



ENERJİSA
Türkiye'nin Enerjisi
Energy of Turkey

ENERJİSA ENERJİ ANONİM ŞİRKETİ

**ANNUAL REPORT
FOR THE PERIOD OF
01.01.2018 – 31.12.2018**

(Convenience translation of a report originally issued in Turkish)

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

To the Shareholders of Enerjisa Enerji A.Ş.

1) Opinion

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

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

2) Basis for Opinion

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

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

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

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

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

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

c) The annual report also includes the matters below:

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

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

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

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

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

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

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


Erdem Tecer SMMM
Partner

February 20, 2019
İstanbul, Türkiye

Chairman’s Message

Dear shareholders,

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

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

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

With the next regulatory period quickly approaching, both the management team as well as the board have kept close contact to regulating authorities and public institutions and offered all required support in developing a regulatory framework, which continues to incentivize investments, efficiency and quality for a reliable and affordable grid infrastructure in Turkey.

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

As the sector leader, Enerjisa continued to be active in the area of strategic business development within 2018. More specifically, with the acquisition on the majority stake of E-şarj Elektrikli Araçlar Şarj Sistemleri Anonim Şirketi (“E-şarj”), the company has expanded its activities into the e-mobility business in order to pilot e-mobility-related services and infrastructure development in Turkey, gain valuable experiences and insights and actively participate in shaping required regulation.

In the fiscal year 2018, the Board of Directors carefully performed all its duties and obligations under law, the company’s Articles of Association, and its own policies and procedures. It thoroughly

examined the company's situation and devoted particular attention to its continually changing energy-policy and economic environment.

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

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

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

The Board of Directors wishes to thank the management, all committees and all the employees of Enerjisa for their dedication and hard work during 2018. We furthermore like to thank our customers, who again have trusted us with providing "Turkey's Energy".

Kıvanç ZAIMLER

Enerjisa Enerji Chairman

1- GENERAL INFORMATION

- a) Accounting period that the report relates to : 01 January 2018 – 31 December 2018
- b) Trade-name of the Company : ENERJİSA ENERJİ ANONİM ŞİRKETİ
- Trade registration number : 800865
- Head office contact details and website address : Barbaros Mah. Begonya Sok. Nida Kule
Ataşehir Batı Sitesi No: 1 / 1
Ataşehir-İSTANBUL
Phone : 0216 579 05 79
Fax : 0216 579 05 30
e-mail : enerjisa-info@enerjisa.com
website : www.enerjisa.com.tr

c) The organization, capital and shareholding structures of the Company and related changes in the fiscal period

Members of the Board of Directors:

The members of the Company's Board of Directors and independent board members are as follows:

- Kivanç ZAIMLER - Chairman
- Eric René C. DEPLUET - Vice Chairman
- Cenk ALPER - Member
- Manfred Michael PAASCH - Member
- Barış ORAN - Member
- Eva-Maria Verena VOLPERT - Member
- Fatma Dilek YARDIM - Independent Board Member
- Mehmet SAMİ - Independent Board Member

Above stated members of the board of directors excluding Kivanç ZAIMLER, Mr. Eric René C. DEPLUET and Manfred Michael PAASCH started their duties as of 29 March 2018 and they were elected for 3 years until the General Assembly meeting to be held in 2021.

Effective as of June 15, 2018, Mr. Keith PLOWMAN, Vice Chairman of the Board of Directors resigned his positions and Mr. Eric René C. DEPLUET was appointed as the new Vice Chairman of the Board of Directors for 3 years.

Effective as of July 1, 2018, Mr. Mehmet GÖÇMEN, Chairman of the Board of Directors resigned his positions and Mr. Kivanç ZAIMLER was appointed as the new Chairman of the Board of Directors for 3 years.

Effective as of August 27, 2018, Mr. Eduard Hans-Jochen KLEY, resigned his position and Mr. Manfred Michael PAASCH was appointed as the new Member of the Board of Directors for 3 years.

