

There exists no amendment made under the Company's Articles of Association during the year 2019.

RISK ASSESSMENT

1. RISK MANAGEMENT FRAMEWORK OF ENERJISA

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 five 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 two 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 clients).

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 2019, the Early Risk Detection Committee has convened five times. Meeting dates and in-depth review topics have been the following:

Meeting Date	In- Depth Review Topic
07/02/2019	Enerjisa Process Universe
08/04/2019	Enerjisa Financial Risk Management
30/07/2019	Credit and Regulatory Risks
22/10/2019	Financial Counterparty Governance
03/12/2019	ERDC Performance Review

Additionally, through report circulations on June, August and October 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.

REMUNERATION POLICY FOR MEMBERS OF BOARD OF DIRECTORS AND EXECUTIVES

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.

Executive managers may also be eligible for a variable performance bonus to be paid three 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

POLICIES

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 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

POLICIES

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.

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.

POLICIES

- informing the Enerjisa Internal Audit Department if they encounter with a conduct, activity or application which are in breach of the Policy.

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 TL 300 per case; TL 1,500 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

POLICIES

ENVIRONMENTAL POLICY

As Enerjisa Enerji A.Ş., we conduct all our activities, including our distribution and sales business lines in particular, according to the following fundamental principles:

- We fulfil all our statutory and other compliance obligations related with the Environment.
- While performing our activities, we adopt the principles of sustainable development and prevention of pollution at source.
- By reducing the wastes originating from our activities at source as much as possible; we ensure that wastes are recycled, recovered, reused or disposed without causing any harm or damage to the environment.
- We contribute in the fight against climate change. In this context, we conduct activities oriented towards reducing energy consumption, increasing energy efficiency and reducing our greenhouse gas emissions.
- We aim to continuously reduce the consumption of water necessary for our activities by efficiently using water, one of our most important natural resources.
- We monitor and aim to reduce our air and wastewater emissions originating from our activities. We satisfy the legal requirements related with wastewater quality.
- We pay due attention and care for direct and indirect biodiversity protection in all our operational areas.
- We set measurable targets for the field of environment and we continuously improve our environmental management system by periodically assessing our performance against such targets.
- While determining the methodologies and goals for our environmental management system, we benefit from the contributions of our employees, customers, business partners, investors and other stakeholders as well as our senior management.
- We aim to develop, expand and maintain environmental awareness across our institution.
- We encourage our entire business network, including our employees, suppliers and business partners in particular, to maintain their environmentally-responsible activities.
- In case of procurement of products-services with substantial environmental aspects, we identify the necessary environmental conditions in line with the life cycle principle and share them with our suppliers. Thus, we contribute in the improvement of our suppliers' environmental performances.
- We conduct awareness-raising activities for development of environmental awareness among all stakeholders of the energy sector in line with our responsibility arising from our position in the sector and we aim to lead the sector in this field.
- ISO 14001 Environmental Management System Standard is the fundamental guide that we use in all our activities.
- We ensure the monitoring and auditing of our environmental policy as part of our environmental management system.

The Sustainability Committee of Enerjisa Energy meets regularly and takes decisions by reviewing the Environmental Policy and environmental performance and reports to the Board of Directors.

We regularly share with stakeholders the environmental performance that we continuously monitor in accordance with the Environmental Policy, through Sustainability Reports. We identify the issues of top priority in the field of environment in line with the stakeholder analyses and according to the local and global trends that are of interest for the sector. We make use of such priority issues that we have identified in the field of environment while developing and revising the Environmental Policy.

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

COMMITTEE CHARTERS

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 disaggrements 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.
- 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.

3.4.3 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.

COMMITTEE CHARTERS

- 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.

3.5 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.

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

COMMITTEE CHARTERS

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.

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.

COMMITTEE CHARTERS

- 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.

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

EY
Building a better working world

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 1/1/2019-31/12/2019.

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 19, 2020 on the full set consolidated financial statements of the Group for the period of 1/1/2019-31/12/2019.

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.

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 19, 2020
İstanbul, Turkey

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: 19.02.2020
RESOLUTION NUMBER: 209

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 2019;

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.

Fatma Dilek YARDIM
Audit Committee Chairperson

Mehmet SAMİ
Audit Committee Member

Murat PINAR
CEO

Michael Moser
CFO

DECLARATIONS OF INDEPENDENCE

MEHMET SAMİ (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;

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.

FATMA DİLEK YARDIM (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 contex;

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.

GROWTH FOCUS DISCIPLINE **SUSTAINABILITY**

Enerjisa Enerji emphasizes sustainability as an important aspect of its equity story. The Company sees sustainability as an important tool for an effective strategic management and meets the increasing energy demand due population and urbanization trends by utilizing today's technologies, quality and customer centric focus. While integrating sustainability in its processes, the Company keeps complying with global environment and social norms, as well as investing for social awareness.

- Gaziantep

SUSTAINABILITY

OCCUPATIONAL HEALTH AND SAFETY

Enerjisa Enerji aims to become one of the leading companies in the energy sector, both in Turkey and globally. The Company sees Occupational Health and Safety as the top priority and manages it according to international standards.

Transfer of the electricity to end users through the distribution businesses poses high Occupational Health and Safety (OHS) risks. For this reason, dissemination of the Occupational Health and Safety culture across all business partners, especially employees is the main priority of Enerjisa Energy.

OHS is adopted at all management levels within the Company and is periodically reported to the senior management. Potential risks are constantly evaluated in terms of entrenching OHS in the corporate culture.

ISO 45001:2018 OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

Managing OHS with international standards is critical. ISO 45001:2018 Occupational Health and Safety Management System was issued in 2018 and the expiry date of the current OHSAS 18001 standards was set as March 2021.

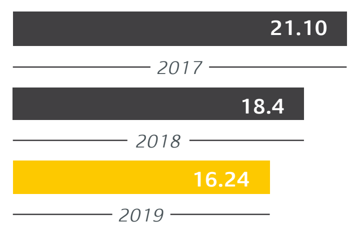
Enerjisa Enerji has worked to fulfill the requirements of the new standard and completed the certification process by transitioning to ISO 45001:2018 Occupational Health and Safety Management System in 2019.

TRAININGS FOR OHS CULTURE

Trainings that prime employees about safe working conditions and help adopt the OHS culture are important in the OHS management. OHS trainings accounted for 40.25% of employee trainings within Enerjisa Enerji and on average each employee was given 16.24 hours of OHS training in 2019.

In 2019, an improvement has been made by Human Resources in the training per employee tracking system. In addition to that, a reclassification has been made between the technical and OHS trainings. This has been reflected as a numerical decrease in the average of OHS training per employee but all employees completed the legally compulsory trainings, as well as trainings specific to their business lines and identified in the annual OHS training programme.

AVARAGE OF OHS TRAINING PER EMPLOYEE



In addition to the requirements of the OHS legislation, Enerjisa Enerji undertook training and other activities on the following topics in 2019 to increase the awareness of employees about occupational safety and health and to support their ownership of the issue:

- ***Accident Investigation Trainings:*** It is important to find the root causes of accidents and to take the necessary precautions to prevent recurrences. Furthermore, the Company provided the training of "Investigation of the Accident by Reenactment and Root Cause Analysis" to its employees, who took part in the investigation of incidents and accidents, to improve the efficiency of the incident investigation process.

- ***Traffic Campaign:*** Enerjisa Enerji's routine operational activities take place where there is heavy traffic and require most employees to travel by car. The Company launched a traffic communication campaign to ensure that such employees are protected from any potential collisions and to increase their personal awareness of the traffic rules. Banners and videos prepared with the basic headings about speed limit compliance, importance of using seatbelts and avoidance of using mobile phones while driving deliver the key messages of the campaign.

739 Enerjisa Enerji employees who actively drive for business operations, have attended to the Recognition of Hazards in the Traffic training.

- ***ISO 45001:2018 Information on Occupational Health and Safety Management Systems, Implementation Changes and Internal Auditor Training:*** Enerjisa Enerji organized a training seminar that focused on the contents of ISO 45001:2018 standard, the implementation changes brought by the new standard and the differences with OHSAS 18001:2007 and gap analysis. Following these trainings, 115 employees from Başkent, AYEDAŞ and Toroslar EDAŞ were certified as internal auditors for ISO 45001:2018.

- ***Environmental Management System Trainings:*** Enerjisa Enerji provided trainings on waste management and chemical management within the implementation of the ISO 14001:2015 Environmental Management System principles.

OCCUPATIONAL ACCIDENTS AND IMPROVEMENT

Improvement efforts to prevent occupational accidents are imperative to foster a safe working environment. Therefore, Enerjisa Enerji focuses on the root causes of incidents by investigating fatal accidents and injuries, and launches innovative initiatives and practices that employ technology to prevent accidents across the Company, particularly in the high-risk processes. These initiatives include:

- ***Video Verification System:*** Activities such as high-voltage energy control, maneuvering and working at heights pose a great risk. Enerjisa Enerji has started to use video push-to-talk devices to ensure that employees engaged in these activities and environments use the necessary personal protective equipment and to monitor safe work practices. In this way, the activity can only begin once permission from an authorized official other than the field team is attained. The Company aims to prevent potential accidents by increasing the surveillance using the video verification system. With this system, the number of critical accidents declined by approximately 40% in 2019.

- ***Technical Analysis of Local Grounding Practices in Distribution Grids:*** Within the scope of the Grounding Analysis Project, Enerjisa Enerji has made analyses with various topology, operations and installed subscriber generator capacity and evaluated whether the existing and newly designed grounding equipments are suitable for occupational health and safety. Following the analyses, newly designed grounding equipment has been put into operation. Consequently, the Company has managed to cut down both equipment weight and equipment costs, increased operational efficiency in its maintenance/repair activities and created a safe work environment for operators.

- ***Long-Handled Cable Cutter:*** Enerjisa Enerji has started using Long-Handled Cable Cutters to eliminate the inherent dangers and risks of working at heights. The Company has consequently changed its work methods and eliminated the risks associated of climbing a pole to complete a job. As a result, accidents and injuries caused by falling from heights tied to tree and pole fractures have decreased significantly.

- ***High Voltage Detector Tester:*** Enerjisa Enerji offers its employees the opportunity to perform a full function test with the high-voltage detector tester, which was specially designed for the Company. The high-voltage detector tester is used to detect electronic problems in a high-voltage detector, which may arise from climate or storage conditions etc. This, in turn, has assured employees of the accuracy of the high-voltage detector and helped prevent accidents that can result from a defective detector.

OCCUPATIONAL HEALTH AND SAFETY

- ***Model Based Critical Behavior Analysis and Change Project:*** Enerjisa Enerji has completed the Critical Behavior Analysis Project launched in 2018 in coordination with the faculty members of the Department of Psychology at the Middle East Technical University (METU) and published the final report. The Company is currently developing a roadmap to increase the work safety culture within the framework of this report.

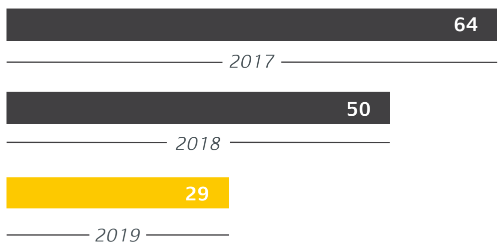
Enerjisa Enerji takes the responsibility of developing a responsible behavioral OHS culture among its business partners and contractors. Therefore, the related units of the Company make one-on-one visits to the contractors and request their Security Development Plans. In 2020, Enerjisa Enerji aims to carry out further inspections of the contractors within the scope of OHS.

OHS PERFORMANCE INDICATORS

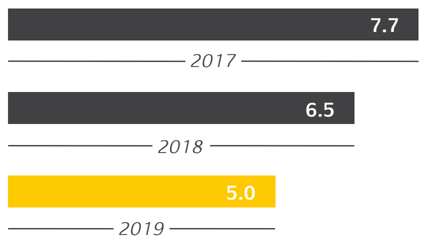
The impact of all OHS-related investments and initiatives undertaken by Enerjisa Enerji on performance is regularly monitored based on the following indicators:

- Total Recordable Incident Frequency Rate (TRIFR)
- Total Recordable Incident Frequency Rate Excluding Slip, Trip and Fall Accidents (TRIFR w/o STF)
- Lost Time Injury Severity Rate (LTISR)
- Number of Critical Accidents

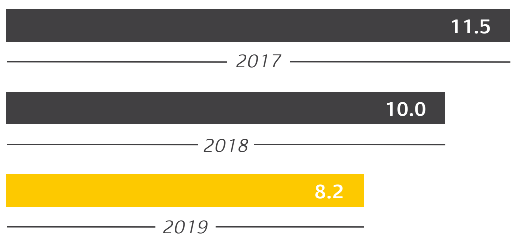
NUMBER OF CRITICAL ACCIDENTS



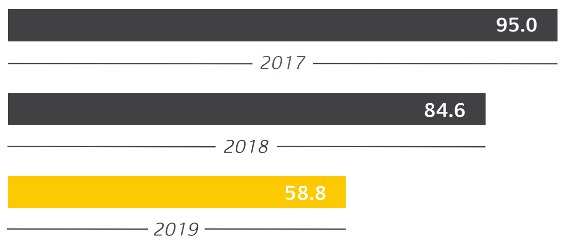
TOTAL RECORDABLE INCIDENT FREQUENCY RATE EXCLUDING SLIP, TRIP AND FALL ACCIDENTS *(TRIFR w/o STF)*



TOTAL RECORDABLE INCIDENT FREQUENCY RATE *(TRIFR)*[1]



LOST TIME INJURY SEVERITY RATE *(LTISR)*[2]



[1] (Total number of recordable incidents that occurred/Working hours in the last 12 months) x 10^6
[2] (Total number of employees lost due to incidents/Working hours in the last 12 months) x 10^6

ENVIRONMENTAL SUSTAINABILITY

Enerjisa Enerji assumes full responsibility of its potential environmental impact of its operations. In 2019, the Company revised its Environmental Policy according to its environmental sustainability goals and prepared action plans in various areas ranging from biodiversity conservation to combating climate change.

The impact of human-induced environmental problems such as climate change, environmental pollution and biodiversity reduction is felt more severely globally. Increasing population, thus consumption, has a significant effect in this.

Enerjisa Enerji is aware that improper management of our limited natural resources and failure to take the necessary measures against climate change will lead to irreversible consequences on the environment and the economy. Consequently, the Company acts with respect and responsibility for the environment in all its activities. Enerjisa Enerji focuses on reducing the harmful effects of its activities on the environment by continuously improving its environmental performance.

In 2019, the Company revised its Environmental Policy according to its environmental sustainability goals and included improve efficiency in resource utilization, prevent environmental pollution at its source, contribute to combat with climate change, control air and water emissions, and protect biodiversity subjects in the policy.

CLIMATE CHANGE AND ENERGY MANAGEMENT

Enerjisa Enerji is aware of its role in combating climate change and aims to reduce the direct and indirect effects of energy throughout its entire journey. Therefore, by regularly monitoring energy consumption, the Company undertakes investments focused on efficiency and reduces the adverse environmental impact of its activities. In 2019, the total energy consumption of the Company was 456,004 GJ. The total greenhouse gas emissions in 2019 in total was 38,832 tons and for Scope 1, Scope 2 and Scope 3 was 29,851, 7,695 and 1,286 tons respectively.

The Company undertakes innovative activities to manage its environmental impact and adopts different practices. The projects described below show Enerjisa Enerji's work in this field.

- ***Climate Project on the Use of SF6 Gas in the Electricity Sector:*** Enerjisa Enerji participated in the Climate Project on the Use of SF6 Gases in the Electricity Sector, which is financed by the European Union and run by the Waste Paper and Recyclers Association (AGED) and the Association of Distribution System Operators (ELDER). This project aims to establish a framework that complies with the Regulation on Fluorinated Greenhouse Gases for the purposes of monitoring and recycling SF6 gas, which is a greenhouse gas widely used in the electricity sector, and thus prevent the SF6-induced climate change effects.

- ***Building Management:*** The Company's annual consumption reduction targets are defined based on the location-specific ISO 14001 Environmental Management System by effectively monitoring the electricity, water and fuel consumption in of Enerjisa Enerji buildings. In this way, the Company aims to reduce its air emissions and greenhouse gas emissions. Additionally, the Company works to convert the energy used in its headquarters into green energy. Supplying green energy to its customers as of 2020, Enerjisa Enerji plans to use green energy in its headquarters, Customer Service Centers and certain distribution facilities as well.

In addition to managing its environmental impact, Enerjisa Enerji offers its customers renewable energy, which is key in combating climate change.

ENVIRONMENTAL SUSTAINABILITY

- ***Green Energy Solutions:*** To contribute to environmental sustainability, the Company took an important step in procurement and sale of green energy, which has been certified by internationally accredited institutions, and introduced its green energy product in its systems in the last quarter of 2019.

With the Green Energy Tariff product, users will have the opportunity to reduce or neutralize the greenhouse gas emissions generated due to their electrical consumption. Furthermore, the Company offers green energy solutions with two types of certificates:

- ***Carbon Reduction Certificate:*** Refers to the standardized and tradable credit expressed in terms of metric tons of CO_2 claimed by real person or a legal entity (a business/power plant that generates energy from renewable energy sources).

- ***Renewable Energy Certificate:*** This is a market-based tool that represents the proprietary rights of environmental, social and other non-power qualities of renewable electricity generation. It certifies that each 1 MWh unit of energy has been generated from a renewable energy source and delivered to the grid. It has been certified by international institutions.

