ENERJİSA ENERJİ A.Ş. &
ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE
PERIOD ENDED
31 MARCH 2018

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

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

	Notes	Unaudited / current period 31 March 2018	Audited / prior period 31 December 2017
ASSETS			
Current Assets		**4,621,406**	**4,101,617**
Cash and Cash Equivalents	22	78,603	172,750
Financial Assets	8	767,209	691,860
Trade Receivables	6	2,852,009	2,382,440
Due from related parties	*5*	*28,747*	*40,859*
Due from third parties		*2,823,262*	*2,341,581*
Other Receivables	7	518,858	439,967
Due from related parties	*5*	*290*	*598*
Due from third parties		*518,568*	*439,369*
Derivative Financial Instruments	20	108,824	44,054
Inventory		153,078	101,754
Prepaid Expenses		110,207	199,638
Assets Related with Current Taxes	18	5,064	11,215
Other Current Assets		27,554	57,939
Non-Current Assets		**14,346,694**	**14,484,361**
Other Receivables	7	450,519	473,505
Due from third parties		*450,519*	*473,505*
Financial Assets	8	5,758,280	5,746,571
Property, Plant and Equipment	9	132,724	137,925
Intangible Assets	10	7,656,523	7,703,430
Goodwill		*2,730,031*	*2,730,031*
Other intangible assets		*4,926,492*	*4,973,399*
Prepaid Expenses		2,324	4,840
Deferred Tax Assets	18	155,724	209,957
Other Non-Current Assets		190,600	208,133
TOTAL ASSETS		**18,968,100**	**18,585,978**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

LIABILITIES	**Notes**	**Unaudited / current period 31 March 2018**	**Audited / prior period 31 December 2017**
Current Liabilities		**4,168,058**	**4,855,222**
Short-Term Financial Liabilities	19	1,469,020	795,658
Short-Term Portion of Long Term Financial Liabilities	19	297,003	1,143,282
Other Financial Liabilities	19	35,119	30,009
Trade Payables	6	951,331	1,512,499
Due to related parties	*5*	*38,273*	*145,093*
Due to third parties		*913,058*	*1,367,406*
Payables for Employee Benefits		50,472	49,983
Other Payables	7	574,795	185,990
Due to related parties	*5*	*354,321*	-
Due to third parties		*220,474*	*185,990*
Derivative Instruments	20	-	1,797
Deferred Income		385,425	605,658
Income Tax Liability	18	-	3,725
Short-Term Provisions		189,170	203,150
Provisions for employment benefits		*26,174*	*45,912*
Other short-term provisions		*162,996*	*157,238*
Other Short-Term Liabilities		215,723	323,471
Long-Term Liabilities		**9,027,530**	**7,850,353**
Long-Term Financial Liabilities	19	6,269,230	5,269,080
Other Financial Liabilities	19	284,335	279,657
Other Payables	7	1,286,818	1,140,458
Due to third parties		*1,286,818*	*1,140,458*
Deferred Income		871	1,161
Long-Term Provisions		69,646	69,544
Provisions for employment benefits		*69,646*	*69,544*
Deferred Tax Liabilities	18	1,116,630	1,090,453

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

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

LIABILITIES	**Notes**	**Unaudited / current period 31 March 2018**	**Audited / prior period 31 December 2017**
Equity		**5,772,512**	**5,880,403**
Registered Share Capital	12	1,181,069	1,181,069
Adjustment to Share Capital	12	2,784,755	2,836,364
Total Share Capital		**3,965,824**	**4,017,433**
Other Funds		4,340	4,340
Accumulated other comprehensive expenses not to be reclassified to profit or loss in subsequent periods		(5,241)	(5,241)
Accumulated losses on remeasurement of defined benefit plans		*(5,241)*	*(5,241)*
Accumulated other comprehensive incomes to be reclassified to profit or loss in subsequent periods		3,568	-
Hedge reserves		*3,568*	-
Restricted Profit Reserves	12	217,079	185,265
Retained Earnings		1,344,080	690,597
Profit for the Period		242,862	988,009
TOTAL LIABILITIES AND EQUITY		**18,968,100**	**18,585,978**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2018

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

	Notes	Unaudited / current period 1 January- 31 March 2018	Unudited / prior period 1 January- 31 March 2017
Revenue	13	4,070,303	2,726,192
Cost of Sales (-)	14	(3,045,516)	(1,971,168)
GROSS PROFIT		**1,024,787**	**755,024**
General Administrative Expenses (-)	15	(414,908)	(339,574)
Other Income from Operating Activities	16	68,991	43,786
Other Expenses from Operating Activities (-)	16	(83,352)	(101,739)
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSE)		**595,518**	**357,497**
Finance Income	17	31,844	7,086
Finance Expense (-)	17	(295,639)	(247,158)
PROFIT BEFORE TAX		**331,723**	**117,425**
Tax Expense		**(88,861)**	**(39,135)**
Current Tax Expense	18	(9,006)	(18,118)
Deferred Tax Income / (Expense)	18	(79,855)	(21,017)
PROFIT FOR THE PERIOD		**242,862**	**78,290**
OTHER COMPREHENSIVE INCOME AND EXPENSE			
Other Comprehensive Income or Expenses not to be reclassified to Profit or Loss in subsequent periods		**-**	**(109)**
(Loss) / Gain on measurement of defined benefit obligation		*-*	*(136)*
Income Tax Relating to Other Comprehensive Income	*18*	*-*	*27*
Other Comprehensive Income or Expenses to be reclassified to Profit or Loss in subsequent periods		**3,568**	**-**
Gains / (losses) on hedges		*4,460*	*-*
Income Tax Relating to Other Comprehensive Income	*18*	*(892)*	*-*
TOTAL COMPREHENSIVE INCOME		**246,430**	**78,181**
Earnings per share			
Earnings per share (kr)	12	0.21	0.02

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2018

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

					Accumulated other comprehensive expenses not to be reclassified to profit or loss in subsequent periods	Accumulated other comprehensive incomes to be reclassified to profit or loss in subsequent periods			
	Share Capital	Adjustment to Share Capital	Restricted Profit Reserves	Other Funds	Accumulated Loss on Remeasurement of Defined Benefit Plans	Hedge reserves	Retained Earnings	Profit for the Period	Total Equity
Balance as at 1 January 2017	**3,964,528**	**-**	**139,190**	**4,340**	**(7,209)**	**-**	**268,586**	**377,393**	**4,746,828**
Transfers	-	-	40,848	-	-	-	336,545	(377,393)	-
Total comprehensive income	-	-	-	-	(109)	-	-	78,290	78,181
Balance as at 31 March 2017	**3,964,528**	**-**	**180,038**	**4,340**	**(7,318)**	**-**	**605,131**	**78,290**	**4,825,009**
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)	31,814	-	-	-	1,007,804	(988,009)	-
Dividend (**)	-	-	-	-	-	-	(354,321)	-	(354,321)
Total comprehensive income	-	-	-	-	-	3,568	-	242,862	246,430
Balance as at 31 March 2018	**1,181,069**	**2,784,755**	**217,079**	**4,340**	**(5,241)**	**3,568**	**1,344,080**	**242,862**	**5,772,512**

(*) 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.

(**) At the Ordinary General Assembly held on 29 March 2018, it has been resolved to distribute the dividend at the amount of TL 354,321 derived from the Group's distributable earnings at 2017 and distribute the cash dividend beginning from 3 April 2018. Dividends were paid out in cash in April. Dividend paid by the Group per share with a TL 1 nominal value is gross TL 0.30.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2018

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

	Notes	Unaudited / current period 1 January- 31 March 2018	Unaudited / prior period 1 January- 31 March 2017
Cash Flows from Operating Activities		**(103,661)**	**343,950**
Profit for the period		**242,862**	**78,290**
Profit for the period		242,862	78,290
Adjustments to reconcile net profit for the period		**232,599**	**287,459**
Adjustments related to the depreciation and amortization	9,10	61,434	56,141
Adjustments related to the depreciation of property, plant and equipment	9	5,113	2,796
Adjustments related to the amortization of intangible assets	10	56,321	53,345
Adjustments related to impairment loss	6	86,476	100,260
Adjustments related to doubtful provision expenses	6	86,476	100,260
Adjustments related to provisions		15,422	17,255
Adjustments related to provisions for employee benefits		9,664	8,879
Adjustments related to provision for employee termination benefits and unused vacation provision		8,203	8,879
Adjustments related to provision for bonus		1,461	-
Adjustments related to legal case provisions / collections		5,758	8,376
Adjustments related to interest (income) and expenses, net	17	255,004	234,685
Adjustments related to interest income	17	(31,844)	(7,086)
Adjustments related to interest expense	17	286,848	241,771
Unrealized foreign exchange loss	17	30,206	13,878
Adjustments related to tax expense	18	88,861	39,135
Adjustments related to change in fair value	16,17	(17,959)	(6,761)
Adjustments related to change in fair value gain of derivative instruments	16,17	(17,959)	(6,761)
Other adjustments to reconcile profit (loss)	22	(286,845)	(167,134)
Adjustments related to interest (income) / expense based on revenue cap regulation	16	(7,825)	233
Adjustments related to financial income from service concession arrangements	13	(305,398)	(196,910)
Adjustments related to revaluation differences arising from deposits and guarantees	16	26,378	29,543
Changes in operating assets and liabilities		**(886,272)**	**(231,543)**
Adjustments related to (increase) in trade receivables		(556,045)	(371,006)
Adjustments related to decrease in trade receivables from related parties		12,112	6,331
Adjustments related to (increase) in trade receivables from third parties		(568,157)	(377,337)
Adjustments related to (increase) in inventories		(51,324)	(6,159)
Adjustments related to decrease in other receivables and current assets		450,376	260,006
Adjustments related to decrease in other receivables from related parties		308	2
Adjustments related to decrease in other receivables from third parties		450,068	260,004
Adjustments related to (decrease) in trade payables		(561,168)	(364,485)
Adjustments related to (decrease) in trade payables to related parties		(106,820)	(67,495)
Adjustments related to (decrease) in trade payables to third parties		(454,348)	(296,990)
Adjustments related to (decrease) / increase in other payables and expense accruals		(168,111)	250,101
Adjustments related to increase in other payables to related parties		354,321	-
Adjustments related to increase / (decrease) in other payables to third parties		(522,432)	250,101
Cash Generated From Operating Activities		**(410,811)**	**134,206**
Payments for employment benefits		(29,300)	(10,877)
Tax payments	18	(6,580)	(21,649)
Other cash in-flows	22	343,030	242,270
CAPEX reimbursements related to service concession arrangements	8	191,335	144,102
WACC reimbursements related to service concession arrangements	8	151,695	106,466
Prior tariff adjustments related to service concession arrangements	8	-	(8,298)
Cash Flows from Investing Activities		**(469,042)**	**(391,026)**
Cash used for purchase of tangible and intangible assets		(11,688)	(8,627)
Cash used for property, plant and equipment purchases		(29)	(148)
Cash used for purchase of intangible assets		(11,659)	(8,479)
Interest received		31,844	7,086
Other cash out-flows	22	(489,198)	(389,485)
Capital expenditures related to service concession arrangements		(489,198)	(389,485)
Cash Flows from Financing Activities		**478,556**	**696,492**
Cash in-flows from borrowings		7,747,557	8,534,080
Financial liabilities received		7,747,557	8,534,080
Cash out-flows from borrowings		(6,958,091)	(7,595,738)
Repayments of the financial liabilities		(6,958,091)	(7,595,738)
Interest paid		(310,910)	(241,850)
Increase in cash and cash equivalents		(94,147)	649,416
Cash and cash equivalents at the beginning of the period	22	172,750	74,570
Cash and cash equivalents at the end of the period	**22**	**78,603**	**723,986**

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

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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NOTE 1 - ORGANIZATION AND 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:

Sabancı Center, Kule 2, Kat 5, 4. Levent, 34330, Istanbul, 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.

In order to allow for the determination of the financial situation and performance trends, the Group's interim condensed consolidated statements of profit or loss, cash flows, changes in equity and other comprehensive income have been prepared comparatively with the related consolidated financial statements of EEDAŞ for the period ended 31 March 2017, considering the Company, as the successor of EEDAŞ which represents substantially the same business and assets of the Group.

Subsidiaries consolidated in the consolidated financial statements as of 31 March 2018 and their activities are as follows:

Başkent Elektrik Dağıtım A.Ş. ("BAŞKENT EDAŞ")	Distribution of electricity
İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş. ("AYEDAŞ")	Distribution of electricity
Toroslar Elektrik Dağıtım A.Ş. ("TOROSLAR EDAŞ")	Distribution of electricity
Enerjisa Başkent Elektrik Perakende Satış A.Ş. ("EPS")	Retail service of electricity
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş. ("AEPSAŞ")	Retail service of electricity
Enerjisa Toroslar Elektrik Perakende Satış A.Ş. ("TOROSLAR EPSAŞ")	Retail service of electricity
Enerjisa Müşteri Çözümleri A.Ş.	Customer solutions and distributed generation services

Group's operations are carried out only in Turkey.

The Group has 9,622 employees as of 31 March 2018 (31 December 2017: 9,627 employees).

The consolidated financial statements were authorized for issue by the Board of Directors of the Company on 2 May 2018. The General Assembly and certain regulatory bodies have the power to amend the consolidated financial statements after the issue.

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 thousands. 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 thousands. 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.

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

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 thousands. TOROSLAR EDAŞ currently operates in Adana, Gaziantep, Hatay, Kilis, Mersin and Osmaniye and holds the license that gives the right for distribution of electricity in these provinces until 31 December 2042 starting from the date of TOR agreement signed with TEDAŞ on 24 July 2006.

As of 1 January 2013, TOROSLAR EDAŞ is obliged to carry out the distribution and the retail sales activities under separate legal entities in accordance with Electricity Market Law. On 13 December 2012, TOROSLAR EPSAŞ was established with the same shareholder structure and as of 31 December 2012, TOROSLAR EDAŞ has transferred some of its assets and liabilities to TOROSLAR EPSAŞ due to the legal unbundling. The aforementioned unbundling transactions have been registered as of 31 December 2012 and TOROSLAR EPSAŞ started retail sales operations on 1 January 2013 according to the Retail Sales License obtained due to unbundling. Starting from 1 January 2013, TOROSLAR EDAŞ has undertaken only distribution activities. In addition, with the new regulation applied by EMRA, TOROSLAR EDAŞ started retail sales only for illumination customers starting from 1 April 2013.

In 2006, EMRA has set a unique pricing mechanism for all of the electricity distribution companies in Turkey which will be effective for the period between 1 January 2006 and 31 December 2012 which is called the "transition period". In accordance with this pricing mechanism, distribution companies in Turkey have already determined their regional tariffs for the period between 1 January 2006 and 31 December 2010 and by using these regional tariffs, EMRA has already determined the national tariffs for the same period. In December 2010, EMRA has announced a new tariff for the period between 1 January 2011 and 31 December 2015; and also in December 2015, EMRA has announced a new tariff for the period between 1 January 2016 and 31 December 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.

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"). Interim financial statements do not include all the information and disclosures required to be included in the annual financial statements. In addition, significant accounting policies and significant accounting estimates and assumptions used in the preparation of the condensed consolidated financial statements in the condensed consolidated interim balance sheet for the period ended 31 March 2018 are consistent with each other. Therefore, the financial statements in the interim condensed consolidated balance sheet should be read and evaluated together with the annual financial statements prepared by the Group as of 31 December 2017.

2.3 Functional and Presentation of Currency

The individual financial statements of each Group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Turkish Liras ("TL"), which is the functional currency of the Group, and the presentation currency for the consolidated financial statements. The effective functional currency of the subsidiaries of the Group is also defined as TL.

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.

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

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.

The Group presented the consolidated balance sheet as of 31 March 2018 comparatively with the consolidated balance sheet as of 31 December 2017; presented the consolidated statement of profit or loss as of 31 March 2018 comparatively with the consolidated statement of profit or loss of EEDAŞ as of 31 March 2017, statement of cash flows and statement of changes in equity for the period 1 January - 31 March 2018 comparatively with the statement of cash flows and statement of changes in equity of EEDAŞ for the period 1 January - 31 March 2017, considering the Company as the successor of EEDAŞ which represents substantially the same business and assets of the Group in order to give information about financial position and performance trends.

If the presentation or classification of the current period consolidated financial statements is changed, in order to maintain consistency, comparative information are also adjusted or reclassified in line with the related changes. The Group does not have any material reclassifications and adjustments in current period.

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 has been observed at the accounting policies of the Group in the current period.

The Group uses foreign currency swaps to hedge its cash flow risk arising from financial liabilities. Starting from 1 January 2018, the effective portion of the gains or losses from the fair value change of cross currency swaps are recognised in other comprehensive income in the hedge reserves for the purpose of hedge accounting.

2.6 Changes and Misstatements in Accounting Estimates

If changes in accounting estimates are related to only one period, the changes are applied prospectively in the current period in which changes are made. If changes in accounting estimates are related to future periods, the changes are applied prospectively both in the current period in which changes are made and also in future periods. No change has been observed at the accounting estimates of the Group in the current period.

The accounting misstatements which are identified are applied retrospectively and consolidated financial statements of preceding period are restated. No material misstatement has been observed in order to restate the financial statements of the Group in the current period.

2.7 Going Concern

The Group has prepared its consolidated financial statements in accordance with going concern principle.

2.8 Seasonality of the Group's operations

The results of Group's operations do not show a significant change by season.

(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 Basis of Consolidation

The details of the Company's subsidiaries at 31 March 2018 and 31 December 2017 are as follows:

	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group %		Principal activity
		31 March 2018	31 December 2017	
Başkent Elektrik Dağıtım A.Ş.	Ankara	100	100	Electricity distribution services
Enerjisa 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

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:

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

2.9 Basis of Consolidation (Continued)

- 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 recognised 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, no goodwill is recognised.

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

2.10 New and Revised International Financial Reporting Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 31 March 2018 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2018 are as follows:

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is 1 January 2018.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Group has performed an impact assessment of TFRS 9. This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Group in the future. The impact of standard on all three aspects of IFRS 9 is as follows:

Classification and Measurement of Financial Assets:

There is no significant impact on the Group's balance sheet or equity on applying the classification and measurement requirements of TFRS 9. Group continues measuring at fair value all financial assets currently held at fair value.