In this context, Enerjisa Enerji has signed new contracts with the TOBB ETU Hospital in Ankara, owned by the Union of Chambers and Commodity Exchanges of Turkey (TOBB) and with similar institutions in 2019. Under these contracts, the Company will implement the Energy Performance Model at these institutions, which is a solution offered to corporate customers for energy efficiency. This model covers the replacement of old lighting products with newer and more efficient LED lights and their maintenance during the contract term. Consequently, these institutions will save 1.6 million kWh of electrical energy per year which corresponds to TL 383,000. Enerjisa Enerji predicts that the widespread use of the model, which is in line with the 2017–2023 National Energy Efficiency Action Plan, will also contribute to the national economy.

WASTE MANAGEMENT

Feeling a strong sense of responsibility towards the environment, Enerjisa Enerji manages waste in accordance with the applicable legislation, OHS and Environmental Policy and international standards. The Company has decided on the methods used for the prevention, reduction, collection, transportation, storage, recycling and final disposal of domestic, industrial, hazardous and non-hazardous waste from all its activities depending on the waste hierarchy adopted.

Enerjisa Enerji has established its Waste Management System in accordance with ISO 14001. Accordingly, the Company reduces the amount of waste by recycling suitable materials salvaged from the grid waste, which first undergoes the Material Quality Control and Recycling Test Center processes. The Company's materials and waste management aims to reduce the environmental impact of its operations and recycle wastes back into the circular economy by leveraging the life cycle approach. In compliance with the legislation, Enerjisa Enerji has created temporary hazardous waste storage areas for the waste from distribution operations, thereby preventing environmental pollution created by poor storage conditions.

- ***Grid Waste Management:*** It is critical for Enerjisa Enerji to recycle its operational waste back into the circular economy. To improve resource utilization and control its environmental impact by taking a life cycle approach, the Company provides for the proper collection of grid wastes from distribution activities, ensuring they are ready for re-use to the extent possible, storing them in compliance with legislation and disposing them with the help of licensed recycling companies

- ***Building/Office Waste Management:*** Enerjisa Enerji has commenced installation of the Zero Waste System in its headquarters buildings. Consequently, the bins where mixed waste is stored have been removed and all office waste is now sorted by type before it is sent for recycling. The Company has launched a new campaign to collect plastic caps in support of the plastic caps campaign undertaken by the Spinal Cord Paralytics Association of Turkey. The Company continues to undertake awareness-raising activities to minimize the waste from disposable plastic, paper and similar materials.

Within the scope of Distribution Companies Waste Management studies, 5,563 ton hazardous waste, 6,663 ton non- hazardous waste has been sent to recycling / recovery facilities according to the legislation in 2019 and has been added to the cyclical economy.

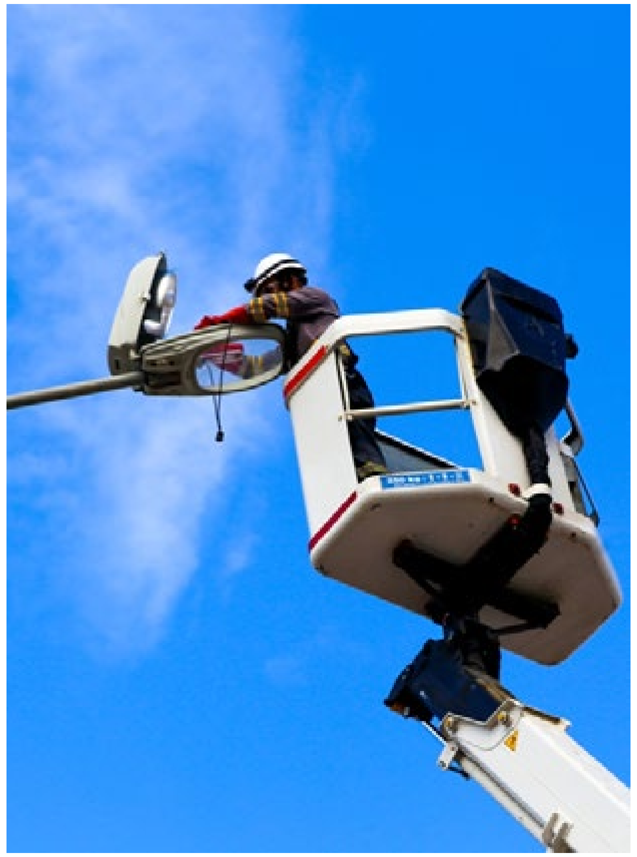
BIODIVERSITY

Enerjisa Enerji emphasizes the importance of protecting biodiversity, aiming to reduce the potential negative effects of its operations on natural life. In the Company's Environmental Policy, the protection of natural life and vegetation is an important principle. When its new investments pass through the wildlife development and conservation areas, Enerjisa Enerji prepares Ecosystem Assessment Reports and takes measures to reduce the environmental impact of its investments in accordance with the applicable legislation. The Company also takes additional measures in its distribution grid lines to respect the migration routes of various bird species that pass through Turkey. These measures are as follows:

- ***Use of Bird Repellents:*** Enerjisa Enerji has installed isolators on the risky lines to prevent migratory and other birds from being killed by electric shock when they perch on utility poles, nest or enter between two conductors in 2019. The Company has also started a pilot project in which it has installed "Bird Deterrent" devices on a chosen line in Adana and has started monitoring its functioning. With this project, the Company aims to protect the bird diversity in the region.

- ***Project Defne (Project Bay Laurel):*** Enerjisa has developed a forestation strategy project to prevent losses and fire hazards on the energy transmission lines that result from the contact of treetops with the transmission lines. Therefore, the Company plants dwarf trees with high moisture content under the lines.

Enerjisa Enerji will complete its Ecological Assessment Report and Biodiversity Action Plan for all areas of activity in 2020.



STAKEHOLDER RELATIONSHIP MANAGEMENT

Enerjisa Enerji prioritizes open, transparent and trust-based communication with all stakeholders in a wider ecosystem.

Enerjisa Enerji values relationships with all stakeholders that are directly or indirectly affected by its activities and prioritizes open, transparent and trust-based communication with all stakeholders in a wider ecosystem. The Company uses different communication methods to obtain stakeholder feedback and to understand their expectations.

Analysts	Investors	Shareholders	Rating and Valuation Bodies	Financial Institutions	Regulatory Authorities
Subsidiaries and Affiliates	Government Agencies	Customers	Employees	Non-Governmental Organizations	Suppliers and Business Partners
Unions	International Organizations	Universities	Press	Local Governments	Competitors

Government agencies and regulatory authorities are the primary stakeholders that directly affect Enerjisa Enerji. As the sector leader, Enerjisa Enerji is aware that the development of a regulatory framework is necessary to encourage investments, and improve efficiency and quality to ensure a reliable and cost-effective grid infrastructure in Turkey. The Company's relations with the public are based on the principles of righteousness, integrity, equality, and independence. Its relationships with public institutions are independent of any political views, and managed as required by its corporate identity.

Furthermore, the Company contributes to the process by keeping in touch with the government agencies and regulatory authorities.

As part of its annual Enerjisa Local Governments Communication Plan, the Company pays regular visits to the governors, district governors, municipalities, and local community leaders (muhtar) in its service regions. Following its face-to-face interviews, the Company has obtained information about the expectations of public institutions, getting the opportunity to improve its business processes through the requests and opinions received. Accordingly, the Company has held meetings, primarily with local community leaders (muhtar) and different stakeholders in the service areas such as municipalities and district governorships.

Enerjisa Enerji becomes a member of non-governmental organizations to contribute to the activities that carry the sector forward and to spread the vision of sustainability in the business world at the leadership level. These organizations include:

Association of Electricity Distribution System Operators	ELDER
Turkish Industry and Business Association	TÜSİAD
UN Global Compact	
International Investors Association	YASED
Solar Energy Investors Association	GÜYAD
Turkey Cogeneration Association	TÜRKOTED
Business Council for Sustainable Development Turkey	SKD
Global Investor Relations Associations	TÜYİD
The Corporate Governance Association of Turkey – TKYD	TKYD
EUROGIA2020	

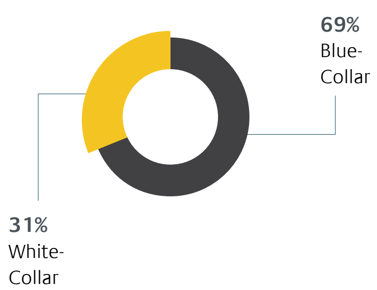
HUMAN RESOURCES

Human resources is one of the most important elements that make Enerjisa Enerji, Turkey's largest electricity distribution and retail company, the leader in its sector. Enerjisa Enerji's human resources practices aim to improve the organizational climate, communication and culture. As an equal opportunity employer, the Company focuses on drawing out the leadership traits of its employees and providing them with training and development opportunities.

In line with its vision to become the most preferred employer in the energy sector and to rank in the top 15 employers among all sectors, Enerjisa Enerji focuses on human resources (HR) processes and practices. The Company's HR practices are designed to

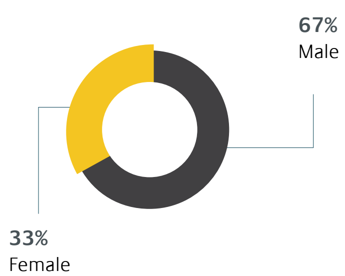
- Create a meaningful working environment that cultivates a positive organizational climate, communication and culture.
- Develop leaders and good management practices.
- Offer all kinds of opportunities to all potential and existing employees without discrimination and promoting equality in all human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

DISTRIBUTION OF HEADCOUNT



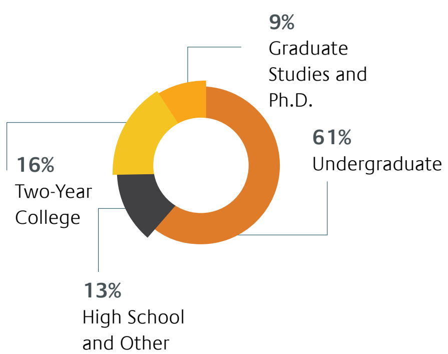
TOTAL 10,240

WHITE-COLLAR GENDER DISTRIBUTION



AVERAGE AGE: 35
AVERAGE SENIORITY: 4.9

WHITE-COLLAR EDUCATIONAL STATUS



TALENT MANAGEMENT

Enerjisa Enerji has approximately 10,000 employees with a wide variety of profiles from four different generations. With this in mind, The Company follows global HR management trends and adopts new approaches in line with its priorities.

Continuous improvement is one of Enerjisa Enerji's most important values. The Company always learns from its past experiences, develops in light of its future vision and becomes a pioneer of change, ensuring excellence. In line with the high-performance culture it has cultivated, Enerjisa Enerji aims to hire and develop qualified young talents and experienced professionals by utilizing its talent management programs, which support curiosity and vision that is excited about innovation.

Enerjisa Enerji believes that individual achievement lies at the core of organizational success. The Company uses different talent management systems to determine and evaluate employee performance and competence.

To ensure the sustainability of its organization, Enerjisa Enerji develops short- and medium-term succession plans for all its critical positions in line with the annual potential assessment studies, and follows up the career and development of its employees accordingly. The Company supports its employees with various leadership, personal and professional development programs and tools.

Enerjisa Enerji considers each of its 10,000 employees as "talents."

HUMAN RESOURCES

LEADERSHIP DEVELOPMENT PROGRAMS AND TOOLS

Program Name	Scope
LEAP (Leadership Acceleration Program) - LEAP Digital	This is the continuation of LEAP (Leadership Acceleration Program) in 2019. It has been developed to enable managers at the director level to proactively reflect the opportunities brought by digitalization to their sectors and to develop the leadership skills required by the digital age. Leap Digital is designed based on the international studies on digital technologies and the energy sector by ESMT Berlin, one of the leading providers of executive education in Europe according to the Financial Times. Their research has been localized by ESMT's academic partners in Turkey. The program consists of four modules. 20 Enerjisa directors participated in the first module, which took place in October 2019. The first module, which starts with the Digital Transformation Readiness inventory developed by the Center of Creative Leadership (CCL), focuses on the digital opportunities from the point of view of energy companies and explores new ways of doing business in terms of technological and organizational competencies.
STEP	The Manager Development Program STEP, which has been organized in collaboration with the Sabancı University Executive Development Unit (EDU), aims to strengthen the leadership traits of managers and group managers. The first group consisting of 15 mid-level managers completed its training in 2018. The program has been revised to ensure the continuity of a high-performance culture in line with the feedback received from the participants and the Company's 2019 priorities. During the revision process, the Company's "Sabancı of the New Generation" vision, Enerjisa's values, competencies and strategic priorities were addressed and the "360-Degree Leadership: Myself–My Team–My Company–Future" module were incorporated into the program. The STEP Program consists of two three-day modules and it includes versatile tools such as in-class trainings, online simulation, tele-class, peer-to-peer feedback, case studies and learning logs. . In 2019, 66 managers completed the program and 76 managers will complete their remaining modules in the first quarter of 2020.
JUMP	The JUMP development program was designed for Enerjisa team and process leaders. Utilizing the combined learning method to help increase the effectiveness of participants in their current roles and to develop their leadership skills, the program kicked-off in December 2017 and 263 participants completed the program in the last workshop organized in the first half of 2019. Design studies for the new program, Jump 2.0, has started in the second half of 2019.
Young Energy	Designed to develop high-potential Enerjisa employees from the beginning of their careers and to train the prospective managers, the program kicked-off in 2010 and graduated 4 generations. The 5th generation participants have commenced their training in 2019. To strengthen and enrich the program, certain revisions were made in 2019, taking into account the Company's "Sabancı of the New Generation" vision, Enerjisa Enerji's values, competencies, and strategic priorities. The program was announced outside Enerjisa Enerji for the first time and approximately 6,000 applications were received. Both internal and external applications were examined using different measurement and evaluation tool sand 28 participants, who will become Young Energy 5th Generation, have been identified. The "Young Energy" participants who took the first three-day module in December 2019 learned about the energy sector and Enerjisa Enerji in detail, as well as strengthened their interpersonal relationships by taking part in group activities.
Other	• To get inspired from the energy, perspective, potential and diversity of the Young Enerjisa, Young Advisory Board was formed in 2018 and provided consulting services to Enerjisa Enerji Leadership Team in 2019 as planned. The board members came together with Enerjisa Enerji Leadership Team throughout the year to take part in various projects and assignments developed to add value to the Company. • In 2019, Enerjisa Enerji employees attended leadership development programs aimed at a specific audience, including X-CELERATE, the senior leadership development program organized by Sabancı Holding; X-Posure, developed for mid-level managers preparing for future roles; and TPX, designed for young talents with high potential. • In 2019, 9 Enerjisa employees participated in the leadership development program "Professional New Leader," 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, the Company's new generation talent management program, college seniors and graduate students in electrical/electronics engineering were offered the opportunity to gain insight into the energy sector and Enerjisa Enerji's distribution processes. During this one-year program, future engineers were assigned to different tracks (Investment, Customer and Grid) on a rotating basis and received the opportunity to experience and learn about the engineering processes involved in the power distribution business. Mentored by the talent coaches, they were able to explore their individual areas of interest. 12 future engineers who completed the 2018 program has begun working in Enerjisa distribution companies. As part of the third Enter program, which was kicked-off in October 2019, 26 future engineers have started their one-year industry journey in three regions.

PERSONAL DEVELOPMENT PROGRAMS AND TOOLS

Program Name	Scope
YODA Mentoring and YODA Reverse Mentoring Program	Designed in 2017, YODA Mentoring and YODA Reverse Mentoring programs aim at creating a platform to enable different generations of Enerjisa Enerji employees to learn from eachother. The YODA Reverse Mentoring program, where the new generation employees are given the opportunity to mentor Enerjisa Enerji's Senior Management, is a first in the sector. The program was expanded to the director level in 2019 and applications were received from both the directors as mentees and the young Enerjisa employees who aspire to become mentors in the program. The mentors and mentees who will complete their training in 2020 will subsequently start the mentorship process.
EnAkademi	EnAkademi is a development platform that provides personal development tools to everyone at Enerjisa to help them fulfill their career goals. EnAkademi contents were updated based on the renewed Enerjisa Enerji Efficiency Model and were actively used in 2019 to support the personal development of Enerjisa employees.
Gate: Personal Awareness Journey	Gate is a program that aims employees to discover their own development areas and strengths. The design and platform preparation of this program, which was developed for all expert-level employees was completed in 2019 and a pilot study was conducted with 50 employees. Tools such as e-learning, video and reading assignments are offered to the participants through the EnAkademi Personal Development Platform to help them develop their awareness in new areas. With this program, employees are able to plan targeted one-on-one meetings with their managers and follow up these. Enerjisa Enerji aims to organize in-class trainings for the development areas defined by its employees through this programme.

HUMAN RESOURCES

PERSONAL DEVELOPMENT PROGRAMS AND TOOLS

Program Name	Scope
Advanced Data Analytics Academy	The program has been developed with collaboration of Sabancı Holding, Sabancı University and Sabancı University Executive Development Unit (EDU). Enerjisa Enerji participated in the program with 16 employees in 2019. All Enerjisa employees have successfully completed the program with participant ranking in the top 3 graduates.
Sales School	Sales School is a development program that aims to develop a customer centric perspective and sales skills. As part of the school, Team Leader Development Workshop has started in 2019 with a new competence set. Designed to develop the leadership potential of customer service and sales employees and managers, the program comprises 5 modules and will end upon the completion of the 5th module in 2020. Other trainings designed for the sales teams as part of the Sales School were completed in 2019.
KOZA Development Program	KOZA was launched in 2019 to support the young talent pool for the sales function as a sales representative/official development program. Participants were identified using various measurement and evaluation tools. This one-year program consists of three modules that support the development of participants and will continue in 2020.
We Learn From Each Other	The "We Learn From Each Other" training program has started in 2019 at Enerjisa Enerji's Sales and Group Company. The program aims to spread the culture of learning from each other across the Company and to ensure that employees share their knowledge and know-how with each other. The participants benefit from the materials prepared by internal trainers and supported by design coaching.
Technology Development Workshop	Launched in 2019, this workshop was designed to nurture the effective business cultures of Enerjisa Enerji's IT teams through rising trends. In the Technology Development Workshop, all IT teams will be allowed to participate in various theoretical and applied training programs within the scope of trending technologies and new project management methodologies for two years.

OTHER PROGRAMS

Training and development processes for the distribution companies are carried out under the Compass Professional Development Program. Enerjisa Enerji continues to provide development opportunities for its employees for personal, professional, technical and OHS areas with this programme. The Customer Operations Group has completed its process trainings under the Compass Professional Development Program. Approximately 1,000 customer operations field employees have participated in the training programs aimed to increase the efficiency of Customer Operations' commercial loss processes and quality of outputs.

Also as part of Compass Professional Development program, the Human Resources Technical Training team has delivered "Safe Work on the Field" trainings for the field employees of Grid Operations. Approximately 500 field employees participated in the trainings.

The Engineering Development School, which aims to develop the skills of engineers who work at Enerjisa's distribution companies, has continued the 1st module of its theoretical and applied training in 2019. The Engineering Development School also intends to introduce a training system for the distribution operations, to improve the technical capacity and efficiency of Enerjisa's electrical/electronic engineers and to prevent occupational accidents. In 2019, 300 engineers took part in this training.

The Material and Quality Control Department introduced the field materials to the Grid Operations and Construction Works employees and provided them with applied training on troubleshooting using failure scenarios to better equip them against adverse situations that may arise in the field due to defective material. In AYEDAŞ Region 116, in Başkent Region 240 and in Toroslar Region 353 and in total 709 Enerjisa Enerji employees attended to the trainings.

One of the key steps to improve customer satisfaction, which is one of the Company's top priorities, is the 'Our Clients' training developed for field employees in the distribution operations. In 2019, 1,100 employees participated in these training programs organized by the Sabancı University's Executive Development Unit since January 2018.

Established to promote the continuous development of employees, The Distribution Mobile Training Center has continued to transform the roads of Turkey into a school in 2019. In some of the operational centers in Başkent and Toroslar regions technical trainings for field operators have been completed.

As part of the Vocational Training Collaboration Agreement signed with the Ministry of Education at the end of 2017, Enerjisa Enerji has given a basic electrical training to more than 1,000 vocational high school/academy students at Enerjisa Enerji's technical training centers as well as the Mobile Training Center. The Company has explained intricacies of the electricity distribution sector to the students.

The Company organized an Electricity Distribution Coaching Course for vocational high school electrical/electronics teachers within the scope of the applicable protocol. 75 teachers from various provinces in Turkey participated in the vocational development program organized by the Company in collaboration with the Ministry of National Education General Directorate of Teacher Training and Development at Enerjisa Enerji's 3 technical training centers. The Company explained the current practices in the electricity distribution sector to the teachers responsible for training future energy sector employees. All teachers took the applicable exams and successfully completed the course, where they received theoretical and applied training about technical field trips, grid and customer operations, customer relations and human resources practices.

As per the requirements of the field employees in the distribution companies, several vocational training programs such as tree cutting, marker/rigger work and welding have been organized.

HUMAN RESOURCES

Enerjisa Enerji's volunteer employees coached 10th and 11th grade students from vocational high schools in the "Vocational High School Coaches Program". The voluntary program is organized by the Ministry of Education Directorate of Vocational and Technical Training in participation with private companies since 2012. With this two-year program, the Company aims to increase the awareness level of vocational high school students. The volunteering Enerjisa Enerji coaches get an opportunity to create social benefit with participation in this social responsibility project. Within the scope of the program, the Company reached 129 students in Ankara, Istanbul and Adana through 34 coaches.

In 2019, the Company continued to support the professional and personal development of Enerjisa employees with technical and professional training programs, including master's programs, online foreign language courses and training courses on information security, competition law and ethics among others.

CULTURE OF HIGH PERFORMANCE

A strategic priority of Enerjisa Enerji is the Culture of High Performance based on continuous learning, agility, passion, determination and responsibility. The Company focused primarily on the Performance Management System in 2019 to support the sustainability of this culture.

Enerjisa Enerji organized 26 workshops with approximately 200 managers and other higher-level executives to ensure that the goal-setting process is executed using the same approach across the organization. The workshops hosted by the function managers helped ensure that the Company's objectives were distributed across functions and individuals with the same approach, following the Company's strategic priorities.

During the year, Enerjisa Enerji updated its performance process to support the High Performance Culture in line with the feedback provided and needs shared by its employees. Thus, the Performance Management System has become a structure that supports continuous, flexible and performance dialogue, which allows target updates during the year.

In addition to all these, Enerjisa Enerji intends to internalize and preserve its High Performance Culture. Therefore, the Company strives to integrate its values, which were renewed in 2019, into its communication and related human resources processes and systems.

DIGITAL TRANSFORMATION, TECHNOLOGY AND NEW TRENDS

The Company inaugurated the Trend Talks meetings at the beginning of 2019 to help employees understand the changing trends of digital transformation technological and developments, their impact on doing business and realize the required changes and transformations in the existing forms of work.

Enerjisa Enerji employees can interactively take part via in the Trend Talks meetings via live broadcast. The meetings are held with different guest speakers and panel participants,quarterly in the provinces the Company operates. In 2019, 2,500 employees attended to 4 different meetings held in different Enerjisa Enerji regions.

The Company has designed a transparent Performance Management System that enhances collaboration and is agile, flexible, user-friendly, supported by open and continuous feedback dialogues and is compatible with the web and mobile application. The system is also capable of supporting the Company strategies, commitments and goals with the projects carried out in 2019 with Sabancı Group Human Resources and Sabancı Dx. With its Social Network project, Enerjisa Enerji also completed the designs with easy-to-use, reliable mobile and web platform choices that will increase communication and collaboration among Sabancı Group employees and within the companies.

The Company conducted data quality studies in 2019 to prepare for analytical modeling studies in the field of human resources. It also enabled white-collar employees to review and update their data in the source systems with the data update platform created.

IKON: DIGITAL HUMAN RESOURCES PLATFORM

With the Digital Human Resources Platform IKON, commissioned in 2018, the Company ensured that its 10,000 employees across different regions are on the same page at all times when it comes to the 2019 Company developments. Following the improvements made to IKON, it is now possible for employees to access the personal information they will need in their daily lives. Features such as payroll viewing, planning for remote work and viewing of teammates working remotely have also been added to IKON.

Through competitions and live broadcasts conducted throughout the year, the Company greatly increased the ratio and frequency of its employees using IKON. The Company has undertaken preliminary studies for the transfer of the mobile HR application to IKON to ensure that the annual leave process is carried out in a more effective and user-friendly, mobile manner. Enerjisa Enerji plans to complete this process in 2020.

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. The Company has completed preliminary studies relating to the end-to-end management of the recruitment process on a digital platform. The process will be moved to the digital platform in 2020.

HUMAN RESOURCES

REWARDS AND BENEFITS

The rewards and benefits provided to the Enerjisa Enerji employees are based on principles that reward fair, transparent and competitive high performance. In all its processes, the Company takes into account the wage market, the overall sector, Sabancı Holding practices and macroeconomic indicators.

Enerjisa Enerji aims to create a positive and competitive working environment by implementing a competitive and fair wage policy through regular market analyses, by attracting large numbers of required talent to the organization and by keeping the loyalty of current employees high.

The Online Rewarding Platform "You Are Worth It" is used to buttress the opportunities that arise for the acknowledgment and appreciation of an employee's contribution to the formation, functioning and positive development of the Company's corporate culture and way of doing business. With the various apps developed using the "You Are Worth It" platform, it is possible to appreciate the individual efforts and development of employees as well as their contribution to corporate development. This way, the Company can celebrate its employees' special and important days and foster appreciation.

Within the scope of the job structure reviews carried out in 2019, the Company re-evaluated all the jobs by employing globally used business evaluation methodology.

Based on this study, the Company has updated the job titles and fringe benefits. Enerjisa Enerji provides life insurance and private health insurance coverage for all its white-collar employees, providing them with equal opportunities.

In 2019, the Company continued to provide its employees and family members with counseling services to resolve their personal problems using the expert psychological, medical, financial and legal support provided through the "Employee Support Program." This program aims to minimize the problems that affect employee performance by providing proactive support.

Enerjisa Enerji instituted the Flexible Working Hours Model and Remote Working Model in all head offices in 2019. With the help of this practice, the Company intends to increase the productivity of its employees and support them in maintaining a work-life balance.

COLLECTIVE LABOR AGREEMENT

The Collective Bargaining Agreement (CBA) that is in effect, signed by and between Enerjisa Enerji Distribution Companies and the TES-İŞ Union (Turkey Energy, Water and Gas Workers' Union) is valid for a period of 3 years (March 1, 2018–February 28, 2021). The wages and working conditions of 7,012 blue-collar employees are governed by the provisions of the CBA in effect.

TES-İŞ Union is the 7th largest trade union in Turkey and the biggest in the energy business in terms of union member numbers (64,102 as of July 2019).

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 Law on the Protection of Personal Data are duly fulfilled and reported. All employee rights are fully honored in compliance with the applicable legislation.

Enerjisa Enerji ensures that its employees' personal rights are fully protected and properly administered in accordance with its Code of Ethics. Ensuring a non-discriminatory, safe and healthy working environment, Enerjisa Enerji treats employees honestly and fairly.

Promoting social responsibility, Enerjisa Enerji supports employees to volunteer for appropriate social projects, and observes their work-life balance.

PREVENTION OF DISCRIMINATION AND ABUSE

One of Enerjisa Enerji's main priorities is to establish and maintain a fair working environment where employees are not discriminated against or abused. All activities are undertaken in accordance with applicable legal regulations and rules, and Enerjisa Enerji Business Ethics. The Ethics Committee is responsible for ensuring that any and all actions that may be construed as discriminatory or abusive are reported by employees under the protection and safeguard of the principles of confidentiality, and that all necessary actions are taken.

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

EMPLOYEE PARTICIPATION IN MANAGEMENT

In line with Enerjisa's "inclusion" value, employees are encouraged to participate in the decision-making processes at every opportunity. Employee participation in management involves attendance at periodic in-house meetings, annual goal-setting and performance evaluation meetings, live streaming, 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), 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 as necessary. Participation by high-potential employees in management decisions is particularly encouraged. Developments within the Company are communicated to employees through different channels. Employees are informed about the overall outlook of the Company through annual management meetings.

These practices ensure that employees are given every opportunity to participate in and contribute to the effective management of the Company. With live broadcasts at the end of each quarter, the senior management team shares the developments about Enerjisa Enerji with all employees as well as the answers to the questions asked.

CORPORATE SOCIAL RESPONSIBILITY

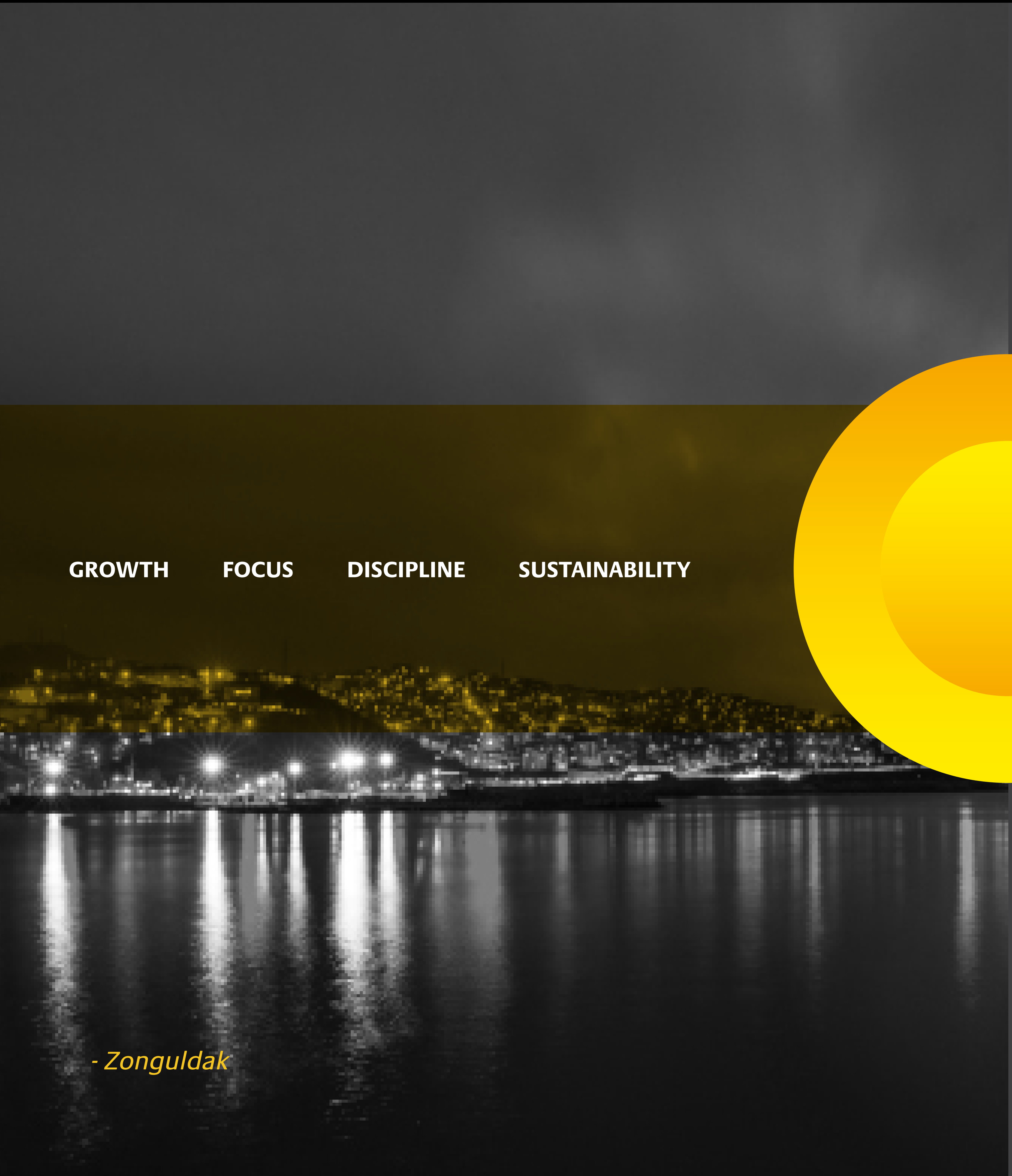
Enerjisa Energy continues to awaken and spread the perception of energy savings across the public with the social responsibility project "I Save My Energy" about energy efficiency, which is one of the most important issues in the field of energy.

I AM PROTECTING THE ENERGY OF THE WORLD

One of the most important issues in the energy field in Turkey is energy efficiency. Enerjisa Energy attaches great importance to cultivating and increasing awareness of energy saving among the public, particularly primary school students. The Company aims to raise children's awareness on energy efficiency with the project "I am Protecting the Energy of the World," which has been at in place, since the signing of a protocol with the Ministry of National Education in 2010. In this context, the Company trained more than 250,000 students from 580 schools in 14 provinces on this subject until 2019. 380 Enerjisa Enerji employees have been involved in the project so far. The Company has provided an educational presentation on energy efficiency with the support of its employees, which is then followed by the theater play "Don't Make The Stars Sad" performed by professional actors.

Within the scope of the project "I am Protecting the Energy of the World," Enerjisa Enerji has also integrated the use of digital channels to reach more students across the country. Using the project website www.enerjimikoruyorum.org and the mobile app "I am Protecting the Energy of the World," children can play the energy efficiency game, learn about global energy resources and learn how to conserve the limited resources with the help of games. They learn the necessary methods used to save energy at every step of the way when building a new city. This way, they can build a smart city for themselves.

The project "I am Protecting the Energy of the World" was acclaimed as an international success in 2019 and won the Leadership in Ethical and Environmental Responsibility Award at the Communitas Awards.



FINANCIAL STATEMENTS

Enerjisa Enerji A.Ş. and Its Subsidiaries
Consolidated Financial Statements
for the Year Ended 31 December 2019 and the
Independent Auditor's Report

Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mahallesi Eski Büyükdere Cad.
Orjin Maslak Plaza No: 27
Kat: 2-3-4 Daire: 54-57-59
Sarıyer 34485
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No: 479920
Mersis No: 0-4350-3032-60000017

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, 2019, 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, 2019, 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.

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 in the consolidated 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 2019, the Group has financial assets amounting to 10,543,836 thousand TL, 492 thousand TL impairment for related assets and accounted interest income amounting to 1,959,219 thousand TL in the statement of profit or loss between 1 January and 31 December 2019. Given the complexity of the accounting of the elements within the scope of IFRIC Interpretation 12 and the legislation and application of the assumptions (basically includes inflation rate assumptions), we determined this 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 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.

EY
Building a better working world

Recoverability of deferred tax assets recognized over tax losses carried forward	
As disclosed in footnote 24 to the consolidated financial statements as of 31 December 2019, the Group recognized deferred tax assets over the tax losses carried forward amounting to 185,354 thousand 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.