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

2.10 New and Revised International Financial Reporting Standards (Continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2018 are as follows (Continued):

IFRS 9 Financial Instruments (Continued)

Classification and Measurement of Financial Assets (Continued):

Loans as well as trade receivables are held to collect contractual cash flows and gave rise to cash flows representing solely payments of principal and interest. The Group analyzed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required

Impairment:

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group did not have any significant impact on financial statements.

Hedge accounting:

The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IAS 39.

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are applied for annual periods beginning on or after 1 January 2018. The standard is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

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

2.10 New and Revised International Financial Reporting Standards (Continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2018 are as follows (Continued):

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. The amendment are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

IAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to IAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

- IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

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

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

2.10 New and Revised International Financial Reporting Standards (Continued)

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 interim condensed consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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. In this amendment the IASB clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

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

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

2.10 New and Revised International Financial Reporting Standards (Continued)

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

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. An entity shall apply those amendments prospectively.

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)

2.10 New and Revised International Financial Reporting Standards (Continued)

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

IFRIC 23 Uncertainty over Income Tax Treatments (Continued)

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

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

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

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

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced *Annual Improvements to IFRS Standards 2015–2017 Cycle*, containing the following amendments to IFRSs:

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

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

2.10 New and Revised International Financial Reporting Standards (Continued)

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

Annual Improvements – 2015–2017 Cycle (Continued)

- 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, with early application permitted.

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

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" to harmonise accounting practices and to provide more relevant information for decision-making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

(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

The condensed consolidated interim financial statements for the period ended 31 March 2018 have been prepared in accordance with IAS 34, the standard on the preparation and presentation of interim period financial statements. The accounting policies used in the preparation of the condensed interim consolidated financial statements for the period ended 31 March 2018 are consistent with those used in the preparation of consolidated financial statements for the year ended 31 December 2017. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the consolidated statements for the year ended 31 December 2017.

2.12 Significant Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires the use of 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 revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017.

NOTE 3 - SHARES IN OTHER PARTIES

Subsidiaries

			Proportion of ownership (%)	
Name of Subsidiary	Principal activity	Place of incorporation and operation	31 March 2018	31 December 2017
BAŞKENT EDAŞ	Electricity Distribution Services	Ankara	100	100
EPS	Electricity Retail Services	Ankara	100	100
AYEDAŞ	Electricity Distribution Services	İstanbul	100	100
AEPSAŞ	Electricity Retail Services	İstanbul	100	100
TOROSLAR EDAŞ	Electricity Distribution Services	Adana	100	100
TOROSLAR EPSAŞ	Electricity Retail Services	Adana	100	100
Enerjisa Müşteri Çözümleri A.Ş.	Customer Solutions and Distributed Generation Services	İstanbul	100	100

Group Structure:

		Number of subsidiaries wholly owned by the Group	
Principal Activity	Place of incorporation and operation	31 March 2018	31 December 2017
Electricity Distribution Services	Ankara, İstanbul, Adana	3	3
Electricity Retail Services	Ankara, İstanbul, Adana	3	3
Customer Solutions and Distributed Generation Services	İstanbul	1	1

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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 activities are 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.

The following table contains information on the Group's sales and profit from its operations for the period ended 31 March 2018 and 31 March 2017.

1 January - 31 March 2018	**Distribution**	**Retail**	**Unallocated (*)**	**Elimination**	**Total**
Net sales	1,282,880	3,762,756	5,950	(981,283)	4,070,303
Cost of sales (-)	(423,236)	(3,598,310)	-	976,030	(3,045,516)
Gross profit / (loss)	**859,644**	**164,446**	**5,950**	**(5,253)**	**1,024,787**
Operating expenses (-)	(283,549)	(69,671)	(67,668)	5,980	(414,908)
Other income / (expense) from operating activities - net	(2,030)	(11,523)	(81)	(727)	(14,361)
Operating profit / (loss)	**574,065**	**83,252**	**(61,799)**	**-**	**595,518**
Financial income	1,276	64,955	50,926	(85,313)	31,844
Financial expense (-)	(219,546)	(1,219)	(160,187)	85,313	(295,639)
Profit / (loss) before taxation on income	**355,795**	**146,988**	**(171,060)**	**-**	**331,723**
Current tax expense (-)	(7,310)	(1,696)	-	-	(9,006)
Deferred tax income / (expense)	(62,487)	(27,658)	10,290	-	(79,855)
Net profit / (loss) for the period	**285,998**	**117,634**	**(160,770)**	**-**	**242,862**

(*) Out of TL 61,434 depreciation and amortization expenses, TL 51,451 represents amortization expenses of intangible assets (Note 10), 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.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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NOTE 4- SEGMENT REPORTING (Continued)

1 January - 31 March 2017	Distribution	Retail	Unallocated (*)	Elimination	Total
Net sales	1,045,716	2,497,814	548	(817,886)	2,726,192
Cost of sales (-)	(373,754)	(2,415,034)	(266)	817,886	(1,971,168)
Gross profit	**671,962**	**82,780**	**282**	**-**	**755,024**
Operating expenses (-)	(232,252)	(58,156)	(52,446)	3,280	(339,574)
Other income / (expense) from operating activities - net	(30,908)	(23,765)	-	(3,280)	(57,953)
Operating profit / (loss)	**408,802**	**859**	**(52,164)**	**-**	**357,497**
Financial income	233	35,924	10,766	(39,837)	7,086
Financial expense (-)	(142,140)	(3,767)	(141,088)	39,837	(247,158)
Profit / (loss) before taxation on income	**266,895**	**33,016**	**(182,486)**	**-**	**117,425**
Current tax expense (-)	(18,118)	-	-	-	(18,118)
Deferred tax income / (expense)	(24,214)	(7,093)	10,290	-	(21,017)
Net profit / (loss) for the period	**224,563**	**25,923**	**(172,196)**	**-**	**78,290**

(*) Out of TL 56,141 depreciation and amortization expenses, TL 51,451 represents amortization expenses of intangible assets (Note 10), 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.

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise indicated.
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NOTE 4- SEGMENT REPORTING (Continued)

The information below includes information about the Group's financial status of its business segments related to the period ended 31 March 2018 and 31 December 2017.

As at 31 March 2018	Distribution	Retail	Unallocated (*)	Elimination	Total
Segment assets					
Cash and cash equivalents	2,011	72,643	3,949	-	78,603
Trade receivables	1,524,995	1,881,312	27,467	(581,765)	2,852,009
Inventories	153,078	-	-	-	153,078
Derivative instruments	82,698	11,546	14,580	-	108,824
Financial assets	6,525,489	-	-	-	6,525,489
Property, plant and equipment	101,170	37,643	911	(7,000)	132,724
Intangible assets	2,680	50,422	7,603,421	-	7,656,523
Other receivables and assets	1,320,410	1,341,489	1,994,640	(3,195,689)	1,460,850
Total assets	**9,712,531**	**3,395,055**	**9,644,968**	**(3,784,454)**	**18,968,100**
Segment liabilities					
Bank borrowings	4,504,005	-	3,531,248	-	8,035,253
Other financial liabilities	319,454	-	-	-	319,454
Trade payables	357,841	1,167,934	7,321	(581,765)	951,331
Other payables and liabilities	3,086,153	1,553,083	2,446,003	(3,195,689)	3,889,550
Total liabilities	**8,267,453**	**2,721,017**	**5,984,572**	**(3,777,454)**	**13,195,588**

(*) The majority of intangible assets under unallocated part represents customer contracts, transfer of operating rights and goodwill (Note 10). The majority of bank borrowings under unallocated part represent loans utilized for the acquisitions of distribution and retail businesses. 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.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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NOTE 4- SEGMENT REPORTING (Continued)

As at 31 December 2017	Distribution	Retail	Unallocated (*)	Elimination	Total
Segment assets					
Cash and cash equivalents	16,948	144,250	11,552	-	172,750
Trade receivables	1,261,083	1,443,198	38,993	(360,834)	2,382,440
Inventories	101,754	-	-	-	101,754
Derivative instruments	27,232	10,042	6,780	-	44,054
Financial assets	6,438,431	-	-	-	6,438,431
Property, plant and equipment	105,519	38,628	778	(7,000)	137,925
Intangible assets	2,242	46,403	7,654,785	-	7,703,430
Other receivables and assets	2,168,984	1,378,865	1,617,353	(3,560,008)	1,605,194
Total assets	**10,122,193**	**3,061,387**	**9,330,240**	**(3,927,842)**	**18,585,978**
Segment liabilities					
Bank borrowings	3,619,530	-	3,588,490	-	7,208,020
Other financial liabilities	309,666	-	-	-	309,666
Trade payables	862,860	1,002,664	7,809	(360,834)	1,512,499
Derivative financial instruments	-	1,797	-	-	1,797
Other payables and liabilities	2,739,623	1,444,708	3,049,270	(3,560,008)	3,673,593
Total liabilities	**7,531,679**	**2,449,169**	**6,645,569**	**(3,920,842)**	**12,705,575**

(*) The majority of intangible assets under unallocated part represents customer contracts, transfer of operating rights and goodwill (Note 10). The majority of bank borrowings under unallocated part represent loans utilized for the acquisitions of distribution and retail businesses. 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.