Goodwill Impairment Test	
As at 31 December 2019, there is a goodwill amounting to 1,977,127 thousand 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.	The assumptions, sensitivities and results of the tests performed are disclosed in footnote 2 to the financial statements. These tests are assessed as key audit matter due to the complexity, the required estimates of management and the dependency on future market circumstances. 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.

EY
Building a better working world

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, incumbent suppliers, 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.

EY
Building a better working world

Provision for impairment of trade receivables

Trade receivables are considered as an important balance sheet item as they represent 13% 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, 2019, there is a provision amounting to 2,077,215 thousand TL for impairment of trade receivables amounting to 3,009,455 thousand TL (net) 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 lawyers, 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.

EY
Building a better working world

Other matters

We have expressed an unqualified opinion in our auditor's report dated February 19, 2020 on the consolidated financial statements of the Group for the period of 1 January 2019 – 31 December 2019, which are prepared in accordance with Turkish Accounting Standards.

We have expressed an unqualified opinion in our auditor's report dated February 19, 2020 on the annual report of Enerjisa Enerji A.Ş. for the period of 1 January 2019 – 31 December 2019, 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 Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 19, 2020.

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.

Building a better working world

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.

Building a better working world

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 19, 2020
İstanbul, Turkey

CONTENTS

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

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

ASSETS	**Notes**	**Audited / current period 31 December 2019**	**Audited / prior period 31 December 2018**
Current Assets		**5,781,800**	**5,872,184**
Cash and Cash Equivalents	28	469,786	562,352
Financial Assets	10	1,098,550	791,117
Trade Receivables	6	3,009,455	3,512,389
Due from Related Parties	*5*	*17,679*	*130,832*
Due from Third Parties		*2,991,776*	*3,381,557*
Other Receivables	7	1,022,446	458,449
Due from Third Parties		*1,022,446*	*458,449*
Derivative Financial Instruments	26	7,829	313,028
Inventory	8	131,953	147,956
Prepaid Expenses	9	41,474	71,355
Assets Related with Current Taxes	24	60	8,565
Other Current Assets	17	247	6,973
Non-Current Assets		**17,613,658**	**16,720,626**
Other Receivables	7	737,736	983,545
Due from Third Parties		*737,736*	*983,545*
Derivative Financial Instruments	26	960	-
Financial Assets	10	9,445,286	8,503,518
Right of Use Assets	11	145,483	-
Property, Plant and Equipment	12	483,543	358,781
Intangible Assets	13	6,548,405	6,745,195
Goodwill		*1,977,127*	*1,977,127*
Other Intangible Assets		*4,571,278*	*4,768,068*
Prepaid Expenses	9	1,642	2,575
Deferred Tax Assets	24	244,040	2,847
Other Non-Current Assets	17	6,563	124,165
TOTAL ASSETS		**23,395,458**	**22,592,810**

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 2019

(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 2019	Audited / prior period 31 December 2018
LIABILITIES			
Current Liabilities		**7,331,012**	**7,011,907**
Short-Term Financial Liabilities	25	676,281	998,170
Short-Term Portion of Long Term Financial Liabilities	25	3,015,735	2,435,639
Other Financial Liabilities	25	51,184	44,302
Trade Payables	6	2,611,620	2,480,917
Due to Related Parties	*5*	*96,906*	*94,217*
Due to Third Parties		*2,514,714*	*2,386,700*
Payables for Employee Benefits	16	52,358	43,217
Other Payables	7	174,660	223,902
Due to Third Parties		*174,660*	*223,902*
Derivative Financial Instruments	26	66,655	3,582
Deferred Income	9	8,284	74,752
Income Tax Liability	24	79,733	52,416
Short-Term Provisions		289,026	364,105
Provisions for Employment Benefits	*16*	*41,190*	*28,779*
Other Short-Term Provisions	*14*	*247,836*	*335,326*
Other Short-Term Liabilities	17	305,476	290,905
Non-Current Liabilities		**9,229,943**	**9,281,988**
Long-Term Financial Liabilities	25	5,378,462	5,765,047
Other Financial Liabilities	25	302,714	321,720
Other Payables	7	1,903,683	1,693,350
Due to Third Parties		*1,903,683*	*1,693,350*
Derivative Financial Instruments	26	-	7,722
Long-Term Provisions		167,216	115,366
Provisions for Employment Benefits	*16*	*167,216*	*115,366*
Deferred Tax Liabilities	24	1,477,868	1,378,783
TOTAL LIABILITIES		**16,560,955**	**16,293,895**

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 2019
(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 2019	Audited / prior period 31 December 2018
LIABILITIES			
Equity		**6,834,503**	**6,298,915**
Registered Share Capital	18	1,181,069	1,181,069
Adjustments to Share Capital	18	2,626,532	2,784,755
Total Share Capital		**3,807,601**	**3,965,824**
Other Funds		4,340	4,340
Accumulated Other Comprehensive Expenses not to be Reclassified to Profit or Loss in Subsequent Periods		(3,464)	(3,464)
Accumulated Loss of Remeasurement of Defined Benefit Plans		*(3,464)*	*(3,464)*
Accumulated Other Comprehensive (Expense) / Income to be Reclassified to Profit or Loss in Subsequent Periods		(2,248)	23,359
Hedge Reserves		*(2,248)*	*23,359*
Restricted Profit Reserves	18	251,545	216,612
Retained Earnings		1,743,107	1,344,547
Profit for the Period		1,033,622	747,697
TOTAL LIABILITIES AND EQUITY		**23,395,458**	**22,592,810**

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 2019

(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 2019	Audited / prior period 1 January - 31 December 2018
Revenue	19	19,453,085	18,346,787
Cost of Sales (-)	20	(14,108,614)	(12,380,265)
GROSS PROFIT		**5,344,471**	**5,966,522**
General Administrative Expenses (-)	21	(2,170,485)	(1,848,857)
Other Income from Operating Activities	22	552,300	373,549
Other Expenses from Operating Activities (-)	22	(662,080)	(1,680,023)
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSE)		**3,064,206**	**2,811,191**
Finance Income	23	170,627	104,870
Finance Expense (-)	23	(1,843,477)	(1,594,065)
PROFIT BEFORE TAX		**1,391,356**	**1,321,996**
Tax Expense		**(357,734)**	**(574,299)**
Current Tax Expense	24	(492,099)	(85,949)
Deferred Tax Income / (Expense)	24	134,365	(488,350)
PROFIT FOR THE PERIOD		**1,033,622**	**747,697**
OTHER COMPREHENSIVE INCOME AND EXPENSE			
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods		-	**1,777**
Gain on Measurement of Defined Benefit Obligation		-	*2,279*
Income Tax Relating to Other Comprehensive Income	*24*	-	*(502)*
Other Comprehensive (Expense) / Income to be Reclassified to Profit or Loss in Subsequent Periods		**(25,607)**	**23,359**
(Losses) / Gains on Hedges	*26*	*(33,350)*	*29,947*
Income Tax Relating to Other Comprehensive Income / Expense	*24*	*7,743*	*(6,588)*
TOTAL COMPREHENSIVE INCOME		**1,008,015**	**772,833**
Earnings per share			
Earnings per share (kr)	18	0.88	0.63

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 2019

(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 Income / (Expense) 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 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**
Balance as at 1 January 2019	**1,181,069**	**2,784,755**	**216,612**	**4,340**	**(3,464)**	**23,359**	**1,344,547**	**747,697**	**6,298,915**
Transfers (**)	-	(158,223)	34,933	-	-	-	870,987	(747,697)	-
Dividend (***)	-	-	-	-	-	-	(472,427)	-	(472,427)
Total comprehensive (expense) / income	-	-	-	-	-	(25,607)	-	1,033,622	1,008,015
Balance as at 31 December 2019	**1,181,069**	**2,626,532**	**251,545**	**4,340**	**(3,464)**	**(2,248)**	**1,743,107**	**1,033,622**	**6,834,503**

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

(*) 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.
(**) In the statutory financial statement prepared in accordance with the tax procedure law, the loss for previous years amounting to TL 158,223 has been netted off with adjustments to share capital (31 December 2018: TL 51,609).
(***) During the Ordinary General Assembly held on 28 March 2019, it has been resolved to distribute the dividend at the amount of TL 472,427 derived from the Group's distributable earnings at 2018 and pay the cash dividend beginning from 2 April 2019. Dividends were paid out in cash in April 2019. Dividend paid by the Group per share with a TL 1 (full digit) nominal value is gross TL 0.40 (full digit).

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 2019	Audited / prior period 1 January - 31 December 2018
Cash Flows from Operating Activities		**3,712,134**	**2,086,590**
Profit for the period		**1,033,622**	**747,697**
Profit for the period		1,033,622	747,697
Adjustments to reconcile net profit for the period		**1,087,976**	**2,395,079**
Adjustments related to the depreciation and amortization	11, 12, 13	372,867	258,182
Adjustments related to the depreciation of right of use assets	11	73,422	-
Adjustments related to the depreciation of property, plant and equipment	12	65,502	31,791
Adjustments related to the amortization of intangible assets	13	233,943	226,391
Adjustments related to impairment loss		603,686	1,344,756
Adjustments related to doubtful provision expenses	6, 10	603,686	591,852
Adjustments related to goodwill impairment	13	-	752,904
Adjustments related to provisions		120,251	246,755
Adjustments related to provisions for employee benefits		100,445	68,667
Adjustments related to provision for employee termination benefits	15	52,180	34,052
Adjustments related to unused vacation provision	15	11,608	8,771
Adjustments related to provision for bonus	15	36,657	25,844
Adjustments related to legal case provisions	14	19,806	178,088
Adjustments related to interest (income) and expenses, net		1,707,923	1,428,403
Adjustments related to interest income	23	(135,554)	(104,870)
Adjustments related to interest expense	23	1,843,477	1,533,273
Adjustments related to unrealized foreign exchange loss		(111,471)	25,528
Adjustments related to tax expense	24	357,734	574,299
Adjustments related to change in fair value losses / (gains)		67,730	35,264
Other adjustments to reconcile profit / (loss)	28	(2,030,744)	(1,518,108)
Adjustments related to interest (income) / expense based on revenue cap regulation	22	(185,915)	(44,183)
Adjustments related to financial income from service concession arrangements	10, 19	(1,959,219)	(1,716,597)
Adjustments related to revaluation differences arising from deposits and guarantees	22	114,390	242,672
Changes in operating assets and liabilities		**166,960**	**(2,573,989)**
Adjustments related to (increase) / decrease in trade receivables		(281,098)	(1,873,807)
Adjustments related to (increase) / decrease in inventories		16,004	(46,202)
Adjustments related to (increase) / decrease in other receivables and assets		665,835	(2,040,470)
Adjustments related to increase / (decrease) in trade payables		143,490	973,037
Adjustments related to increase / (decrease) in other payables and expense accruals		(377,271)	413,453
Cash generated from operating activities		**2,288,558**	**568,787**

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 2019

(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 2019	Audited / prior period 1 January - 31 December 2018
Payments related with provisions for employee benefits	16	(36,184)	(37,699)
Payments related with other provisions	14	(107,296)	-
Tax payments	24	(456,277)	(34,608)
Other cash in-flows	28	2,023,333	1,590,110
Capital expenditures reimbursements related to service concession arrangements	10	1,057,528	798,304
WACC reimbursements related to service concession arrangements	10	781,494	634,564
Collections from doubtful trade receivable	6	184,311	157,242
Cash Flows from Investing Activities		**(1,498,919)**	**(1,505,968)**
Cash used for purchase of tangible and intangible assets		(251,889)	(278,326)
Interest received		122,406	96,087
Other cash out-flows	28	(1,369,436)	(1,323,729)
Capital expenditures related to service concession arrangements		(1,369,436)	(1,323,729)
Cash Flows from Financing Activities		**(2,305,781)**	**(191,020)**
Cash in-flows from borrowings		21,517,121	37,998,133
Cash out-flows for borrowings		(21,554,598)	(36,763,095)
Repayment of of lease liabilities	25	(87,791)	-
Interest paid		(1,708,086)	(1,143,096)
Dividend paid		(472,427)	(354,321)
Other in-flows		-	71,359
Increase / (decrease) in cash and cash equivalents		(92,566)	389,602
Cash and cash equivalents at the beginning of the period	28	562,352	172,750
Cash and cash equivalents at the end of the period		**469,786**	**562,352**

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 2019 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 10,240 employees as of 31 December 2019 (31 December 2018: 9,734 employees).

The consolidated financial statements were authorized for issue by the Board of Directors of the Company on 19 February 2020. The General Assembly and certain regulatory bodies have the power to amend the consolidated financial statements after the issue.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP (Continued)

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.

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP (Continued)

TOROSLAR EDAŞ and TOROSLAR EPSAŞ (Continued)

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 Lira ("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 2019
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Functional and Presentation of Currency (Continued)

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 2018	Impact of nettings and reclassifications	Restated 31 December 2018
Short Term Other Receivables	a	990,680	(532,231)	458,449
Short Term Deferred Income	a	606,983	(532,231)	74,752
Property, Plant and Equipment	b	365,027	(6,246)	358,781
Intangible Assets	b	6,738,949	6,246	6,745,195

a) Group has reviewed "Short Term Other Receivables" and "Short Term Deferred Income" accounts and reclassified tariff related payables amounting to TL 532,231, which had been accounted as "Short Term Deferred income" previously, to "Short Term Other Receivables" for netting off tariff related receivables and payables as at 31 December 2018, retrospectively.

b) Group has reviewed "Property, Plant and Equipment" account and reclassified net book value of TL 6,246 to "Intangible assets" as at 31 December 2018, retrospectively.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

No 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. The accounting misstatements which are identified are applied retrospectively and consolidated financial statements of preceding period are restated. No changes have been applied to the accounting estimates 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 Basis of Consolidation

The details of the Company's subsidiaries at 31 December 2019 and 31 December 2018 are as follows:

	Place of incorporation and operation	Proportion of ownership interest and voting powerheld by the Group (%)		Principal activity
		31 December 2019	31 December 2018	
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	80	Electric vehicles and charging stations equipment services

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)
NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.8 Basis of Consolidation (Continued)

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.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.9 New and Revised International Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2019 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 2019. 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 2019 are as follows

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 January 1, 2019.

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 recognises 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 recognise 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). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right of use asset.

Transition to IFRS 16:

The Group adopted IFRS 16 using the modified retrospective approach. The Group elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group therefore did not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group elected 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 leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.9 New and Revised International Financial Reporting Standards (Continued)

IFRS 16 Leases (Continued)

Transition to IFRS 16 (Continued):

Impact on the consolidated statement of financial position increase / (decrease) as at 1 January 2019:

Assets	
Right of use assets	133.666
Prepaid expenses	(1.479)
Liabilities	
Lease liabilities	132.187

The standard is applied for annual periods beginning on or after 1 January 2019. The Group disclosed the impact of the standard on financial position or performance of the Group in Note 2.10.

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, 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 applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.9 New and Revised International Financial Reporting Standards (Continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows (Continued)

IFRIC 23 Uncertainty over Income Tax Treatments (Continued)

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The interpretation did not have an impact on the financial position or performance of the Group.

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB issued Annual Improvements to IFRS Standards 2015–2017 Cycle, amending the following standards:

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

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.

The amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.9 New and Revised International Financial Reporting Standards (Continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows (Continued)

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

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 applied for annual periods beginning on or after 1 January 2019. 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 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.

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. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features.

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.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.9 New and Revised International Financial Reporting Standards (Continued)

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

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.

Amendments to IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform

The amendments issued to IFRS 9 and IAS 39 which are effective for periods beginning on or after 1 January 2020 provide certain reliefs for 4 fundamental matters in connection with interest rate benchmark reform. These reliefs are related to hedge accounting as follows:

- Highly probable requirement
- Prospective Assessments
- Retrospective Assessments
- Separately identifiable risk components

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.9 New and Revised International Financial Reporting Standards (Continued)

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

Amendments to IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform (Continued)

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

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

Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities

23 January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2022, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

2.10 Amendments to Accounting Standards and Effects on Consolidated Financial Tables

The Group applied IFRS 16 by using the simplified modified retrospective approach and the new accounting policies related to the adoption of IFRS 16 are disclosed below.

Right of use assets

Regarding to the contracts signed before IFRS 16's initial application date which is 1 January 2019 and for the financial lease contracts in progress as of 1 January 2019, the Group recognises the right of use assets by accepting the commencement date of the leases as 1 January 2019 since the Group chose the simplified modified retrospective approach among IFRS 16 rulings.

The Group recognises right of use assets at the commencement date of the lease for the contracts signed after 1 January 2019 (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.10 Amendments to Accounting Standards and Effects on Consolidated Financial Tables (Continued)

Right of use assets (Continued)

The cost of right of use assets includes:

(a) The amount of lease liabilities recognised,
(b) Lease payments made at or before the commencement date less any lease incentives received and
(c) Initial direct costs incurred.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right of use assets consist of buildings and vehicles and also are subject to impairment.

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

Lease payments which are included in the calculation of lease liability at the commencement date of the lease, are consisted of payments which will be made for right of use of the underlying asset through the lease term and the payments which have not been made at the commencement date are listed below:

(a) Fixed payments (including in-substance fixed payments) less any lease incentives receivable,
(b) Variable lease payments that depend on an index or a rate,
(c) Amounts expected to be paid under residual value guarantees,
(d) The exercise price of a purchase option reasonably certain to be exercised by the the Group and
(e) Payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The Group has used 14.60% and 15.44% interest rate for 3-years and 5-years TL contracts, respectively and 2.19% interest rate for 3-years EUR contracts.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.10 Amendments to Accounting Standards and Effects on Consolidated Financial Tables (Continued)

Lease Liabilities (Continued)

After the commencement date Group measures the lease obligation as follows:

(a) The amount of lease liabilities is increased to reflect the accretion of interest and
(b) The amount of lease liabilities is reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

There is not any change in the Group's accounting policies in the current period from those mentioned above.

The impacts of the IFRS 16 applications on consolidated statement of financial position and statement of profit or loss, respectively as at and for the year ended 31 December 2019 are disclosed below.

(i) Consolidated Statement of Financial Position

	31 December 2019 (Pre-impacts)	IFRS 16 Impacts	31 December 2019 (Post impacts)
ASSETS			
Current Assets	**5,782,344**	**(544)**	**5,781,800**
Prepaid expenses	42,018	(544)	41,474
Non-Current Assets	**17,463,893**	**149,765**	**17,613,658**
Right of Use Assets	-	145,483	145,483
Deferred Tax Assets	239,758	4,282	244,040
TOTAL ASSETS	**23,246,237**	**149,221**	**23,395,458**
LIABILITIES			
Current Liabilities	**7,262,255**	**68,757**	**7,331,012**
Short Term Portion of Long Term Financial Liabilities	2,964,978	68,757	3,015,735
Non-Current Liabilities	**9,133,037**	**96,906**	**9,229,943**
Lont Term Financial Liabilities	5,281,556	96,906	5,378,462
Equity	**6,850,945**	**(16,442)**	**6,834,503**
Profit / (Loss) for the Period	1,050,064	(16,442)	1,033,622
TOTAL LIABLITIES AND EQUITY	**23,246,237**	**149,221**	**23,395,458**

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.10 Amendments to Accounting Standards and Effects on Consolidated Financial Tables (Continued)

Lease Liabilities (Continued)

(ii) Consolidated Statement of Profit or Loss

	31 December 2019 (Pre-impacts)	IFRS 16 Impacts	31 December 2019 (Post impacts)
General Administrative Expenses (-)	(2,184,854)	14,369	(2,175,485)
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSE)	**3,049,837**	**14,369**	**3,064,206**
Finance Expense (-)	(1,808,384)	(35,093)	(1,843,477)
PROFIT / (LOSS) BEFORE TAX	**1,412,080**	**(20,724)**	**1,391,356**
Tax (Expense) / Income	**(362,016)**	**4,282**	**(357,734)**
Deferred Tax Income	130,083	4,282	134,365
PROFIT / (LOSS) FOR THE PERIOD	**1,050,064**	**(16,442)**	**1,033,622**
TOTAL COMPREHENSIVE INCOME / (EXPENSE)	**1,024,457**	**(16,442)**	**1,008,015**
Earnings per share (kr)	0.89		0.88

As of 31 December 2019, with the adoption of IFRS 16, the rent expenses of the Group have decreased by TL 87,791 depreciation and finance expenses have increased by TL 73,422 and TL 35,093 respectively; deferred tax income has increased by TL 4,282.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.11 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.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.11 Summary of Significant Accounting Policies (Continued)

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: 2.12), 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.

(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).

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.11 Summary of Significant Accounting Policies (Continued)

Related Parties (Continued)

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

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.

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.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.11 Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Principal and agent assessment

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.

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.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.11 Summary of Significant Accounting Policies (Continued)

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).

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.11 Summary of Significant Accounting Policies (Continued)

Financial leasing transactions

Leasing - the Group as Lessee

Operating lease payments were recognized as an expense on a straight-line basis over the lease term until 1 January 2019. Contingent rentals arising under operating leases were recognized as an expense in the period in which they are incurred until 1 January 2019.

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 2018 and 2019.

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.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.11 Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets - Classification and measurement (Continued)

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 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.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.11 Summary of Significant Accounting Policies (Continued)

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.

Possible assets that arise from past events and whose existence not wholly within the control of the Group and that will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events are recognized as contingent assets. When an inflow of resources embodying economic benefits is probable, the Group discloses contingent assets in the notes.

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.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.11 Summary of Significant Accounting Policies (Continued)

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.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.11 Summary of Significant Accounting Policies (Continued)

Taxation and deferred income taxes (Continued)

Deferred tax (Continued)

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.

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.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.11 Summary of Significant Accounting Policies (Continued)

Employment benefits (Continued)

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).

2.12 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.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.12 Significant Accounting Estimates and Assumptions (Continued)

Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Critical judgments in applying the Group's accounting policies (Continued)

Impairment test of Goodwill

Pursuant to IAS 36 Impairment of Assets, the Group tested goodwill as of 31 December 2019 in accordance with the accounting policy stated at Note: 2.11. The goodwill impairment test is carried out for Retail and Distribution Cash Generating Units ("CGUs"). As of 31 December 2019, 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):	18.2%
Annual weighted electricity demand increase rate	5%
Annual average inflation rate	15.7%

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 no impairment was identified.

1% increase of weighted average cost of capital decreases the recoverable amount of Retail CGU by 5%, 1% decrease of weighted average cost of capital increases the recoverable amount of Retail CGU by 6%. No impairment is identified based on the sensitivity analysis.

As of 31 December 2019, 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):	16.0%
Annual weighted electricity demand increase rate	5%
Annual average inflation rate	15.7%

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.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.12 Significant Accounting Estimates and Assumptions (Continued)

Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Critical judgments in applying the Group's accounting policies (Continued)

Impairment test of Goodwill (Continued)

1% increase of weighted average cost of capital decreases the recoverable amount of Distribution CGU by 12%, 1% decrease of weighted average cost of capital increases the recoverable amount of Distribution CGU by 14%. No impairment is identified based on the sensitivity analysis.

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 assets 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.

NOTE 3 – SHARES IN OTHER PARTIES

Subsidiaries

			Proportion of ownership (%)	
	Principal activity	Place of incorporation and operation	31 December 2019	31 December 2018
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 MÜŞTERİ ÇÖZÜMLERİ A.Ş.	Customer Solutions and Distributed Generation Services	İstanbul	100	100
E–ŞARJ	Electric Vehicles Charging Stations Equipment Services	İstanbul	80	80

		Number of subsidiaries owned by the Group	
Principal Activity	Place of incorporation and operation	31 December 2019	31 December 2018
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	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.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 4 – SEGMENT REPORTING (Continued)

The following table contains information on the Group's sales and profit from its operations for the year ended 31 December 2019 and 31 December 2018.

1 January - 31 December 2019	Distribution	Retail	Unallocated (*)	Eliminations	Total
Revenue	6,599,410	12,853,675	26,673	(26,673)	19,453,085
Cost of sales (-)	(2,028,673)	(12,079,941)	-	-	(14,108,614)
Gross profit / (loss)	**4,570,737**	**773,734**	**26,673**	**(26,673)**	**5,344,471**
General administrative expenses (-)	(1,563,120)	(367,331)	(272,295)	32,261	(2,170,485)
Other income / (expense) from operating activities - net	(106,032)	(8,857)	10,697	(5,588)	(109,780)
Operating profit / (loss)	**2,901,585**	**397,546**	**(234,925)**	-	**3,064,206**
Financial income	14,133	470,781	459,482	(773,769)	170,627
Financial expense (-)	(1,628,693)	(17,939)	(970,614)	773,769	(1,843,477)
Profit / (loss) before taxation on income	**1,287,025**	**850,388**	**(746,057)**	-	**1,391,356**
Current tax expense (-)	(103,763)	(388,336)	-	-	(492,099)
Deferred tax income / (expense)	(214,971)	201,029	148,307	-	134,365
Net profit / (loss) for the period	**968,291**	**663,081**	**(597,750)**	-	**1,033,622**

(*) TL 208,663 of TL 372,867 depreciation and amortization expenses represents amortization expenses of intangible assets (Note 13), 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.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 4 – SEGMENT REPORTING (Continued)

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 of TL 258,182 depreciation and amortization expenses, represents amortization expenses of intangible assets (Note 13), 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.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 4 – SEGMENT REPORTING (Continued)

The information below includes information about the Group's financial position of its business segments related to the year ended 31 December 2019 and 31 December 2018.

As at 31 December 2019	Distribution	Retail	Unallocated (*)	Eliminations	Total
Segment assets					
Cash and cash equivalents	270,558	199,146	82	-	469,786
Trade receivables	1,940,517	1,672,994	2,325	(606,381)	3,009,455
Inventories	129,230	2,723	-	-	131,953
Derivative instruments	-	8,789	-	-	8,789
Financial assets	10,544,328	-	(492)	-	10,543,836
Right of use assets	107,944	31,093	6,446	-	145,483
Property, plant and equipment	425,856	61,950	2,737	(7,000)	483,543
Intangible assets	10,567	48,664	6,489,174	-	6,548,405
Deferred tax assets	-	136,401	107,639	-	244,040
Other receivables and assets	1,489,057	2,435,412	3,724,664	(5,838,965)	1,810,168
Total assets	**14,918,057**	**4,597,172**	**10,332,575**	**(6,452,346)**	**23,395,458**
Segment liabilities					
Financial liabilities	5,220,497	36,318	4,745,481	(931,818)	9,070,478
Other financial liabilities	353,898	-	-	-	353,898
Trade payables	1,610,018	1,597,266	10,717	(606,381)	2,611,620
Derivative instruments	62,961	3,694	-	-	66,655
Deferred tax liabilities	576,550	-	901,318	-	1,477,868
Other payables and liabilities	3,446,908	2,303,426	2,137,249	(4,907,147)	2,980,436
Total liabilities	**11,270,832**	**3,940,704**	**7,794,765**	**(6,445,346)**	**16,560,955**

(*) The majority of intangible assets under unallocated part represents customer contracts, transfer of operating rights and goodwill (Note 13). 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 2019, the Group has recorded an impairment provision of TL 492 for its financial assets in accordance with IFRS 9 Financial Instruments.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 4 – SEGMENT REPORTING (Continued)

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	1,289,687	2,539,979	36,637	(353,914)	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	57,008	2,532	(7,000)	358,781
Intangible assets	709	47,307	6,697,179	-	6,745,195
Deferred tax assets	-	2,847	-	-	2,847
Other receivables and assets	1,373,926	1,197,935	1,902,406	(2,818,640)	1,655,627
Total assets	**12,990,872**	**4,147,877**	**8,633,615**	**(3,179,554)**	**22,592,810**
Segment liabilities					
Financial liabilities	5,502,238	-	4,081,190	(384,572)	9,198,856
Other financial liabilities	366,022	-	-	-	366,022
Trade payables	1,566,252	1,255,813	12,766	(353,914)	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	2,197,434	2,155,726	938,921	(2,434,068)	2,858,013
Total liabilities	**10,010,020**	**3,481,586**	**5,974,843**	**(3,172,554)**	**16,293,895**

(*) The majority of intangible assets under unallocated part represents customer contracts, transfer of operating rights and goodwill (Note 13). 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.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 4 – SEGMENT REPORTING (Continued)

1 January - 31 December 2019	Distribution	Retail	Unallocated	Eliminations	Total
Cash Flows from Operating Activities	**2,294,259**	**1,402,457**	**15,418**	**-**	**3,712,134**
Profit for the period	968,291	663,081	(597,750)	-	1,033,622
Adjustments to reconcile net profit for the period	518,493	(7,140)	576,623	-	1,087,976
Changes in operating assets and liabilities	(1,054,328)	1,182,636	38,652	-	166,960
Cash generated from operating activities	432,456	1,838,577	17,525	-	2,288,558
Tax payments	(83,035)	(373,242)	-	-	(456,277)
Other cash inflows / (outflows)	1,944,838	(62,878)	(2,107)	-	1,879,853
Cash Flows from Investing Activities	**(1,554,819)**	**411,415**	**472,725**	**(828,240)**	**(1,498,919)**
Cash used for purchase of property, plant and equipment and intangible assets	(185,383)	(50,672)	(15,834)	-	(251,889)
Interest received	-	462,087	488,559	(828,240)	122,406
Other cash out-flows (*)	(1,369,436)	-	-	-	(1,369,436)
Cash Flows from Financing Activities	**(730,441)**	**(1,915,422)**	**(488,158)**	**828,240**	**(2,305,781)**
Increase in cash and cash equivalents	8,999	(101,550)	(15)	-	(92,566)
Cash and cash equivalents at the beginning of the period	261,559	300,696	97	-	562,352
Cash and cash equivalents at the end of the period	**270,558**	**199,146**	**82**	**-**	**469,786**

(*) Other cash out-flows include capital expenditures related to service concession arrangements.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 4 – SEGMENT REPORTING (Continued)

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	621,144	269,595	1,504,340	-	2,395,079
Changes in operating assets and liabilities	(1,744,123)	(706,248)	(123,618)	-	(2,573,989)
Cash generated from operating activities	869,793	(183,082)	(117,924)	-	568,787
Tax payments	(19,136)	(16,703)	1,231	-	(34,608)
Other cash inflows / (outflows)	1,504,180	48,170	61	-	1,552,411
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.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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 2019	31 December 2018
Demand deposits	29,767	42,061
Time deposits	263,831	289,212
	293,598	**331,273**

			31 December 2019	
Loans provided by related parties	**Original currency**	**Maturity**	**Current liabilities**	**Non-current liabilities**
Akbank T.A.Ş. (1)	TL	2 January 2020	65,200	-
Akbank T.A.Ş. (1)	TL	9 January 2020	512,032	-
Akbank T.A.Ş. (1)	USD	30 April 2020	36,032	-
Akbank T.A.Ş. (1)	TL	2 June 2020	304,016	-
Akbank T.A.Ş. (1)	TL	2 June 2020	151,814	-
Akbank T.A.Ş. (1)	TL	30 September 2020	313,685	-
Akbank T.A.Ş. (1)	TL	9 September 2021	7,401	100,000
Akbank T.A.Ş. (1)	TL	4 October 2021	5,947	100,000
Akbank T.A.Ş. (1)	TL	4 October 2021	6,073	100,000
Akbank T.A.Ş. (1)	TL	4 October 2021	5,808	100,000
Akbank T.A.Ş. (1)	TL	28 March 2022	7,659	200,000
Akbank T.A.Ş. (1)	TL	28 March 2022	1,873	50,000
Akbank T.A.Ş. (1)	TL	11 April 2022	17,514	450,000
Akbank T.A.Ş. (1)	TL	28 March 2022	3,933	100,000
Akbank T.A.Ş. (1)	TL	29 July 2022	11,559	297,000
			1,450,546	**1,497,000**

As of 31 December 2019, the interest rates of TL intercompany loans utilized are in the range of 10.24% - 18.38% (31 December 2018: 13.51% - 34.44%). As of 31 December 2019, the interest rate of USD related party loans utilized is 6.27% (31 December 2018: 4.88%).

As of 31 December 2019 and 31 December 2018, the Group has not given any collateral for the loans.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 5 – RELATED PARTY TRANSACTIONS (Continued)

			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	106,080	-
Akbank T.A.Ş. (1)	TL	25 October 2019	53,253	-
Akbank T.A.Ş. (1)	TL	9 January 2020	32,032	480,000
Akbank T.A.Ş. (1)	TL	2 June 2020	3,882	300,000
Akbank T.A.Ş. (1)	TL	2 June 2020	1,691	150,000
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**

Related party derivative instruments – Akbank T.A.Ş. (1)

			31 December 2019		
	Contract Amount (USD)	**Contract Amount (EURO)**	**Contract Amount (TL)**	**Assets**	**Liabilities**
Forward exchanges	121,147	44,000	1,012,264	3,914	(43,584)
Cross currency swap	6,000	-	35,641	-	(3,233)
	127,147	**44,000**	**1,047,905**	**3,914**	**(46,817)**

			31 December 2018		
	Contract Amount (USD)	**Contract Amount (EURO)**	**Contract Amount (TL)**	**Assets**	**Liabilities**
Forward exchanges	16,993	51,105	397,459	-	(9,379)
Cross currency swap	174,595	-	918,527	312,996	-
	191,588	**51,105**	**1,315,986**	**312,996**	**(9,379)**

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 5 – RELATED PARTY TRANSACTIONS (Continued)

	31 December 2019	
	Receivables	**Payables**
	Current	**Current**
	Trade	**Trade**
Balances with Related Parties		
Akbank T.A.Ş. (1)	5,202	-
Akçansa Çimento Sanayi ve Ticaret A.Ş. (1)	1	-
Aksigorta A.Ş. (1)	4	-
Avivasa Emeklilik ve Hayat A.Ş. (1)	95	-
Brisa Bridgestone Sabancı Lastik San. ve Tic. A.Ş. (1)	41	768
Carrefoursa A.Ş. (1)	10,792	-
Çimsa Çimento Sanayi A.Ş. (1)	149	-
Enerjisa Üretim Santralleri A.Ş. (1)	46	94,811
Hacı Ömer Sabancı Holding A.Ş. (2) (**)	594	22
Sabancı Dijital Teknolojileri A.Ş. ("Sabancı DX") (1) (*)	-	1,196
Teknosa İç ve Dış Ticaret A.Ş. (1)	513	109
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. (1)	199	-
Other (1)	43	-
	17,679	**96,906**

	31 December 2018	
	Receivables	**Payables**
	Current	**Current**
	Trade	**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	-
Brisa Bridgestone Sabancı Lastik San. ve 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	-
Sabancı Dijital Teknolojileri A.Ş. ("Sabancı DX") (1) (*)	-	807
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**

(*) Includes IT consulting and software fees that are billed to the Group companies by Sabancı DX one of the Group companies.
(**) Includes electricity sales to Sabancı.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 5 – RELATED PARTY TRANSACTIONS (Continued)

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 2019	1 January - 31 December 2018
Short-term employee benefits	27,924	21,100
Long-term employee benefits	856	790
	28,780	**21,890**

	1 January - 31 December 2019					
	Electricity Sales	Electricity Purchases	Interest income	Interest expense	General administrative expenses	Diğer gelirler
Transactions with Related Parties						
Akbank T.A.Ş. (1)	45,604	-	18,362	618,990	-	-
Akçansa Çimento Sanayi ve Ticaret A.Ş. (1)	22,771	-	-	-	-	-
Aksigorta A.Ş. (1)	51	-	-	-	-	-
Avivasa Emeklilik ve Hayat A.Ş. (1)	873	-	-	-	-	-
Brisa Bridgestone Sabancı Lastik San. Tic. A.Ş. (1)	184	-	-	-	4,130	-
Carrefoursa A.Ş. (1)	96,366	-	-	-	-	-
Çimsa Çimento Sanayi A.Ş. (1)	17,690	-	-	-	-	-
Enerjisa Üretim Santralleri A.Ş. (1)	28,379	582,883	-	-	111	1,934
Hacı Ömer Sabancı Holding A.Ş. (2) (**)	6,972	-	-	-	-	-
Philip Morris Sabancı Pazarlama Satış A.Ş. (1)	638	-	-	-	-	-
Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. (1)	148	-	-	-	-	-
Sabancı Dijital Teknolojileri A.Ş. ("Sabancı DX") (1) (*)	-	-	-	-	21,967	-
Teknosa İç ve Dış Ticaret A.Ş. (1)	5,114	-	-	-	123	-
Other (1)	466	-	-	-	-	-
	225,256	**582,883**	**18,362**	**618,990**	**26,331**	**1,934**

(*) Includes IT consulting and software fees that are billed to the group companies by Sabancı DX one of the group companies.