(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)

31 March 2018	Distribution	Retail	Unallocated	Elimination	Total
Cash Flows from Operating Activities	**93,196**	**(104,630)**	**(92,227)**	**-**	**(103,661)**
Profit for the period	285,998	117,634	(160,770)	-	242,862
Adjustments to reconcile net profit for the period	64,805	14,391	153,403	-	232,599
Changes in operating assets and liabilities	(582,701)	(222,068)	(81,503)	-	(886,272)
Cash generated from operating activities	(231,898)	(90,043)	(88,870)	-	(410,811)
Tax payments	(314)	(6,200)	(66)	-	(6,580)
Other cash inflows	325,408	(8,387)	(3,291)	-	313,730
Cash Flows from Investing Activities	**(1,315,202)**	**64,751**	**873,881**	**(92,472)**	**(469,042)**
Restructring effects of companies under common control (*)	(827,279)	-	827,279	-	-
Cash used for purchase of property, plant and equipment and intangible assets	-	(11,535)	(153)	-	(11,688)
Interest received	1,275	76,286	46,755	(92,472)	31,844
Other cash out-flows	(489,198)	-	-	-	(489,198)
Cash Flows from Financing Activities	**1,207,069**	**(31,728)**	**(789,257)**	**92,472**	**478,556**
Increase in cash and cash equivalents	(14,937)	(71,607)	(7,603)	-	(94,147)
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	**2,011**	**72,643**	**3,949**	**-**	**78,603**

(*) 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.

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NOTE 4- SEGMENT REPORTING (Continued)

31 March 2017	Distribution	Retail	Unallocated	Elimination	Total
Cash Flows from Operating Activities	**145,772**	**202,366**	**(4,188)**	**-**	**343,950**
Profit for the period	224,563	25,923	(172,196)	-	78,290
Adjustments to reconcile net profit for the period	56,129	46,695	184,635	-	287,459
Changes in operating assets and liabilities	(362,994)	148,078	(16,627)	-	(231,543)
Cash generated from operating activities	(82,302)	220,696	(4,188)	-	134,206
Tax payments	(5,643)	(16,006)	-	-	(21,649)
Other cash inflows	233,717	(2,324)	-	-	231,393
Cash Flows from Investing Activities	**(389,538)**	**27,445**	**7,383**	**(36,316)**	**(391,026)**
Cash used for purchase of property, plant and equipment and intangible assets	(148)	(8,479)	-	-	(8,627)
Interest received	95	35,924	7,383	(36,316)	7,086
Other cash out-flows	(389,485)	-	-	-	(389,485)
Cash Flows from Financing Activities	**268,084**	**(98,144)**	**490,236**	**36,316**	**696,492**
Increase in cash and cash equivalents	24,318	131,667	493,431	-	649,416
Cash and cash equivalents at the beginning of the period	22,351	52,219	-	-	74,570
Cash and cash equivalents at the end of the period	**46,669**	**183,886**	**493,431**	**-**	**723,986**

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NOTE 5 - RELATED PARTY TRANSACTIONS

The immediate parents and ultimate controlling parties of the Group are Sabancı (incorporated in Turkey) and E.ON (incorporated in Germany). Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

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

(1) Sabancı Holding and E.ON group companies
(2) Shareholder

Details of transactions between the Group and other related parties are disclosed below:

Related Party Bank Balances- Akbank T.A.Ş. (1)	31 March 2018	31 December 2017
Demand deposits	11,650	13,943
Time deposits	4,500	11,407
Repurchase agreements	-	2,000
	16,150	27,350

Loans provided by related parties	Original currency	Maturity	31 March 2018 Current liabilities	Non-current liabilities
Akbank T.A.Ş. (1)	TL	2 April 2018	42,700	-
Akbank T.A.Ş. (1)	USD	6 July 2018	409,661	-
Akbank T.A.Ş. (1)	TL	29 July 2019	7,116	297,000
Akbank T.A.Ş. (1)	USD	5 August 2019	1,873	251,131
Akbank T.A.Ş. (1)	TL	9 September 2019	7,832	200,000
Akbank T.A.Ş. (1)	USD	27 September 2019	268	394,890
Akbank T.A.Ş. (1)	TL	9 January 2020	14,742	480,000
Akbank T.A.Ş. (1)	TL	2 June 2020	1,727	150,000
Akbank T.A.Ş. (1)	TL	2 June 2020	15,931	300,000
Akbank T.A.Ş. (1)	TL	30 September 2020	230	303,000
			502,080	2,376,021

As of 31 March 2018, the interest rates of TL utilized from related parties are in the range of 13.51%-16.07% (31 December 2017: 12.86% - 16.07%). As of 31 March 2018, the interest rates of USD loans utilized from related parties are in the range of 4.88%- 4.99% (31 December 2017: 4.88%- 4.99%).

As of 31 March 2018 and 31 December 2017, the Group has not given any collateral for the loans.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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NOTE 5 - RELATED PARTY TRANSACTIONS (Continued)

Loans provided by related parties	Original currency	Maturity	31 December 2017 Current liabilities	Non-current liabilities
Akbank T.A.Ş. (1)	TL	30 March 2018	258,396	-
Akbank T.A.Ş. (1)	USD	6 July 2018	386,544	-
Akbank T.A.Ş. (1)	TL	29 July 2019	17,676	297,000
Akbank T.A.Ş. (1)	USD	5 August 2019	14,344	239,875
Akbank T.A.Ş. (1)	TL	9 September 2019	1,727	200,000
Akbank T.A.Ş. (1)	USD	27 September 2019	14,407	377,190
Akbank T.A.Ş. (1)	TL	9 January 2020	31,850	480,000
Akbank T.A.Ş. (1)	TL	2 June 2020	3,882	300,000
Akbank T.A.Ş. (1)	TL	2 June 2020	1,807	150,000
Akbank T.A.Ş. (1)	TL	30 September 2020	10,799	303,000
			741,432	2,347,065

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

	31 March 2018 Contract Amount (USD)	Contract Amount (TL)	Assets	Liabilities
Cross currency swap	163,595	646,021	72,795	-
Foreign exchange swap	105,071	414,913	14,580	-
	268,666	1,060,934	87,375	-

	31 December 2017 Contract Amount (USD)	Contract Amount (TL)	Assets	Liabilities
Forward exchanges	53,074	15,087	-	(240)
Cross currency swap	163,595	617,065	24,187	-
Foreign exchange swap	105,071	396,316	6,780	-
	321,740	1,028,468	30,967	(240)

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NOTE 5 - RELATED PARTY TRANSACTIONS (Continued)

	31 March 2018			
	Receivables		Payables	
	Current		Current	
Balances with Related Parties	Trade	Other	Trade	Non-trading
Akbank T.A.Ş. (1)	343	-	-	-
Bimsa Uluslararası İş ve Bilgi Sistemleri A.Ş. ("Bimsa") (1) (*)	594	-	1,205	1
Çimsa Çimento Sanayi A.Ş. (1)	1,278	-	-	-
Akçansa Çimento T.A.Ş. (1)	18,786	-	-	-
Carrefoursa A.Ş. (1)	6,610	-	-	-
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş. (1)	-	290	11,503	-
Enerjisa Üretim Santralleri A.Ş. (1)	532	-	25,475	-
Teknosa İç ve Dış Ticaret A.Ş. (1)	116	-	-	-
Temsa Global San. ve Tic. A.Ş. (1)	342	-	-	-
Aksigorta A.Ş. (**) (1)	5	-	24	-
Hacı Ömer Sabancı Holding A.Ş. (2) (***)	141	-	66	141,728
DD Turkey Holdings S.A.R.L. (2) (***)	-	-	-	141,728
Other (***)	-	-	-	70,864
	28,747	290	38,273	354,321

	31 December 2017			
	Receivables		Payables	
	Current		Current	
Balances with Related Parties	Trade	Other	Trade	Non-trading
Akbank T.A.Ş. (1)	2,489	-	-	-
Bimsa Uluslararası İş ve Bilgi Sistemleri A.Ş. ("Bimsa") (1) (*)	-	-	1,978	-
Çimsa Çimento Sanayi A.Ş. (1)	11,954	-	-	-
Akçansa Çimento T.A.Ş. (1)	18,464	-	-	-
Carrefoursa A.Ş. (1)	6,164	-	-	-
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş. (1)	12	-	-	-
Enerjisa Üretim Santralleri A.Ş. (1)	872	598	141,130	-
Teknosa İç ve Dış Ticaret A.Ş. (1)	-	-	61	-
Temsa Global San. ve Tic. A.Ş. (1)	327	-	-	-
Aksigorta A.Ş. (**) (1)	9	-	1,890	-
Hacı Ömer Sabancı Holding A.Ş. (2) (***)	325	-	34	-
Brisa Bridgestone Sabancı Lastik San. Tic. A.Ş. (1)	243	-	-	-
	40,859	598	145,093	-

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

(**) Includes premiums covered under the policies signed with Aksigorta A.Ş. and Avivasa Emeklilik ve Hayat A.Ş. which are operating as insurance companies.