(**) Includes electricity sales to Sabancı.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)
NOTE 5 – RELATED PARTY TRANSACTIONS (Continued)

	1 January - 31 December 2018					
	Electricity Sales	Electricity Purchases	Interest income	Interest expense	General administrative expenses	Other income
Transactions 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	-	-	-	-	-
Brisa Bridgestone Sabancı Lastik San. ve 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	-	-	552	2,425
Hacı Ömer Sabancı Holding A.Ş. (2) (**)	3,756	-	-	-	1,384	-
Philip Morris Sabancı Pazarlama Satış A.Ş. (1)	578	-	-	-	-	-
Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. (1)	132	-	-	-	-	-
Sabancı Dijital Teknolojileri A.Ş. ("Sabancı DX") (1) (*)	-	-	-	-	8,409	-
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	-	-	-	-	-
	339,065	**279,770**	**871**	**358,064**	**12,483**	**2,425**

(*) Includes IT consulting and software fees that are billed to the group companies by Sabancı DX one of the group companies.

(**) Includes electricity sales to and rent expenses from Sabancı.

NOTE 6 – TRADE RECEIVABLES AND PAYABLES

6.1 Trade Receivables:

	31 December 2019	31 December 2018
Current Trade Receivables		
Trade receivables	5,068,991	5,086,804
Due from related parties (Note 5)	17,679	130,832
Allowance for doubtful receivables (-)	(2,077,215)	(1,705,247)
	3,009,455	**3,512,389**

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

NOTE 6 – TRADE RECEIVABLES AND PAYABLES (Continued)

6.1 Trade Receivables (Continued)

As of 31 December 2019, trade receivables amounting TL 2,164,701 (31 December 2018: TL 1,866,858) were neither past due nor impaired. Interest is charged at 2% for the period of 1 January 2019 – 30 June 2019, at 2.5% for the period of 1 July 2019 – 30 September 2019 and at 2% for the period of 1 October 2019 – 31 December 2019 (31 December 2018: 2%) per month on the overdue receivable balances. With the decision of the Presidency of the Republic of Turkey, published in the Official Gazette on 30 December 2019, the monthly late payment interest rate, under Article 51/1 of the Law No 6183 "Procedure for Collection of Public Receivable" is reduced from 2% to 1.6%.

As of 31 December 2019, trade receivables amounting TL 844,754 (31 December 2018: TL 1,645,531) were past due but not impaired. The aging analysis of trade receivables past due but not impaired as of 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019	31 December 2018
Up to 1 months	436,893	373,724
1 to 3 months	238,685	232,242
Over 3 months	169,179	1,039,565
	844,754	**1,645,531**

In accordance 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 - 1 December 2019	1 January - 31 December 2018
Opening balance	(1,705,247)	(1,275,873)
Charge for the period	(608,430)	(586,616)
Amounts collected during the period	184,311	157,242
Write offs	52,151	-
Closing balance	**(2,077,215)**	**(1,705,247)**

The Group received guarantee letters amounting to TL 976,850 (31 December 2018: TL 834,699) and deposits and guarantees amounting to TL 1,903,683 (31 December 2018: TL 1,693,350) as collateral for its electricity receivables.

NOTE 6 – TRADE RECEIVABLES AND PAYABLES (Continued)

6.2 Trade Payables:

	31 December 2019	31 December 2018
Current Trade Payables		
Trade Payables	2,514,714	2,386,700
Due to related parties (Note 5)	96,906	94,217
	2,611,620	**2,480,917**

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.

NOTE 7 – OTHER RECEIVABLES AND PAYABLES

7.1 Other Receivables:

	31 December 2019	31 December 2018
Other Current Receivables		
Income accruals (*)	1,004,443	419,134
Deposits and guarantees given	-	382
Receivables from personnel	32	218
Allowance for other doubtful receivables (-)	(3,123)	(3,123)
Other sundry receivables	21,094	41,838
	1,022,446	**458,449**

	31 December 2019	31 December 2018
Other Non-current Receivables		
Deposits and guarantees given (**)	306,667	273,428
Income accruals (*)	309,699	628,120
Other sundry receivables (***)	121,370	81,997
	737,736	**983,545**

(*) 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.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 7 – OTHER RECEIVABLES AND PAYABLES (Continued)

7.1 Other Receivables (Continued)

Movement of allowance for other doubtful receivables is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	(3,123)	(3,123)
Closing balance	(3,123)	(3,123)

7.2 Other Payables

	31 December 2019	31 December 2018
Other Current Payables		
Payables to tax authority (*)	-	86,918
Deposits received	23,603	16,187
Lighting payables	43,236	43,236
Other	107,821	77,561
	174,660	**223,902**

	31 December 2019	31 December 2018
Other Non-Current Payables		
Deposits received (**)	1,903,683	1,693,350
	1,903,683	**1,693,350**

(*) The balance represents the instalments 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". Related payables were paid within 2019.

(**) 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 2019	31 December 2018
Spare parts and equipments	126,976	144,718
Trade goods	1,927	2,105
Other inventories	3,050	1,133
	131,953	**147,956**

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 9 – PREPAID EXPENSES AND DEFERRED INCOME

9.1 Prepaid Expenses

	31 December 2019	31 December 2018
Short-term prepaid expenses		
Prepaid expenses	26,672	59,050
Inventory advances given	12,129	11,239
Personnel advances	664	834
Other advances given	2,009	232
	41,474	**71,355**

	31 December 2019	31 December 2018
Long-term prepaid expenses		
Prepaid expenses	1,642	2,575
	1,642	**2,575**

9.2 Deferred Income

	31 December 2019	31 December 2018
Short-term deferred income		
Advances received	8,284	74,752
	8,284	**74,752**

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 10 – FINANCIAL ASSETS

	31 December 2019	31 December 2018
Within one year	1,098,550	791,117
1-3 years	3,613,964	2,027,826
3-5 years	2,269,850	1,924,743
More than 5 years	3,561,472	4,550,949
	10,543,836	**9,294,635**

Current financial assets	1,098,550	791,117
Non - current financial assets	9,445,286	8,503,518
	10,543,836	**9,294,635**

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	9,294,635	6,438,431
Investments	1,417,620	1,604,664
Collections	(1,839,022)	(1,432,868)
Capex reimbursements	*(1,057,528)*	*(798,304)*
WACC reimbursements	*(781,494)*	*(634,564)*
Prior period advances added to investments in the current year	(63,375)	-
Financial income	1,959,219	1,716,597
Fair value difference and other	(229,985)	973,047
Reversal / (recognition) of impairment for financial assets (*)	4,744	(5,236)
Closing balance	**10,543,836**	**9,294,635**

(*) As of 31 December 2019, the Group has reversed the impairment provision of TL 4,744 for its financial assets which has been recorded as at 31 December 2018 in the amount of TL 5,236 in accordance with the amendments in IFRS 9 Financial Instruments Standard.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 11 – RIGHT OF USE ASSETS

	Buildings	Motor vehicles	Total
Cost			
Opening balance as of 1 January 2019	56,797	76,869	133,666
Additions	15,432	65,120	80,552
Variable lease payment adjustment	4,687	-	4,687
Closing balance as of 31 December 2019	76,916	141,989	218,905
Accumulated Depreciation			
Opening balance as of 1 January 2019	-	-	-
Charge for the period	(19,163)	(54,259)	(73,422)
Closing balance as of 31 December 2019	(19,163)	(54,259)	(73,422)
Carrying value as of 31 December 2019	**57,753**	**87,730**	**145,483**

Depreciation expense of TL 73,422 are accounted in general administrative expenses (31 December 2018: None).

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENTS

	Plant, machinery and equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost					
Opening balance as of 1 January 2019	238,239	14,760	107,307	42,429	402,735
Additions	122,559	356	69,229	41,299	233,443
Transfers from constructions in progress (*)	-	-	-	(43,179)	(43,179)
Closing balance as of 31 December 2019	360,798	15,116	176,536	40,549	592,999
Accumulated Depreciation					
Opening balance as of 1 January 2019	(26,693)	(3,551)	(13,710)	-	(43,954)
Charge for the period	(34,910)	(4,717)	(25,875)	-	(65,502)
Closing balance as of 31 December 2019	(61,603)	(8,268)	(39,585)	-	(109,456)
Carrying value as of 31 December 2019	**299,195**	**6,848**	**136,951**	**40,549**	**483,543**

	Plant, machinery and equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost					
Opening balance as of 1 January 2018	104,736	14,760	44,676	2,050	166,222
Additions	131,345	-	62,631	42,537	236,513
Transfers from constructions in progress	2,158	-	-	(2,158)	-
Closing balance as of 31 December 2018	**238,239**	14,760	107,307	42,429	402,735
Accumulated Depreciation					
Opening balance as of 1 January 2018	(5,196)	(2,055)	(4,912)	-	(12,163)
Charge for the period	(21,497)	(1,496)	(8,798)	-	(31,791)
Closing balance as of 31 December 2018	(26,693)	(3,551)	(13,710)	-	(43,954)
Carrying value as of 31 December 2018	**211,546**	**11,209**	**93,597**	**42,429**	**358,781**

(*) Transfers amounting to TL (42,487) out of TL (43,179) are transfers to financial assets related to concession agreements.

	Useful Life
Plant, machinery and equipment	5 years
Motor vehicles	3 years
Furnitures and fixtures	5 years

Depreciation expense of TL 61,566 and TL 3,936 are accounted in general administrative expenses and cost of sales, respectively (31 December 2018: general administrative expenses: TL 27,747 and cost of sales: TL 4,044).

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 13 – INTANGIBLE ASSETS

	Customer contracts and related relationships	Transfer of operating rights	Goodwill	Computer software	Computer software	Other intangible assets	Total
Cost							
Opening balance as of 1 January 2019	4,390,673	1,650,121	2,730,031	69,087	3,917	7,389	8,851,218
Additions	-	-	-	36,004	394	63	36,461
Transfers from constructions in progress	-	-	-	629	63	-	692
Closing balance as of 31 December 2019	4,390,673	1,650,121	2,730,031	105,720	4,374	7,452	8,888,371
Accumulated Amortization							
Opening balance as of 1 January 2019	(1,003,587)	(321,696)	(752,904)	(26,324)	(29)	(1,483)	(2,106,023)
Charge for the period	(152,108)	(56,555)	-	(23,438)	(935)	(907)	(233,943)
Closing balance as of 31 December 2019	(1,155,695)	(378,251)	(752,904)	(49,762)	(964)	(2,390)	(2,339,966)
Carrying value as of 31 December 2019	**3,234,978**	**1,271,870**	**1,977,127**	**55,958**	**3,410**	**5,062**	**6,548,405**

	Customer contracts and related relationships	Transfer of operating rights	Goodwill	Computer software	Computer software	Other intangible assets	Total
Cost							
Opening balance as of 1 January 2018	4,390,673	1,650,121	2,730,031	39,996	32	3,171	8,814,024
Additions	-	-	-	29,091	3,885	4,218	37,194
Closing balance as of 31 December 2018	4,390,673	1,650,121	2,730,031	69,087	3,917	7,389	8,851,218
Accumulated Amortization							
Opening balance as of 1 January 2018	(851,479)	(265,141)	-	(9,637)	(29)	(442)	(1,126,728)
Charge for the period	(152,108)	(56,555)	-	(16,687)	-	(1,041)	(226,391)
Impairment	-	-	(752,904)	-	-	-	(752,904)
Closing balance as of 31 December 2018	(1,003,587)	(321,696)	(752,904)	(26,324)	(29)	(1,483)	(2,106,023)
Carrying value as of 31 December 2018	**3,387,086**	**1,328,425**	**1,977,127**	**42,763**	**3,888**	**5,906**	**6,745,195**

Amortization expense of TL 233,462 and TL 481 are accounted in general administrative expenses and cost of sales, respectively (31 December 2018: general administrative expenses: TL 226,391 and cost of sales: None).

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

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 13 – INTANGIBLE ASSETS (Continued)

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 under other intangible assets, in connection with E-şarj purchase price amounting to TL 4,000. TL 200 portion of this price which was accounted as contingent liabilities for 13 months following the purchase transaction is paid to the shareholders in accordance with agreement conditions on 31 May 2019.

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.

As of 31 December 2019, there is no impairment on goodwill (31 December 2018: TL 752,904).

NOTE 14 – PROVISIONS

Current Provisions

	31 December 2019	31 December 2018
Legal claims (*)	247,836	228,030
Competition Authority administrative fine (**)	-	107,296
	247,836	**335,326**

(*) Legal claims are set for the probable cash outflows related to the legal disputes. As of 31 December 2019, the provision amount for the legal claims are determined according to the assessment made by the Group management, considering the probability of legal cases that 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 started an investigation against distribution and incumbent retail companies in İstanbul Anatolian Side, Başkent and Toroslar regions to determine whether the companies had violated Article 6 of the Law on the Protection of Competition in December 2016.

The Competition Board announced its short decision on 9 August 2018 and imposed AYEDAŞ, AEPSAŞ, EPS and TOROSLAR EPSAŞ 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 on February 7, 2019. The board has decided that that there is no need to impose an administrative fine to Enerjisa Enerji A.Ş., TOROSLAR EDAŞ and BAŞKENT EDAŞ. As a consequence, Group recognized a provision of TL 107,296 at 31 December 2018, as 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 administrative fine in the total amount of TL 107,296 was paid by the aforementioned companies on 7 March 2019.

Accordingly, AYEDAŞ has initiated a lawsuit regarding the cancellation of the Competition Authority's decision within 13th Administrative Court of Ankara on 5 April 2019, with the file number 2019/660 E. Ankara 13th Administrative Court refused our request on 10 July 2019. An objection was made by AYEDAŞ to the Ankara Regional Administrative Court's 8th Administrative Law Chambers regarding the decision of refusal within the legal period. Objection was refused on 16 August 2019 by the Ankara Regional Administrative Court's 8th Administrative Law Chambers, since there was no violation of the law in the decision of refusal.

AEPSAŞ, EPS and TOROSLAR EPSAŞ have initiated the lawsuits regarding the cancellation of the Competition Authority's decision within 2nd Administrative Court of Ankara on 4 April 2019 with the file number 2019/641 E. The first degree court has rejected Enerjisa Retail Sales Companies requests regarding suspension of execution. Objections to the District Administrative Court have been filed against the rejection decisions regarding suspension of execution. District Administrative Court rejected our objections.
Enerjisa Retail Sales Companies have submitted their reply's against defendant Competition Authority's rebuttal petition. First Degree Court's litigation is proceeding.

It has been detected that the Competition Board had alleged that the cancellation of lawsuit initiated by AYEDAŞ has connection with the cancellation of lawsuits initiated by AEPSAŞ, EPS and TOROSLAR EPSAŞ and requested the files to be collected in a single court.

Accordingly, 8th Administrative Court Office of Ankara Regional Administrative Court decided that the 13th Administrative Court of Ankara will be authorized for all the files.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 14 – PROVISIONS (Continued)

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 62,672 (31 December 2018: TL 78,812).

Movements of provisions are as follows:

	Other provisions	Legal claims	Total
Opening balance as of 1 January 2019	107,296	228,030	335,326
Additional provisions recognized	-	82,903	82,903
Payments	(107,296)	-	(107,296)
Reversal of provisions	-	(63,097)	(63,097)
Closing balance as of 31 December 2019	-	**247,836**	**247,836**

	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**

NOTE 15 – COMMITMENT AND CONTINGENCIES

	TL Equivalent	TL	USD	EUR
31 December 2019				
A. Total amount of Collateral Pledge Mortgage (CPM) given on behalf of the legal entity	7,993	7,714	-	42
- Collateral	*7,993*	*7,714*	-	*42*
B. Total amount of CPM given against the subsidiaries included in full consolidation	2,008,140	1,964,028	7,426	-
- Collateral	*2,008,140*	*1,964,028*	*7,426*	-
Total	**2,016,133**	**1,971,742**	**7,426**	**42**

	TL Equivalent	TL	USD	EUR
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	1,701,231	1,701,231	-	-
- Collateral	*1,701,231*	*1,701,231*	-	-
Total	**1,709,009**	**1,709,009**	-	-

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 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.

Loan Agreements

The Group signed facility agreement with European Bank for Reconstruction and Development ("EBRD") on 18 December 2019 amounting to TL Equivalent of 100,000 USD with interest rate indexed to TLREF. Subject to the terms of the Agreement, EBRD makes available to the Group a TL term loan facility which can be utilized until the end of 2020. The loan, which has been committed by EBRD, is 5 year instalment loan with 1 year grace period.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 15 – COMMITMENT AND CONTINGENCIES (Continued)

Loan Agreements (Continued)

If Group utilizes the loan which has been committed by EBRD, compliance with the following financial covenants will be required:

- The Group should, at all times, maintain a ratio of Net Debt to Operational Earnings for the 12 months preceding the date of calculation, of not more than 3.0x.
- The Group should, at all limes, maintain a ratio of Operational Earnings to Net Interest Expense for the 12 months preceding the date of the calculation of not less than 2.5x.

As of 31 December 2019 calculated ratios are as follows:

The ratio of Net Debt / Operational earnings:	2,0x
The ratio of Operational earnings / Net interest expenses:	3,4x

NOTE 16 – EMPLOYMENT BENEFITS

	31 December 2019	31 December 2018
Payables Related to Employee benefits		
Social security premiums payable	30,543	23,984
Payable to personnel	21,815	19,233
	52,358	**43,217**

	31 December 2019	31 December 2018
Short-term Provisions Related to Employee Benefits		
Bonus provisions	41,190	28,779
	41,190	**28,779**

	31 December 2019	31 December 2018
Long-term Provisions Related to Employee Benefits		
Provisions for unused vacation	43,567	31,959
Provision for employment termination benefits	123,649	83,407
	167,216	**115,366**

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 16 – EMPLOYMENT BENEFITS (Continued)

The movement of bonus and unused vacation provisions are as follows:

	Bonus provisions	Unused vacation provision	Total
Opening balance as of 1 January 2019	28,779	31,959	60,738
Additional provisions recognized	36,657	11,608	48,265
Payments	(24,246)	-	(24,246)
Closing balance as of 31 December 2019	**41,190**	**43,567**	**84,757**

	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
Payments	(19,789)	-	(19,789)
Closing balance as of 31 December 2018	**28,779**	**31,959**	**60,738**

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 6,379.86 (full digit) (31 December 2018: TL 5,434.42 (full digit)) for each period of service at 31 December 2019.

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of 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 consolidated financial statements as at 31 December 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 7.50% and a discount rate of 11.80%, resulting in a real discount rate of approximately 4.00% (31 December 2018: inflation rate of 9.50% and a discount rate of 15.00%, resulting in a real discount rate of approximately 5.20%) Ceiling amount of TL 6,730.15 (full digit) which is in effect since 1 January 2020 is used in the calculation of Groups' provision for retirement pay liability (1 January 2019: TL 6,017.60 (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 2019 and 31 December 2018.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)
NOTE 16 – EMPLOYMENT BENEFITS (Continued)

The movement for retirement pay provisions is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	83,407	69,544
Service host	42,867	29,010
Interest cost	9,313	5,042
Acturial (gain) / loss	-	(2,279)
Retirements payments	(11,938)	(17,910)
Closing balance	**123,649**	**83,407**

NOT 17 – OTHER ASSETS AND LIABILITIES

17.1 Other Current Assets

	31 December 2019	31 December 2018
Deferred VAT	-	6.856
Other	247	117
	247	**6.973**

17.2 Other Non-current Assets

	31 December 2019	31 December 2018
Deferred VAT	6,563	124,165
	6,563	**124,165**

17.3 Other Current Liabilities

	31 December 2019	31 December 2018
Taxes and funds payable	303,272	285,907
Other	2,204	4,998
	305,476	**290,905**

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 18 – SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

18.1 Share Capital:

	31 December 2019		31 December 2018	
	Share (%)	TL	Share (%)	TL
Shareholders				
Hacı Ömer Sabancı Holding A.Ş.	40	472,427,6	40	472,427,6
DD Turkey Holdings S.A.R.L. (E.ON)	40	472,427,6	40	472,427,6
Other	20	236,213,8	20	236,213,8
	100	**1,181,069**	**100**	**1,181,069**
Adjustment to share capital (*)		2,626,532		2,784,755
Total Share Capital		**3,807,601**		**3,965,824**

(*) Adjustment to share capital, refers to the amount of registered capital as a capital reserve in the statutory capital after the merger and separation processes according to the legislation (Note 1). This amount is classified as capital adjustment differences to comply with IFRS requirements.

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.

In the statutory financials prepared in accordance with the tax procedure law, the loss for previous years in amount of TL 158,223 has been netted off with adjustments to share capital (31 December 2018: TL 51,609).

As at 31 December 2019, the capital of the Company comprising 118,106,897 thousand (31 December 2018: 118,106,897 thousand) registered ordinary shares of TL 0.01 each (31 December 2018: TL 0.01 each).

18.2 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 2019	1 January - 31 December 2018
Profit for the period	1,033,622	747,697
Weighted average shares (*)	118,106,896,712	118,106,896,712
Earnings per share (kr)	0.88	0.63

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 18 – SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

18.3 Restricted Profit Reserves

	31 December 2019	31 December 2018
Restricted Profit Reserves	251,545	216,612
	251,545	**216,612**

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 19 – REVENUE

	1 January - 31 December 2019	1 January - 31 December 2018
Revenue from electricity sales and services provided	17,472,567	16,614,264
Retail sales revenue	*12,490,388*	*10,962,588*
Regulated revenue	*11,026,825*	*9,918,503*
Liberalised revenue	*1,463,563*	*1,044,085*
Retail service revenue	*341,988*	*382,433*
Distribution lighting sales revenue	*290,441*	*228,345*
Distribution service revenue	*3,351,451*	*4,280,904*
Transmission revenue	*998,299*	*759,994*
Financial income from service concession arrangements	1,959,219	1,716,597
Other revenue	21,299	15,926
	19,453,085	**18,346,787**

NOTE 20 – COST OF SALES

	1 January - 31 December 2019	1 January - 31 December 2018
Electricity purchases	(13,097,123)	(11,611,362)
Retail energy purchases	*(12,073,435)*	*(10,681,826)*
Distribution related energy purchases (*)	*(1,023,688)*	*(929,536)*
System usage fee (**)	(998,299)	(759,994)
Depreciation and amortization expenses (Note 12, 13)	(4,417)	(4,044)
Other	(8,775)	(4,865)
	(14,108,614)	**(12,380,265)**

(*) Includes theft/loss and lighting related electricity purchases.

(**) Includes system usage costs reflected as transmission revenue.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 21 – GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
General administrative expenses (-)	(2,170,485)	(1,848,857)
	(2,170,485)	**(1,848,857)**

Details of general administrative expenses are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Payroll and employee benefit expenses	(1,043,008)	(824,373)
Depreciation and amortization expenses (Note 11, 12, 13)	(368,450)	(254,138)
Material expenses	(153,218)	(132,581)
Fleet management expenses	(124,807)	(133,030)
Legal and lawsuit provision expenses	(57,990)	(107,828)
Outsourcing expenses	(56,302)	(42,922)
Repair and maintenance expenses	(46,654)	(56,910)
Duties, taxes and levies	(44,452)	(51,997)
Consulting expenses	(26,453)	(20,325)
Travel expenses	(23,571)	(17,378)
Insurance expenses	(22,972)	(17,938)
Rent expenses	(20,145)	(29,714)
Other expenses	(182,463)	(159,723)
	(2,170,485)	**(1,848,857)**

NOTE 22 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

22.1 Other Income From Operating Activities:

	1 January - 31 December 2019	1 January - 31 December 2018
Late payment interest income from electricity receivables	189,223	114,641
Interest income related to revenue cap regulation - net (Note 28)	185,915	44,183
Power theft penalties	140,652	172,313
Rent and advertisement income	25,727	7,554
Reversal of impairment provision on financial assets (Note 10) (*)	4,744	-
Lawsuit income	80	57
Compensation and penalty income	-	57
Income from derivative financial instruments - net	-	5,066
Other income	5,959	29,678
	552,300	**373,549**

(*) As of 31 December 2019, the Group has reversed the impairment provision of TL 4,744 for its financial assets, which had been recorded as at 31 December 2018 in the amount of TL 5,236 in accordance with the amendments in IFRS 9 Financial Instruments Standard.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 22 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES (Continued)

22.2 Other Expenses From Operating Activities:

	1 January - 31 December 2019	1 January - 31 December 2018
Provision for doubtful receivables - net (Note 6, 10)	(424,119)	(434,610)
Valuation differences arising from deposits and guarantees (Note 28)	(114,390)	(242,672)
Penalty expenses	(58,235)	(17,994)
Donations	(10,513)	(18,377)
Losses from derivative financial instruments - net	(8,387)	-
Foreign exchange losses from operating activities	(3,768)	(44,128)
Impairment provison expense for goodwill (Note 13)	-	(752,904)
Competition Authority administrative fine (Note 14)	-	(107,296)
Other expenses	(42,668)	(62,042)
	(662,080)	**(1,680,023)**

NOTE 23 – FINANCE INCOME AND EXPENSES

23.1 Finance Income

	1 January - 31 December 2019	1 January - 31 December 2018
Interest income	135,554	104,870
Foreign exchange gains / (loses) - net	35,073	-
	170,627	**104,870**

23.2 Finance Expenses

	1 January - 31 December 2019	1 January - 31 December 2018
Interest expenses of borrowings	(1,693,215)	(1,522,209)
Foreign exchange gains / (losses) - net	-	(60,792)
Bank commission expenses	(150,262)	(11,064)
	(1,843,477)	**(1,594,065)**

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 24 – TAXATION ON INCOME

	31 December 2019	31 December 2018
Current assets related with current taxes		
Prepaid taxes and funds	60	8,565
	60	**8,565**

	31 December 2019	31 December 2018
Current tax liability		
Current corporate tax provision	492,099	85,949
Less: Prepaid taxes and funds	(412,366)	(33,533)
	79,733	**52,416**

	1 January - 31 December 2019	1 January - 31 December 2018
Tax expense recognized in profit or loss		
Current tax expense	(492,099)	(85,949)
Deferred tax income / (expense) relating to the origination and reversal of temporary differences, net	134,365	(488,350)
Total tax expense	**(357,734)**	**(574,299)**

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 2019 is 22% (31 December 2018: 22%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was applied as 22% in 2019 (31 December 2018: 22%). 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% (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.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 24 – TAXATION ON INCOME (Continued)

Corporate tax (Continued)

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

Deferred tax

The Group 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 2019, the rate of 22% is used (2018: 22%).

As of 31 December 2019, the tax rate of 22% is used for the temporary differences expected to be realized/settled within 1 year (2020) for deferred tax calculation. 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 2019	31 December 2018
Deferred tax (assets) / liabilities		
Differences arising from customer contracts and transfer of operational rights	901,383	943,116
Carrying amount differences of property, plant and equipment, intangible assets and concession arrangement difference	209,127	246,484
Carrying amount differences of right of use assets and lease liabilities	(4,282)	-
Provision for employment termination benefits	(2,558)	(3,145)
Provision for doubtful receivables	13,802	7,929
Provision for lawsuits	(51,560)	(47,081)
Provision for unused vacation	(9,257)	(6,745)
Effect of revenue cap adjustments	356,114	254,646
Late payment penalties	(23,862)	(63,790)
Adjustments due to system migration	(39,090)	(39,090)
Carry forward tax losses	(185,354)	(116,432)
Other	69,365	200,044
	1,233,828	**1,375,936**

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 24 – TAXATION ON INCOME (Continued))

Deferred tax (Continued)

	31 December 2019	31 December 2018
Deferred tax (asset)	(244,040)	(2,847)
Deferred tax liability	1,477,868	1,378,783
Deferred tax (asset) / liability, net	**1,233,828**	**1,375,936**

Movement of deferred tax (assets)/liabilities is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	1,375,936	880,496
Charged to statement of profit or loss	(134,365)	488,350
Charged to other comprehensive income / expense	(7,743)	7,090
Closing balance	**1,233,828**	**1,375,936**

Tax Reconciliation:	1 January - 31 December 2019	1 January - 31 December 2018
Profit from operations before tax	1,391,356	1,321,996
	22%	22%
Tax at the domestic income tax rate of 22% (2018: 22%)	306,098	290,839
Tax effects of:		
- revenue that is exempt from taxation (*)	-	165,639
- expenses that are not deductible in determining taxable profit	15,048	10,087
- current year's losses on which deferred tax assets are not recognized	9,934	126,433
- other (**)	26,654	(18,699)
Income tax expense recognised in profit or loss	**357,734**	**574,299**

(*) No deferred tax is recognized for goodwill impairment provision recorded as of 31 December 2018.

(**) In the period of 1 January – 31 December 2019, TL 39,113 out of TL 26,654 represents utilisation of previous years' losses on which deferred tax asset was recognized. 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 in the period of 1 January – 31 December 2018.

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 2019, the Group recognized deferred tax assets amounting to TL 185,354 for unused carry forward tax losses amounting to TL 891,442 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 2018: TL 116,432 and TL 529,238 respectively).

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 24 – TAXATION ON INCOME (Continued)

Deferred tax (Continued)

The expiration dates of previous years' losses on which deferred tax asset was recognized are as follows:

	31 December 2019	31 December 2018
Expiring in 2019	-	177,786
Expiring in 2020	-	-
Expiring in 2021	78,146	77,184
Expiring in 2022	275,110	274,268
Expiring in 2023	191,236	-
Expiring in 2024	346,950	-
	891,442	**529,238**

The expiration dates of previous years' losses on which deferred tax asset was not recognized are as follows:

	31 December 2019	31 December 2018
Expiring in 2019	-	-
Expiring in 2020	77,323	77,323
Expiring in 2021	191,541	191,541
Expiring in 2022	-	-
Expiring in 2023	373,630	564,866
Expiring in 2024	192,664	-
	835,158	**833,730**

NOTE 25 – FINANCIAL INSTRUMENTS

25.1 Financial Liabilities:

	31 December 2019	31 December 2018
Short-term borrowings	676,281	998,170
Short-term portion of long term lease liabilities	68,757	-
Short-term portion of long term bonds issued	23,978	533,563
Short-term portion of long-term borrowings	2,923,000	1,902,076
	3,692,016	**3,433,809**
Long-term borrowings	3,857,000	4,453,001
Long-term lease liabilities	96,906	-
Long-term bonds issued	1,424,556	1,312,046
	5,378,462	**5,765,047**
Total finance liabilities	**9,070,478**	**9,198,856**

NOTE 25 – FINANCIAL INSTRUMENTS (Continued)

25.1 Financial Liabilities (Continued)

The borrowings and bonds issued are repayable as follows:

	31 December 2019	31 December 2018
To be paid within 1 year	3,623,259	3,433,809
To be paid between 1-2 years	3,302,053	3,773,000
To be paid between 2-3 years	1,766,496	1,363,446
To be paid between 3-4 years	213,007	432,416
To be paid between 4-5 years	-	196,185
	8,904,815	**9,198,856**

As of 31 December 2019 and 31 December 2018, the Group has not given any collateral for the loans obtained.

As of 31 December 2019 the movement of borrowings and bonds issued are as follows:

	Borrowings and Bonds issued
Opening balance as of 1 January 2019	9,198,856
Additions	21,517,121
Payments	(21,508,040)
Change in interest accruals	(10,959)
Foreign exchange movements	(292,163)
CLosing balance as of 31 December 2019	**8,904,815**

As of 31 December 2019 and 31 December 2018, details of short and long term financial borrowings in terms of interest and currencies are as follows:

		31 December 2019	
Currency	**Weighted average effective interest rate**	**Current**	**Non-current**
TL	15.55%	3,506,117	3,857,000
USD (*)	6.27%	36,022	-
EUR (*)	2.99%	57,142	-
		3,599,281	**3,857,000**

		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**

(*) Foreign currency risks associated with the USD and EUR denominated borrowings of the Group are fully hedged through currency swap instruments.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 25 – FINANCIAL INSTRUMENTS (Continued)

25.1 Financial Liabilities (Continued)

As of 31 December 2019 and 31 December 2018, details of bonds issued are as follows:

		31 December 2019	
Currency	**Weighted average effective interest rate (*)**	**Current**	**Non-current**
TL	CPI + %4.8-%5.0	23,978	1,424,556
		23,978	**1,424,556**

		31 December 2018	
Currency	**Weighted average effective interest rate(*)**	**Current**	**Non-current**
TL	CPI + %4.0-%5.0	533,563	1,312,046
		533,563	**1,312,046**

(*) As of 31 December 2019, the interest is CPI-indexed variable interest and the annual real coupon rate varies from 4.8% to 5% (31 December 2018: 4% - 5%).

As of 31 December 2019, the principal valuation of bonds is TL 422,556 (31 December 2018: TL 460,761).