(***) Includes rent expenses that are invoiced by shareholder, Sabancı to its group companies. Non-trading payables include dividends to be paid out to shareholders**.**

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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 March 2018	1 January- 31 March 2017
Short-term employee benefits	8,619	3,709
Long-term employee benefits	860	32
	9,479	3,741

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NOTE 5 - RELATED PARTY TRANSACTIONS (Continued)

	1 January - 31 March 2018					
Transactions with Related Parties	Electricity sales	Electricity purchases	Interest received	Interests paid	Other income	Other expenses
Akbank T.A.Ş. (1)	442	-	-	92,911	-	93
Hacı Ömer Sabancı Holding (2) (*)	771	-	-	-	-	-
Bimsa Uluslararası İş ve Bilgi Sistemleri A.Ş. (1) (***)	-	-	-	-	-	3,234
Çimsa Çimento Sanayi A.Ş. (1)	14,615	-	-	-	-	-
Akçansa Çimento T.A.Ş. (1)	16,210	-	-	-	-	-
Carrefoursa A.Ş. (1)	15,247	-	-	-	-	6
Enerjisa Üretim Santralleri A.Ş. (1)	451	68,827	-	-	-	-
Temsa Global San. ve Tic. A.Ş. (1)	870	-	-	-	-	-
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş. (1)	336	115,598	-	-	-	161
Aksigorta A.Ş. (1) (**)	8	-	-	-	-	-
Brisa (1)	2	-	-	-	-	-
Avivasa Emeklilik ve Hayat A.Ş. (1) (**)	138	-	-	-	-	-
Exsa Export San. Mamülleri Satış ve Araştırma A.Ş. (1)	2	-	-	-	-	-
Teknosa İç ve Dış Ticaret A.Ş. (1)	625	-	-	-	-	-
	49,717	184,425	-	92,911	-	3,494

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NOTE 5 - RELATED PARTY TRANSACTIONS (Continued)

	1 January - 31 March 2017					
Transactions with Related Parties	Electricity sales	Electricity purchases	Interest received	Interests paid	Other income	Other expenses
Akbank T.A.Ş. (1)	5,996	-	7,105	91,122	-	-
Hacı Ömer Sabancı Holding (2) (*)	653	-	-	-	-	1,720
Sabancı Üniversitesi (1)	547	-	-	-	-	-
Bimsa Uluslararası İş ve Bilgi Sistemleri A.Ş. (1) (***)	-	-	-	-	-	435
Çimsa Çimento Sanayi A.Ş. (1)	7,421	-	-	-	-	586
Akçansa Çimento T.A.Ş. (1)	7,935	-	-	-	-	-
Carrefoursa A.Ş. (1)	12,007	-	-	-	-	-
Enerjisa Üretim Santralleri A.Ş. (1)	60	-	-	-	201	413
Enerjisa Enerji A.Ş. (****)	-	-	-	-	17	3,729
Temsa Global San. ve Tic. A.Ş. (1)	795	-	-	-	-	-
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş. (1)	-	164,894	-	-	188	856
Aksigorta A.Ş. (1) (**)	8	-	-	-	-	204
Brisa (1)	110	-	-	-	-	-
Avivasa Emeklilik ve Hayat A.Ş. (1) (**)	111	-	-	-	-	35
Exsa Export San. Mamülleri Satış ve Araştırma A.Ş. (1)	1	-	-	-	-	-
Teknosa İç ve Dış Ticaret A.Ş.	941	-	-	-	-	-
	36,585	164,894	7,105	91,122	406	7,978

(*) Includes rent expenses that are invoiced by shareholder, Sabancı to its Group companies.

(**) Includes premiums covered under the policies signed with Aksigorta A.Ş. and Avivasa Emeklilik ve Hayat A.Ş. which are operating as insurance companies.

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

(****) Includes consultancy fees invoiced by the Group companies.

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NOTE 6 - TRADE RECEIVABLES AND PAYABLES

6.1 Trade Receivables:

Current Trade Receivables	31 March 2018	31 December 2017
Trade receivables	4,147,480	3,617,454
Due from related parties (Note 5)	28,747	40,859
Allowance for doubtful receivables (-)	(1,324,218)	(1,275,873)
	2,852,009	2,382,440

As of 31 March 2018, trade receivables amounting TL 2,250,020 (31 December 2017: TL 1,773,684) were neither past due nor impaired. Interest is charged at 1.40% (31 December 2017: 1.40%) per month on the overdue receivable balances.

As of 31 March 2018 trade receivables amounting TL 601,989 (31 December 2017: TL 608,756) were past due but not impaired. The aging analysis of these trade receivables as of 31 March 2018 and 31 December 2017 is as follows:

Aging of Receivables that are Due but not Impaired

	31 March 2018	31 December 2017
Up to 3 months	482,686	415,290
3 to 6 months	57,525	122,816
Over 6 months	61,778	70,650
	601,989	608,756

As of 31 March 2018, trade receivables of TL 1,324,218 were considered as impaired and a provision was provided for these trade receivables (31 December 2017: TL 1,275,873). The provision amount corresponding to the impaired trade receivable is determined based on the aging analysis retrieved from the billing and collection system. Group management considers the receivables overdue by more than 180 days as impaired by taking the past default experience into consideration. Group management books a provision for the overdue agricultural irrigation related receivables by more than 365 days.

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NOTE 6- TRADE RECEIVABLES AND PAYABLES (Continued)

6.1 Trade Receivables (Continued):

Movement of allowance for the doubtful trade receivables are as follows:

	1 January- 31 March 2018	1 January- 31 March 2017
Balance at beginning of the year	(1,275,873)	(1,032,928)
Charge for the period	(86,476)	(100,260)
Amounts collected during the year	38,131	37,118
Closing balance	(1,324,218)	(1,096,070)

The Group received guarantee letters amounting to TL 1,307,650 (31 December 2017: TL 1,044,473) and deposits and guarantees amounting to TL 1,286,818 (31 December 2017: TL 1,140,458) as collateral for its electricity receivables.

6.2 Trade Payables:

Current Trade Payables	31 March 2018	31 December 2017
Trade payables	913,058	1,367,406
Due to related parties (Note 5)	38,273	145,093
	951,331	1,512,499

Trade payables mainly arise from the Group's electricity purchases from Türkiye Elektrik Ticaret ve Taahhüt A.Ş. ("TETAŞ") and Enerji Piyasaları İşletme A.Ş. ("EPİAŞ"). The average maturity of the payables related to electricity purchases is between 18 - 20 days.

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NOTE 7 - OTHER RECEIVABLES AND PAYABLES

7.1 Other Receivables:

Other Current Receivables	31 March 2018	31 December 2017
Income accruals (*)	457,072	403,916
Due from related parties	290	598
Deposits and guarantees given	28,886	20,706
Receivables from personnel	990	213
Allowance for other doubtful receivables (-)	(3,123)	(3,123)
Other sundry receivables	34,743	17,657
	518,858	439,967

Other Non-Current Receivables	31 March 2018	31 December 2017
Deposits and guarantees given (**)	215,027	205,134
Income accruals (*)	169,381	204,379
Other sundry receivables (***)	66,111	63,992
	450,519	473,505

(*) According to the Electricity Market Law, the Electricity Market Tariffs Communiqué and other related regulations the Group's distribution, transmission and meter reading services have revenue caps which cover operating expenses and investment requirements related to distribution 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 a revenue to the Group regardless of the consumption level of subscribers. The under billings or overbillings made by the Group are adjusted by EMRA in the tariffs to be effective in two years. 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.

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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 March 2018	1 January- 31 March 2017
Opening balance	(3,123)	(3,123)
Closing balance	(3,123)	(3,123)

7.2 Other Payables:

Other Current Payables	31 March 2018	31 December 2017
Other payables	181,831	150,035
Deposits received	13,944	13,778
Due to related parties	354,321	-
New connection payables	24,699	22,177
	574,795	185,990

Other Non-Current Payables	31 March 2018	31 December 2017
Deposits received (*)	1,286,818	1,140,458
	1,286,818	1,140,458

(*) 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.

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NOTE 8 – FINANCIAL ASSETS

	Financial asset	
	31 March 2018	31 December 2017
Within one year	767,209	691,860
1-3 years	890,570	789,525
3-5 years	1,048,471	889,680
More than 5 years	3,819,239	4,067,366
	6,525,489	6,438,431
Current financial assets	767,209	691,860
Non - current financial assets	5,758,280	5,746,571
	6,525,489	6,438,431

	1 January- 31 March 2018	1 January- 31 March 2017
Financial assets at 1 January	6,438,431	4,293,306
Investments	124,690	130,825
Collections	(343,030)	(242,270)
CAPEX reimbursements	*(191,335)*	*(144,102)*
WACC reimbursements	*(151,695)*	*(106,466)*
Prior tariff adjustments	-	*8,298*
Financial income	305,398	196,910
Fair value difference and other	-	67,456
Financial assets at 31 March	6,525,489	4,446,227

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NOTE 9 - PROPERTY, PLANT AND EQUIPMENTS

	Machinery and equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost					
Opening balance as of 1 January 2018	97,691	40,438	37,591	2,035	177,755
Additions	26	-	-	3	29
Disposals	(256)	-	-	-	(256)
Transfers from constructions in progress	2,035	-	-	(2,035)	-
Closing balance as of 31 March 2018	99,496	40,438	37,591	3	177,528
Accumulated Depreciation					
Opening balance as of 1 January 2018	(5,903)	(26,488)	(7,439)	-	(39,830)
Charge for the period	(4,063)	(562)	(488)	-	(5,113)
Disposals	139	-	-	-	139
Closing balance as of 31 March 2018	(9,827)	(27,050)	(7,927)	-	(44,804)
Carrying value as of 31 March 2018	89,669	13,388	29,664	3	132,724

	Machinery and equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost					
Opening balance as of 1 January 2017	15,061	36,946	25,670	-	77,677
Additions	-	-	148	-	148
Closing balance as of 31 March 2017	15,061	36,946	25,818	-	77,825
Accumulated Depreciation					
Opening balance as of 1 January 2017	(1,052)	(15,775)	(2,840)	-	(19,667)
Charge for the period	(783)	(1,297)	(716)	-	(2,796)
Closing balance as of 31 March 2017	(1,835)	(17,072)	(3,556)	-	(22,463)
Carrying value as of 31 March 2017	13,226	19,874	22,262	-	55,362

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

Depreciation expense of TL 5,113 are accounted in general administrative expenses (31 March 2017 general administrative expenses: TL 2,676 and cost of sales: TL 120).

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NOTE 10 - INTANGIBLE ASSETS

	Customer contracts and related relationships	Transfer of operating rights	Goodwill	Computer software	Other intangible assets	Total
Cost						
Opening balance as of 1 January 2018	4,390,673	1,650,121	2,730,031	1,152	58,181	8,830,158
Additions	-	-	-	-	9,414	9,414
Closing balance as of 31 March 2018	4,390,673	1,650,121	2,730,031	1,152	67,595	8,839,572
Accumulated Amortization						
Opening balance as of 1 January 2018	(851,479)	(265,141)	-	(1,150)	(8,958)	(1,126,728)
Charge for the period	(37,506)	(13,945)	-	-	(4,870)	(56,321)
Closing balance as of 31 March 2018	(888,985)	(279,086)	-	(1,150)	(13,828)	(1,183,049)
Carrying value as of 31 March 2018	3,501,688	1,371,035	2,730,031	2	53,767	7,656,523

	Customer contracts and related relationships	Transfer of operating rights	Goodwill	Computer software	Other intangible assets	Total
Cost						
Opening balance as of 1 January 2017	4,390,673	1,650,121	2,730,031	1,152	28,480	8,800,457
Additions	-	-	-	-	5,061	5,061
Closing balance as of 31 March 2017	4,390,673	1,650,121	2,730,031	1,152	33,541	8,805,518
Accumulated Amortization						
Opening balance as of 1 January 2017	(699,371)	(208,586)	-	(1,150)	-	(909,107)
Charge for the period	(37,506)	(13,945)	-	-	(1,894)	(53,345)
Closing balance as of 31 March 2017	(736,877)	(222,531)	-	(1,150)	(1,894)	(962,452)
Carrying value as of 31 March 2017	3,653,796	1,427,590	2,730,031	2	31,647	7,843,066

Amortization expense of TL 56,321 is included in general administrative expenses (31 March 2017: TL 53,345).

Customer contracts and related relationships and transfer of operating rights are separately recognized during the business combination according to IFRS 3.

On 31 March 2006 BEDAŞ and on 24 July 2006, AYEDAŞ and TOROSLAR EDAŞ signed TOR Agreements with TEDAŞ.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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NOTE 10 - INTANGIBLE ASSETS (Continued)

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 BEDAŞ 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 8) is recognized as intangible asset based on IFRS 3.

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 March 2018, there is no impairment on goodwill (31 March 2017: None).

NOTE 11 - COMMITMENT AND CONTINGENCIES

31 March 2018	TL Amount	TL
A. Total amount of Collateral Pledge Mortgage (CPM) given on behalf of the legal entity	1,202	1,202
-Collateral	*1,202*	*1,202*
B. Total amount of CPM given against the subsidiaries included in full consolidation	1,839,615	1,839,615
-Collateral	*1,839,615*	*1,839,615*
Total	1,840,817	1,840,817

31 December 2017	TL Amount	TL
A. Total amount of Collateral Pledge Mortgage given on behalf of the legal entity	37,454	37,454
-Collateral	*37,454*	*37,454*
B. Total amount of CPM given against the subsidiaries included in full consolidation	1,714,899	1,714,899
-Collateral	*1,714,899*	*1,714,899*
Total	1,752,353	1,752,353

<u>Investment obligations</u>

Annual expansion, replacement, and improvement investments that are stated in TOR and required to be completed by the Group have been determined during the preparation of the tariffs. These investments have been included in the first implementation period tariffs approved by EMRA and as a result the Group is obliged to make these determined investments. Implementation of these investments is monitored by EMRA by the reports received from the Group at the end of each year. Some of these investments are subject to unit prices as announced by EMRA. According to the regulations, the Group is allowed to make transfers between the years. As of 31 March 2018, Group has an obligation to make further investments.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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NOTE 11 - COMMITMENT AND CONTINGENCIES (Continued)

Energy Sales Agreements

Distribution and retail companies signed Energy Sales Agreements ("ESA") with TETAŞ and Elektrik Üretim A.Ş. ("EÜAŞ") in order to obtain their energy needs during the period. These energy sales agreements have been established based on regulated prices. During the period, 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.

Competition Board Investigation

Further to a preliminary inquiry in November 2016, The Competition Board resolved to commence an investigation in December 2016 to check if the Company's subsidiaries are in compliance with the 4054 numbered Competition Law. Company received the Competition Board's investigation report on January 5, 2018, which alleges that Company's subsidiaries have abused their dominant position and should be imposed administrative fines. As of the date of this report, the investigation process is ongoing. The written plea of the Company was submitted on March 6, 2018 against the investigation report. The investigation report is not binding on the Competition Board, which may or may not agree with the findings in the investigation report.

Investigation process is expected to be finalized by the end of August 2018. The submission of the investigation report to the Company's subsidiaries cannot be interpreted as the undertakings of the related subsidiaries have violated the Competition Law or the subsidiaries will be punished. The Company and its subsidiaries execute its transactions within the Competition Law and other regulations.

NOTE 12 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

12.1 Share Capital:

	31 March 2018		31 December 2017	
Shareholders	Share (%)	TL	Share (%)	TL
Hacı Ömer Sabancı Holding A.Ş.	40	472,427.6	50	590,534.5
DD Turkey Holdings S.A.R.L. (E.ON)	40	472,427.6	50	590,534.5
Other	20	236,213.8	-	-
	100	1,181,069	100	1,181,069
Adjustment to share capital (*)		2,784,755		2,836,364
Total share capital		3,965,824		4,017,433

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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NOTE 12 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

12.1 Share Capital (Continued):

With the decision of the Board of Directors on 20 April 2017, Enerjisa Enerji A.Ş. merged with Enerjisa Elektrik Dağıtım A.Ş. ("EEDAŞ") and the subsidiaries of EEDAŞ together with all their assets and liabilities with the takeover method. In addition, on 25 August 2017, the Group's electricity generation and wholesale business areas were separated and structured under another company. As a result of these transactions, necessary corrections are made in the registered share capital and the statutory capital after merger and split has been reached.

(*) Adjustment to share capital represents the portion of registered share capital which has been treated as a capital reserve in the statutory books after the merger and split process (Note 1), due to local regulations. Such amount has been classified as adjustment to share capital to comply with the IFRS requirements.

In the statutory financials recorded in accordance with the tax procedure law, the loss for previous years in amount of TL 51,609 has been netted off with adjustments to share capital.

As at 31 March 2018, the capital of the Company comprising 118,106,900 thousand (31 December 2017: 118,106,900 thousand) registered ordinary shares of TL 0.01 each (31 December 2017: TL 0.01 each).

12.2 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 period.

	1 January- 31 March 2018	1 January- 31 March 2017
Profit for the period	242,862	78,290
Weighted average shares (*)	118,106,896,712	396,452,800,000
Earnings per share (kr)	0.21	0.02

(*) For the period ended 31 March 2018 and 31 March 2017, earnings per share are computed based on the current number of shares after the reduced capital pursuant to Article 474 of the Turkish Commercial Code in 2016, so as to be comparable with the current period.

12.3 Restricted Profit Reserves:

	31 March 2018	31 December 2017
Restricted Profit Reserves	217,079	185,265
	217,079	185,265

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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NOTE 12 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

12.3 Restricted Profit Reserves (Continued):

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 13 – REVENUE

	1 January- 31 March 2018	1 January- 31 March 2017
Revenue from electricity sales and services provided	3,762,597	2,528,734
Retail sales revenue	*2,690,832*	*1,604,571*
Retail sales service revenue	*84,504*	*58,422*
Distribution lighting sales revenue	*57,597*	*48,693*
Distribution service revenue	*730,748*	*650,273*
Transmission revenue	*189,137*	*149,841*
Other regions distribution revenue	*9,779*	16,934
Financial income from service concession arrangements	305,398	196,910
Other sales	2,308	548
	4,070,303	2,726,192

NOTE 14 - COST OF SALES

	1 January- 31 March 2018	1 January- 31 March 2017
Electricity purchases	(2,846,493)	(1,803,770)
Retail energy purchases	*(2,612,501)*	*(1,580,213)*
Distribution related energy purchases (*)	*(233,992)*	*(223,557)*
System usage fee (**)	(198,916)	(166,775)
Other	(107)	(623)
	(3,045,516)	(1,971,168)

(*) Includes theft/loss and lightining related electricty purchases.
(**) Includes pass-through of transmission and other regions distribution revenue.