As of 31 December 2019, details of lease liabilities are as follows:

Short-term portion of long term lease liabilities	**31 December 2019**
Buildings	14,200
Vehicles	54,557
	68,757

Long-term lease liabilities	**31 December 2019**
Buildings	49,219
Vehicles	47,687
	96,906

The lease liabilities are repayable as follows:

	31 December 2019
To be paid within 1 year	68,757
To be paid between 1-2 years	51,374
To be paid between 2-3 years	25,994
To be paid between 3-4 years	12,436
To be paid between 4-5 years	4,883
To be paid after 5 years and over	2,219
	165,663

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 25 – FINANCIAL INSTRUMENTS (Continued)

25.1 Financial Liabilities (Continued)

The movement of lease liabilities is as follows:

	Buildings	Vehicles	Total
Opening balance as of 1 January 2019	55,320	76,867	132,187
Additions	15,404	66,084	81,488
Interest expense	12,556	22,092	34,648
Variable lease payment adjustments	4,686	-	4,686
Payments	(24,547)	(63,244)	(87,791)
Foreign exchange movements	-	445	445
Closing balance as of 31 December 2019	**63,419**	**102,244**	**165,663**

25.2 Other Financial Liabilities

	31 December 2019	31 December 2018
Other current financial liabilities	51,184	44,302
Other non-current financial liabilities	302,714	321,720
	353,898	**366,022**

The other financial liabilities are repayable as follows:

	31 December 2019	31 December 2018
To be paid within 1 year	51,184	44,302
To be paid between 1-2 years	50,975	45,232
To be paid between 2-3 years	52,093	46,191
To be paid between 3-4 years	27,900	47,203
To be paid between 4-5 years	29,120	25,272
To be paid after 5 years and over	142,626	157,822
	353,898	**366,022**

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 25 – FINANCIAL INSTRUMENTS (Continued)

25.2 Other Financial Liabilities (Continued)

As of 31 December 2019 and 31 December 2018, details of short and long term other financial liabilities in terms of currencies are as follows:

		31 December 2019	
Currency	**Weighted average effective interest rate**	**Current**	**Non-current**
EUR	4.70%	51,184	302,714
		51,184	**302,714**

		31 December 2018	
Currency	**Weighted average effective interest rate**	**Current**	**Non-current**
EUR	4.70%	44,302	321,720
		44,302	**321,720**

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.

As of 31 December 2019, the movement of other financial liabilities is as follows:

	Other Financial Liabilities
Opening balance as of 1 January 2019	366,022
Payments	(46,558)
Foreign exchange movements	34,434
Closing balance as of 31 December 2019	**353,898**

NOTE 26 – 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 cross currency swaps transactions. The details and fair values of the agreements as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019				
	Contract Amount (USD)	**Contract Amount (EUR)**	**Contract Amount (TL)**	**Assets**	**Liabilities**
Forward exchanges	276,871	59,600	2,041,045	8,789	(60,148)
Cross currency swap	6,000	8,500	92,171	-	(6,507)
	282,871	**68,100**	**2,133,216**	**8,789**	**(66,655)**

	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)**

As of 31 December 2019 and 31 December 2018, movements of fair value of derivative financial instruments are as follows:

	1 January - 31 December 2019	**1 January - 31 December 2018**
Opening balance	301,724	42,257
Derivative financial (liabilities) / assets at fair value designated through income / expense	(63,137)	(35,264)
Derivative financial (liabilities) / assets at fair value designated through other comprehensive income / expense (*)	(296,453)	294,731
Total derivative financial (liabilities) / assets	**(57,866)**	**301,724**

(*) TL values of the Group's foreign currency denominated borrowings may increase or decrease as a result of exchange rates fluctuations, in return fair value of cross currency swaps are shown under derivative assets. Fair value differences amounting to TL 296,453 is netted off with the foreign exchange losses from borrowings amounting to TL 263,103, and the net amount, TL 33,350 is accounted to other comprehensive income before tax (31 December 2018: TL 29,947). Within those amounts, TL 275,403 fair value differences and 247,297 TL foreign exchange losses from borrowings are related to disposals for expired cross currency swap transactions and related loans as of 31 December 2019.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 27 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

27.1 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 2019	**31 December 2018**
Total borrowings (Note 25)	9,424,376	9,564,878
Less: cash and cash equivalents (Note 28)	(469,786)	(562,352)
Less: derivative instruments (Note 26)	57,866	(301,724)
Net debt	9,012,456	8,700,802
Total equity	6,834,503	6,298,915
Total capital	15,846,959	14,999,717
Net debt / Total capital ratio (%)	**57**	**58**

27.2 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.

27.2.1 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 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.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 27 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Financial risk factors (Continued)

27.2.1 Credit risk management (Continued)

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 2019	**Related party**	**Other**	**Other**	**Other**	**Bank deposits**	**Financial assets excluding cash**	**Derivatives**
Maximum net credit risks as of the balance sheet date (*)	17,679	2,991,776	1,022,446	737,736	469,786	10,543,836	8,789
The part of maximum risk under guarantee	-	2,880,533	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired (**)	17,679	2,147,022	1,022,446	737,736	469,786	10,543,836	8,789
B. Net book value of financial assets that are due but not impaired (**)	-	844,754	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	2,052,560	3,123	-	-	-	-
- Impairment (-)	-	(2,052,560)	(3,123)	-	-	-	-
- Not due (gross book value)	-	24,655	-	-	-	-	-
- Impairment (-)	-	(24,655)	-	-	-	-	-
D. Credit risk factors off balance sheet	-	-	-	-	-	-	-

Maturity of Expected Credit Loss

31 December 2019	Not due	Overdue Up to 1 months	Overdue 1-3 months	Overdue more than 3 months	Total
Balance at period end	2,189,356	457,454	268,359	2,171,501	5,086,670
Credit loss rate (%)	1%	4%	11%	92%	41%
Expected credit losses	(24,655)	(20,561)	(29,674)	(2,002,325)	(2,077,215)

(*) 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.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 27 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Financial risk factors (Continued)

27.2.1 Credit risk management (Continued)

Credit risk exposure based on financial instrument categories (Continued)

	Receivables						
	Trade receivables		Other receivables				
			Current	Non-current			
31 December 2018	**Related party**	**Other**	**Other**	**Other**	**Bank deposits**	**Financial assets excluding cash**	**Derivatives**
Maximum net credit risks as of the balance sheet date (*)	130,832	3,381,557	458,449	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	458,449	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)	-	57,229	-	-	-	-	-
- Impairment (-)	-	(57,229)	-	-	-	-	-
D. Credit risk factors off balance sheet	-	-	-	-	-	-	-

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	(57,229)	(9,271)	(49,152)	(1,589,595)	(1,705,247)

(*) 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 subject to impairment in accordance with IFRS 9.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 27 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Financial risk factors (Continued)

27.2.2 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 2019 and 31 December 2018 are as follows:

31 December 2019						
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	9,070,478	12,229,906	2,353,504	2,225,384	7,651,018	-
Trade payables	2,611,620	2,611,620	2,611,620	-	-	-
Other payables	2,078,343	2,078,343	174,660	-	-	1,903,683
Other financial liabilities	353,898	353,898	17,915	33,269	160,088	142,626
Total liabilities	**14,114,339**	**17,273,767**	**5,157,699**	**2,258,653**	**7,811,106**	**2,046,309**

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	-	-	-
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	**13,963,047**	**16,342,590**	**3,115,773**	**3,813,528**	**7,562,117**	**1,851,172**

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 27 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Financial risk factors (Continued)

27.2.3 Market risk management

27.2.3.1 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.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is disclosed below.

	31 December 2019		
	Total TL equivalent	**USD TL equivalent**	**EUR TL equivalent**
Cash and cash equivalents	257,526	215,184	42,342
Trade receivables	1,395	238	1,157
Total assets	**258,921**	**215,422**	**43,499**
Financial liabilities (*)	(93,164)	(36,022)	(57,142)
Other financial liabilities	(353,898)	-	(353,898)
Trade payables	(198,256)	(176,103)	(22,153)
Total liabilities	**(645,318)**	**(212,125)**	**(433,193)**
Net foreign currency asset position of off-balance sheet derivative	2,041,045	1,644,669	396,376
Net foreign currency asset position	**1,654,648**	**1,647,966**	**6,682**
Cash flow hedging	92,171	35,641	56,530
Net foreign currency position after cash flow hedging	**1,746,819**	**1,683,607**	**63,212**

(*) 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.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 27 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Financial risk factors (Continued)

27.2.3 Market risk management (Continued)

27.2.3.1 Foreign currency risk management (Continued)

	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 position of off-balance sheet derivative	531,458	128,075	403,383
Net foreign currency asset 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 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 10% increase and decrease in the TL against the relevant foreign currencies. 10% 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 10% change in foreign currency rates. A positive number indicates an increase in profit or loss before taxation on income where the TL strengthens against the relevant currency.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 27 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Financial risk factors (Continued)

27.2.3 Market risk management (Continued)

27.2.3.1 Foreign currency risk management (Continued)

	1 January - 31 December 2019 Profit / Loss	
	Appreciation of foreign currency	**Depreciation of foreign currency**
Change in USD against TL by 10%		
USD net assets / liabilities	330	(330)
Hedged items (-)	168,031	(168,031)
USD net effect	**168,361**	**(168,361)**
Change in EUR against TL by 10%		
EUR net assets / liabilities	(38,969)	38,969
Hedged items (-)	45,291	(45,291)
EUR net effect	**6,322**	**(6,322)**

	1 January - 31 December 2018 Profit / Loss	
	Appreciation of foreign currency	**Depreciation of foreign currency**
Change in USD against TL by 10%		
USD net assets / liabilities	(83,372)	83,372
Hedged items (-)	104,660	(104,660)
USD net effect	**21,289**	**(21,289)**
Change in EUR against TL by 10%		
EUR net assets / liabilities	(44,598)	44,598
Hedged items (-)	50,586	(50,586)
EUR net effect	**5,988**	**(5,988)**

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 27 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Financial risk factors (Continued)

27.2.3 Market risk management (Continued)

27.2.3.2 Interest rate risk management

As of 31 December 2019 and 31 December 2018, 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 amortized cost 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.

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 27 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Financial risk factors (Continued)

27.2.3 Market risk management (Continued)

27.2.3.2 Interest rate risk management (Continued)

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 following table gives information about how the fair values of financial instruments subject to valuation are determined.

Financial assets / (Financial liabilities)	Fair value / revalued amount		First value hierarchy	Valuation technique and key input	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2019	31 December 2018				
Derivative financial instruments	(57,866)	301,724	Level 2	Market Value	-	-

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 28 – EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS

	31 December 2019	31 December 2018
Cash at banks	469,786	562,352
Demand deposits	*149,989*	*140,347*
Time deposits	*319,797*	*422,005*
	469,786	**562,352**

As at 31 December 2019, TL 142,721 of the Group's demand deposits are blocked at different banks (31 December 2018: TL 92,870). 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 at 31 December 2019 time deposits consist of short term TL 59,562, EUR 7,050 and USD 35,901 balances (31 December 2018: TL 186,943, EUR 5,700 and USD 38,150) with maturities between 2-8 days (31 December 2018: 1-5 days). The weighted average effective interest rates of TL, EUR and USD time deposits are 10.14%, 0.50% and 1.00% respectively as at 31 December 2019 (31 December 2018: weighted average effective interest rate 23.07%, 1.25% and 4.00%, respectively).

Details of "Other adjustments to reconcile profit / (loss)" that presented on cash flow statement as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Adjustments related to interest (income) / expense based on revenue cap regulation (Note 22)	(185,915)	(44,183)
Adjustments related to financial income from service concession arrangements (Note 10, 19)	(1,959,219)	(1,716,597)
Adjustments related to revaluation differences arising from deposits (Note 22)	114,390	242,672
	(2,030,744)	**(1,518,108)**

Details of "Other cash in-flows generated from operating activities" that presented on cash flow statement as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Net collections from financial assets related to service concession arrangements	1,839,022	1,432,868
Capital expenditures reimbursements (Note 10)	*1,057,528*	*798,304*
WACC reimbursements (Note 10)	*781,494*	*634,564*
Collections from doubtful trade receivable (Note 6)	184,311	157,242
	2,023,333	**1,590,110**

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 28 – EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

Details of "Other cash-out flows from investing activities" that presented on cash flow statement as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Capital expenditures related to service concession arrangements	(1,369,436)	(1,323,729)
	(1,369,436)	**(1,323,729)**

NOTE 29 – EVENTS AFTER THE REPORTING DATE

Applicable starting from 1 January 2020, EMRA has announced that single-time retail sales tariff reflected to the end user according to customer groups in national tariff has been increased between 2.1% - 4.7% and distribution tariff has been increased by 10.6%.

With the statement made on January 17, 2020, Fitch Ratings confirmed the long-term national credit rating of the Group and BAŞKENT EDAŞ as AA (tur), Stable due to healthy financial performance, strong operational cash flow, regulated business structure and prudent leverage management.

CONTACT

İLKAY DEMİRDAĞ
HEAD OF INVESTOR RELATIONS

+90 216 579 09 32
investorrelations@enerjisa.com

BURAK ŞİMŞEK
INVESTOR RELATIONS SPECIALIST

+90 216 579 09 31
investorrelations@enerjisa.com

DELAL ALTUNTERİM ALVER
INVESTOR RELATIONS SPECIALIST

+90 216 579 09 31
investorrelations@enerjisa.com

TRADE REGISTRY INFORMATION

TRADE REGISTRY NUMBER
800865

TRADE NAME
ENERJİSA ENERJİ ANONİM ŞİRKETİ

ADDRESS
Barbaros 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.
AGED	Waste Paper and Recyclers Association
AMRS	Automatic Meter Reading Systems
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, Sancaktepe, 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.)
Başkent Region	The region where Başkent EDAŞ carries out activities covering the cities; Ankara, Bartın, Çankırı, Karabük, Kastamonu, Kırıkkale and Zonguldak.
BIST / Borsa	Borsa İstanbul A.Ş.
CAGR	Compound Annual Growth Rate
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.
CBA	The Collective Bargaining Agreement
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Chatbot	Artificial Intelligence Assisted Vitual Assistant App
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	Comsumer Price Index
CRM	Customer Relations Management
CSAT	Customer Satisfaction
CSC	Customer Service Centers
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
DEİK	Foreign Economic Relations Board
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.)
EDMS	Electronic Document Management System
EEDAŞ	Enerjisa Elektrik Dağıtım A.Ş. (Enerjisa Electricity Distribution Inc.)
EFM	Electricity Futures Market
E-GEM	Electronic General Meeting System
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

GLOSSARY

Eligible Customers	Eligible customers who prefer to purchase electricity from Enerjisa in accordance with the liberal market conditions
EMI	Electricity Market Index
EMRA	Energy Market Regulatory Authority
EMS	Exproprïotion Management System
End Consumer	Consumers who are connected to distribution grids
Enerjisa / Enerjisa Enerji	Enerjisa Enerji A.Ş.
Enerjisa Üretim	Enerjisa Üretim Santralleri A.Ş.
E.ON	E.ON SE
EPİAŞ	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.)
E-şarj	Elektrikli Araçlar Şarj Sistemleri A.Ş.
ETC	Enerjisa Transaction System
ETRM	Energy Trade and Risk Management
Euro	Currency of the European Union
EÜAŞ	Elektrik Üretim A.Ş. (Electricity Generation Inc.)
Fitch	Fitch Ratings
FTSE	Financial Times Stock Exchange
GDP	Gross Domestic Product
GIS	Geographic Information System
GM	General Manager
GW	Gigawatt
IFRIC	International Financial Reporting Interpretations Committee
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	İstanbul Technical University

IVR	Interactive Voice Response
KAP	Public Disclosure Platform
km	Kilometer
km²	Square Kilometer
KRITA	Critical Infrastructure Management In Smart Cities Project
kW	Kilowatt
kWh	Kilowatt Hour
LEAP	Leadership Acceleration Program
LRT	Last Resort Tariff
MBA	Master of Business Administration
MCP	Market Clearing Price
METU	Middle East Technical University
MSCI	Morgan Stanley Capital International Index
Müşteri Çözümleri A.Ş.	Enerjisa Müşteri Çözümleri A.Ş. (Enerjisa Customer Solutions Inc.)
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
NPS	Net Promoter Score
OHS	Occupational Health & Safety
OHSAS	Occupational Health and Safety Management System
OHS-E	Occupational Health, Safety and Environment
Operating Expenses Efficiency	The ratio of the "regulated operating expenses" to the difference between the "actual operating expenses" and the "regulated operating expenses"
OPEX	Operating Expense
OREO	Online Appointment System
OSC	Online Service Center
OSOS	Automatic Meter Reading System (Otomatik Sayaç Okuma Sistemi)

PDP	Public Disclosure Platform
PEAKAPP	Personal Energy Administration Kiosk App
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 (YEKDEM)	Renewable Energy Resources Support Mechanism
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.
SAHA	SAHA Corporate Governance and Credit Rating Services Inc.
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SAP	System Analysis and Program Development
SAP CRM	SAP Customer Relations Management
SCADA	Supervisory Control and Data Acquisition
SME	Small and Medium Scale Enterprises
SMP	System Marginal Price
SMS	Short Message Service
TBB	The Banks Association of Turkey

TCC	Turkish Code of Commerce
TEDAŞ	Türkiye Elektrik Dağıtım A.Ş. (Turkish Electricity Distribution Inc.)
TEİAŞ	Türkiye Elektrik Iletim A.Ş. (Turkish Electricity Transmission Inc.)
TES-İŞ	Turkey Energy, Water and Gas Workers' Union
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
TOBB	The Union of Chambers and Commodity Exchanges of Turkey
TOR	Transfer of Operating Rights
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
TRT	Turkish Radio Television Corporation
TURKSTAT	Turkish Statistical Institute
TÜSİAD	Turkish Industry & Business Association
TWh	Terawatt Hour
UN	United Nations
USD	Currency of the United States of America
VAT	Value Added Tax
Verbund	Verbund International GmbH
WACC	Weighted Average Cost of Capital
WEPs	United Nations Women's Empowerment Principles
YASED	Foreign Investors Association