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NOTE 15 - GENERAL ADMINISTRATIVE EXPENSES

	1 January- 31 March 2018	1 January- 31 March 2017
General administrative expenses (-)	(414,908)	(339,574)
	(414,908)	(339,574)

Details of general administrative expenses are as follows:

	1 January- 31 March 2018	1 January- 31 March 2017
Payroll and employee benefit expenses	(178,301)	(156,130)
Depreciation and amortization expenses	(61,434)	(56,021)
Material expenses	(55,909)	(34,613)
Outsourcing expenses	(15,474)	(14,979)
Rent expenses	(7,923)	(6,198)
Attorney expenses	(13,233)	(11,869)
Consulting expenses	(8,550)	(10,579)
Repair and maintenance expenses	(11,355)	(11,624)
Tax and duties	(25,701)	(5,111)
Security expenses	(6,027)	(4,552)
Travel expenses	(4,217)	(3,140)
Insurance expenses	(3,869)	(2,336)
Communication and IT expenses	(1,001)	(4,101)
Other expenses	(21,914)	(18,321)
	(414,908)	(339,574)

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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NOTE 16 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

16.1 Other Income From Operating Activities:

	1 January-31 March 2018	1 January-31 March 2017
Power theft penalties	18,308	10,898
Late payment interest income from electricity receivables	22,559	22,882
Rent income	4,074	618
Interest income related to revenue cap regulation	7,825	-
Penalty income	-	92
Other income	16,225	9,296
	68,991	43,786

16.2 Other Expenses From Operating Activities:

	1 January-31 March 2018	1 January-31 March 2017
Provision for doubtful receivables	(48,345)	(63,142)
Valuation differences arising from deposits and guarantees	(26,378)	(29,543)
Losses from derivative financial instruments	(3,456)	(1,730)
Interest expense related to revenue cap regulation	-	(233)
Penalty expenses	-	(21)
Other expenses	(5,173)	(7,070)
	(83,352)	(101,739)

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NOTE 17 - FINANCE INCOME AND EXPENSES

17.1 Finance Income:

	1 January- 31 March 2018	1 January- 31 March 2017
Interest income from repurchase agreements	31,844	7,086
	31,844	7,086

17.2 Finance Expense:

	1 January- 31 March 2018	1 January- 31 March 2017
Interest expense of borrowings	(284,718)	(236,246)
Bank commission expenses	(2,130)	(5,525)
Foreign exchange gains / (losses) - net	(8,791)	(5,387)
	(295,639)	(247,158)

(*) TL 21,415 fair value gains of financial instruments are recognized at foreign exchange gains / (losses) (31 March 2017: TL 8,491)

NOTE 18 - TAXATION ON INCOME

Assets Related with Current Taxes	31 March 2018	31 December 2017
Prepaid taxes and funds	5,064	11,215
	5,064	11,215

	31 March 2018	31 December 2017
Current Tax Asset / Liability		
Current corporate tax provision	9,006	51,342
Less: prepaid taxes and funds	(9,006)	(47,617)
	-	3,725

Tax Expense / (Income) Recognized in Profit or Loss	1 January- 31 March 2018	1 January- 31 March 2017
Current tax expense	9,006	18,118
Deferred tax expense / (income) relating to the origination and reversal of temporary differences, net	79,855	21,017
Total tax expense	88,861	39,135

NOTE 18 - TAXATION ON INCOME (Continued)

Corporate tax

The Group is subject to Turkish corporate taxes. A provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting the tax-exempt earnings, other exempt income and other deductions (losses of previous periods, investment incentives utilized).

Valid rate of corporate tax in 2018 is 22% (31 December 2017: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was applied as 22% in 2018 (2017: 20%). However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their to 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. The companies apply 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) tax rate over their quarterly profits when calculating their temporary tax payables; which they are obliged to declare via Advance Corporate Tax Declaration by the end of the 14th, and pay by the end of the 17th of the 2 month following the related period. Quarterly Advance Corporate Tax payments made within a year are deducted from the Corporate Income Tax calculated for the same fiscal year. Following the netting-off, if there is still remaining Advance Corporate Tax balance, it can be deducted from any other financial debt owed to the State or can be received in the form of a cash refund.

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

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

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied is 15%. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Deferred tax

The Company recognizes deferred tax assets and liabilities on the temporary timing differences between the legal books and the financial statements prepared in accordance with IFRS. Such differences generally arise from timing differences of some revenue and expense balances in legal books and financial statements prepared in accordance with IFRS and are explained below.

For calculation of deferred tax assets and liabilities as of 31 March 2018, the rate of 22% is used (31 December 2017: 22%).

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NOTE 18 - TAXATION ON INCOME (Continued)

Deferred tax (Continued)

As of 31 March 2018, the tax rate of 22% is used for the temporary differences expected to be realized / settled within 3 years (2018, 2019 and 2020) for deferred tax calculation since the tax rate applicable to 3 years as of 1 January 2018 has been changed to 22%. However, 20% tax rate is used for the current differences expected / expected to be incurred after 2020 since the tax rate applicable for post-2020 corporations is 20%.

Deferred Tax (assets) / liabilities	31 March 2018	31 December 2017
Differences arising from customer contracts and transfer of operational rights	974,545	984,835
Carrying amount differences of property,plant and equipment, intangible assets and concession arrangement differences	(43,054)	(100,000)
Provision for employment termination benefits	(1,187)	(4,604)
Provision for doubtful receivables	20,540	19,790
Provision for lawsuits	(33,294)	(32,063)
Provision for unused vacation	(5,429)	(4,962)
Effect of revenue cap adjustments	45,842	50,018
Late penalty payments	(16,395)	(17,244)
Adjustments due to system migration	(39,090)	(39,090)
Carry forward tax loss	(141,648)	(144,143)
Other	200,076	167,959
	960,906	880,496

	31 March 2018	31 December 2017
Deferred tax (asset)	(155,724)	(209,957)
Deferred tax liability	1,116,630	1,090,453
Deferred tax (asset) / liability, net	960,906	880,496

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NOTE 18 - TAXATION ON INCOME (Continued)

Deferred tax (Continued)

Movement of deferred tax (assets)/liabilities is as follows:

	1 January- 31 March 2018	1 January- 31 March 2017
Opening balance	880,496	778,961
Charged to statement of profit or loss	79,855	21,017
Charged to other comprehensive income/expense	892	(27)
Closing balance	960,906	799,951

Deferred tax assets may only be recognised 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 March 2018, the Group recognized deferred tax assets amounting to TL 643,854 for unused carry forward tax losses amounting to TL 141,648 since it was considered as probable that there would be sufficient taxable income in the subsequent periods to utilise such assets based on the forecasts made (31 December 2017: TL 655,196 and TL 144,143 respectively).

The expiration dates of previous years' losses on which deferred tax asset was recognized are as follows:

	1 January- 31 March 2018	1 January- 31 December 2017
Expiring in 2018	66,110	66,110
Expiring in 2019	196,045	196,045
Expiring in 2020	-	46,370
Expiring in 2021	75,959	75,964
Expiring in 2022	272,247	270,707
Expiring in 2023	33,493	-
	643,854	655,196

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NOTE 19 - FINANCIAL INSTRUMENTS

19.1 Financial Liabilities:

	31 March 2018	31 December 2017
Short-term liabilities	1,469,020	795,658
Short-term portion of long term bonds issued	8,523	20,876
Short-term portion of long-term liabilities	288,480	1,122,406
Total short term financial liabilities	1,766,023	1,938,940
Long-term liabilities	4,936,070	3,978,065
Bonds issued	1,333,160	1,291,015
Total long term financial liabilities	6,269,230	5,269,080
Total financial liabilities	8,035,253	7,208,020

The financial liabilities are repayable as follows:

	31 March 2018	31 December 2017
To be paid within 1 year	1,766,023	1,938,940
To be paid between 1-2 years	3,222,984	2,044,941
To be paid between 2-3 years	2,422,511	2,183,000
To be paid between 3-4 years	264,142	695,807
To be paid between 4-5 years	359,593	345,332
	8,035,253	7,208,020

As of 31 March 2018 and 31 December 2017, the Group has not given any collateral for the loans obtained.

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NOTE 19 - FINANCIAL INSTRUMENTS (Continued)

19.1 Financial Liabilities (Continued):

As of 31 March 2018 and 31 December 2017, details of short and long term financial liabilities in terms of interest and currencies are as follows:

Currency	Weighted average effective interest rate	31 March 2018 Current	Non-current
TL	14.09%	1,290,934	4,290,049
USD (*)	4.92%	411,802	646,021
EUR (*)	2.68%	54,764	-
		1,757,500	4,936,070

Currency	Weighted average effective interest rate	31 December 2017 Current	Non-current
TL	13.43%	1,452,245	3,361,000
USD (*)	4.92%	415,347	617,065
EUR (*)	2.68%	50,472	-
		1,918,064	3,978,065

(*) Foreign currency risks associated with the USD and EUR denominated loans of the Group are fully hedged through foreign exchange swap and cross currency swap instruments.

As of 31 March 2018 and 31 December 2017, details of bonds issued are as follows:

Currency	Weighted average effective interest rate (*)	31 March 2018 Current	Non-current
TL	CPI + 4%-5%	8,523	1,333,160
		8,523	1,333,160

Currency	Weighted average effective interest rate (*)	31 December 2017 Current	Non-current
TL	CPI + 4%-5%	20,876	1,291,015
		20,876	1,291,015

(*) As of 31 March 2018, the interest is CPI-indexed variable interest and the annual real coupon rate varies from 4% to 5% (31 December 2017: 4% to 5%).

As of 31 March 2018, the principal valuation of bonds is TL 143,160 (31 December 2017: TL 101,015).

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NOTE 19 - FINANCIAL INSTRUMENTS (Continued)

19.2 Other Financial Liabilities:

	31 March 2018	31 December 2017
Other current financial liabilities	35,119	30,009
Other non-current financial liabilities	284,335	279,657
	319,454	309,666

The other financial liabilities are repayable as follows:

	31 March 2018	31 December 2017
To be paid within 1 year	35,119	30,009
To be paid between 1-2 years	35,319	27,663
To be paid between 2-3 years	34,827	27,349
To be paid between 3-4 years	36,818	27,020
To be paid between 4-5 years	28,337	26,677
To be paid between 5+ years	149,034	170,948
	319,454	309,666

As of 31 March 2018 and 31 December 2017, details of short and long term other financial liabilities in terms of currencies are as follows:

		31 March 2018	
Currency	Weighted average effective interest rate	Current	Non-current
EUR	4.70%	35,119	284,335
		35,119	284,335

		31 December 2017	
Currency	Weighted average effective interest rate	Current	Non-current
EUR	4.70%	30,009	279,657
		30,009	279,657

After the acquisition of distribution regions, payment obligations of TEDAŞ denominated in EUR, which are in scope of loan agreements with European Investment Bank and World Bank have been transferred to the Group. Other financial liabilities are composed of EUR payment obligations of distribution companies to TEDAŞ in this scope.

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NOTE 20 – DERIVATIVE INSTRUMENTS

The Group utilizes forward exchange contracts in order to mitigate foreign exchange rate risk arising from feed-in-tariff cost ("FIT"). Furthermore, in order to mitigate the foreign exchange risk arising from foreign currency denominated bank loans, the Group entered into forward exchanges, cross currency swaps and foreign exchange swap transactions. The details and fair values of the agreements as of 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018				
	Contract Amount (USD)	Contract Amount (EUR)	Contract Amount (TL)	Assets	Liabilities
Forward exchanges	45,258	48,043	412,559	21,449	-
Cross currency swap	163,595	-	646,020	72,795	-
Foreign exchange swap	105,071	-	414,915	14,580	-
	313,924	48,043	1,473,494	108,824	-

	31 December 2017				
	Contract Amount (USD)	Contract Amount (EUR)	Contract Amount (TL)	Assets	Liabilities
Forward exchanges	112,246	34,043	577,102	13,087	(1,797)
Cross currency swap	163,595	-	617,064	24,187	-
Foreign exchange swap	105,071	-	396,317	6,780	-
	380,912	34,043	1,590,483	44,054	(1,797)

As of 31 March 2018 and 31 December 2017, movements of fair value of derivative financial instruments are as follows:

	31 March 2018	31 December 2017
Opening balance	42,257	3,886
Derivative financial (liabilities) / assets at fair value designated through income / expense	33,151	38,371
Derivative financial instruments at fair value designated through other comprehensive income / expense (*)	33,416	-
Total derivative financial (liabilities) / assets	108,824	42,257

(*) TL 33,416 is netted off with TL 28,956 foreign currency losses and recognised before tax at other comprehensive income.

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NOTE 21 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

21.1 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.

21.1.1 Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed by adjusting the unit price / tariff of the energy sold semi-annually.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is disclosed below.

	31 March 2018		
	USD	**EUR**	**TL equivalent**
Cash and cash equivalents	71	713	3,750
Financial liabilities (*)	(267,878)	(11,251)	(1,112,587)
Other financial liabilities	-	(65,633)	(319,454)
Derivative financial instruments	25,870	1,370	108,824
Trade payables	(38,491)	(3,857)	(170,770)
Net foreign currency position	(280,428)	(78,658)	(1,490,237)

	31 December 2017		
	USD	**EUR**	**TL equivalent**
Cash and cash equivalents	1,483	17	5,672
Financial liabilities (*)	(273,711)	(11,177)	(1,082,884)
Other financial liabilities	-	(68,579)	(309,666)
Derivative financial instruments	11,680	(398)	42,257
Trade payables	(28,526)	(3,613)	(123,912)
Net foreign currency position	(289,074)	(83,750)	(1,468,533)

(*) Foreign currency risks associated with the USD and EUR denominated loans of the Group are fully hedged through foreign exchange swap and cross currency swap instruments.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and EUR.

(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 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

21.1 Financial risk factors (Continued):

21.1.1 Foreign currency risk management (Continued)

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. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss before taxation on income where the TL strengthens against the relevant currency.

	TL effect of USD		**TL effect of EUR**	
	2018	**2017**	**2018**	**2017**
Profit or (loss)	(110,739)	8,208	(38,285)	(30,186)

Above sensitivities do not include related swap instruments that would largely offset any foreign currency risk.

21.1.2 Interest rate risk management

Fair value of financial instruments

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and the tariff structure imposed by EMRA.

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 the reporting date exchange rates are considered to approximate their fair values.

NOTE 21 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

21.1 Financial risk factors (Continued):

21.1.2 Interest rate risk management (Continued)

Categories of financial instruments and fair values (Continued)

The carrying values of cash and cash equivalents are estimated to be at their fair values since they have short term maturities and have little impairment risk.

The carrying value of trade receivables and other receivables which are both discounted and provided provision for doubtful receivables are estimated to be at their fair values.

The fair values of short and long-term bank borrowings are assumed to approximate their book values which are calculated by adding the accrued interest as of the balance sheet date (calculated by effective interest rate method) on the principle.

Discounted values of trade payables are assumed to approximate their respective carrying values.

In the balance sheet, derivate instruments are the only item that is recognized at fair value. The fair value of derivate instrument is determined by using valuation technique, which can be regarded as Level 2.

Assets and liabilities subject to valuation and fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The classification of the Group's financial assets and liabilities at fair value is as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

In the consolidated balance sheet, derivative financial instrument is recognized at fair value. The fair value of derivative financial instrument is determined by using valuation technique, which can be regarded as Level 2.

The Company has also deposits and guarantees received and financial assets that are subject to inflation indexation.

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NOTE 21 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

21.1 Financial risk factors (Continued):

21.1.2 Interest rate risk management (Continued)

Assets and liabilities subject to valuation and fair value of financial instruments (Continued)

The following table gives information about how the fair values of these financial assets, liabilities and assets subject to valuation are determined.

Financial assets / (financial liabilities)	Fair value / revalued amount		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 March 2018	31 December 2017				
Derivatives	108,824	42,257	Level 2	Market Value	-	-
Deposits paid	215,027	205,134	-	CPI	-	-
Deposits and gurantees received (Note 7)	(1,286,818)	(1,140,458)	-	CPI	-	-
Financial assets	6,525,489	6,438,431	-	CPI	-	-

NOTE 22 - EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS

	31 March 2018	31 December 2017
Cash at banks	76,995	148,987
Demand deposits	*72,495*	*137,580*
Time deposit	*4,500*	*11,407*
Repurchase agreements	1,608	23,763
	78,603	172,750

As at 31 March 2018, TL 58,568 of the Group's demand deposits are blocked at different banks (31 December 2017: TL 72,111). These blocked deposits are related to the collections made through bank branches which are made available for use by banks 1 or 2 days after the collection depending on the agreements with related banks.

As of 31 March 2018 repurchase agreements consist of short term TL balances with original maturities between 1-3 days (31 December 2017: 1-3 days). The weighted average effective interest rate of TL repurchase agreements is 13.68% as at 31 March 2018 (31 December 2017: 13.44%).

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NOTE 22 - EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

Details of "Other adjustments to reconcile profit / (loss)" that presented on cash flow statement as follows:

	1 January 31 March 2018	1 January 31 March 2017
Adjustments related to finance (income) / cost based on revenue cap regulation	(7,825)	233
Adjustments related to financial income recognised relate to service concession arrangements	(305,398)	(196,910)
Adjustments related to valuation differences arising from deposits	26,378	29,543
	(286,845)	(167,134)

Details of "Other cash in-flows generated from operating activities" that presented on cash flow statement as follows:

	1 January 31 March 2018	1 January 31 March 2017
Net collections from financial assets related to service concession arrangements	343,030	242,270
CAPEX reimbursements	*191,335*	*144,102*
WACC reimbursements	*151,695*	*106,466*
Prior period tariff adjustments	-	*(8,298)*
	343,030	242,270

Details of "Other cash-out flows from investing activities" that presented on cash flow statement as follows:

	1 January 31 March 2018	1 January 31 March 2017
Capital expenditures related to service concession arrangements	(489,198)	(389,485)
	(489,198)	(389,485)

NOTE 23 - EVENTS AFTER THE REPORTING DATE

As per the Issuance Certificate approved by the Capital Markets Board with decision numbered 28/961 on 21 July 2017; the Company issued a CPI Indexed bond on 5 April 2018 with 1,820 days maturity, nominal amount of TL 162,000, semiannual coupon payments and principal payment at the maturity.

Dividends derived from the Group's distributable earnings at 2017 are distributed within April.

Enerjisa Müşteri Çözümleri A.Ş. acquired 80% of the shares of Eşarj Elektrikli Araçlar Şarj Sistemleri Anonim Şirketi ("Eşarj") with an amount of TL 4,000 on 26 April 2018. Eşarj is mainly involved in the operation of charging network for electric vehicles and supply of charging stations equipment.