Shareholding Structure of the Company:

Shareholder Name	Share / Voting Right			
	31.12.2017		31.12.2018	
	(TL)	(%)	(TL)	(%)
Hacı Ömer Sabancı Holding A.Ş.	590,534,483.56	50.0	472,427,587.56	40.0
DD Turkey Holdings S.A.R.L.	590,534,483.56	50.0	472,427,587.56	40.0
Other (Public)	-	-	236,213,792.00	20.0
TOTAL	1,181,068,967.12	100.0	1,181,068,967.12	100.0

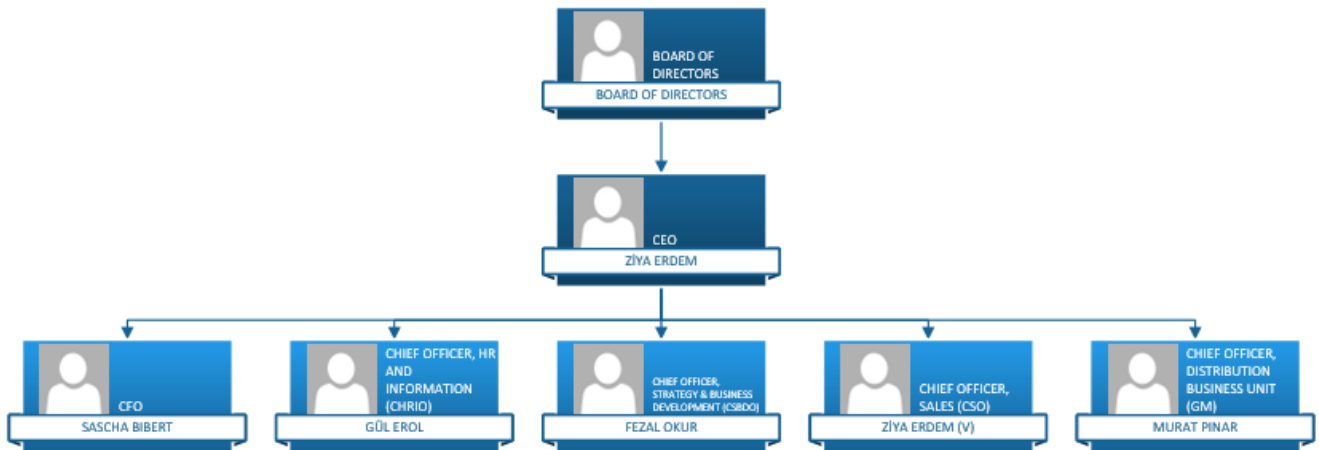
Changes that occurred in the Company Capital during the Period:

The shares representing the capital of the Company amounting to TL 1,181,068,967.12 were quoted in accordance with Article 8 of the Quotation Directive. The shares with a nominal value of TL 236,213,792 were offered to the public and started trading on 8 February 2018 in Borsa İstanbul A.Ş. Stars Market.

ç) Remarks on privileged shares and voting rights of such shares, if any: Not available.

d) Information on the management body, senior officers and number of employees:

As of 31 December 2018 the organization of Enerjisa management is as below:



Effective as of July 1, 2018, Mr. Kıvanç ZAIMLER, Chief Executive Officer (CEO) resigned his position and Mr. Hüseyin Yusuf Ziya ERDEM was appointed as the new Chief Executive Officer (CEO).

Hüseyin Çağlar, who is in the position of Chief Officer, Sales (CSO) reporting to the CEO of our company, had left his position effective as of September 30, 2018.

Effective as of October 1, 2018, Fezal Okur was appointed as Chief Officer, Strategy and Business Development (CSBDO).

Effective as of October 1, 2018, Gül Erol was appointed as Chief Officer, HR and Information (CHRIO).

The group has 9,734 employees as of 31.12.2018.

e) Rights and benefits granted to employees:

Employees working under the structure of Enerjisa Enerji A.Ş. are paid 12 salaries plus 4 monthly bonus payments in a year.

f) Information on the transactions executed by the members of the management body with the company on their own behalf or on behalf of others within the framework of the permission granted by the general assembly of the company as well as their activities under the scope of prohibition of competition, if any:

The Chairman and the Members of the Board of Directors may not execute any transaction with the company on their own behalf or for or on account of others, personally or indirectly, without the prior permission of the General Assembly. During the period of 01.01.2018 – 31.12.2018, the members of our Board of Directors neither executed any transaction with the company, nor been involved in any attempts that can compete with the company in its fields of operation.

2- FINANCIAL RIGHTS GRANTED TO THE MEMBERS OF THE MANAGEMENT BODY AND THE SENIOR-LEVEL EXECUTIVE OFFICERS

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 in thousands of Turkish Lira:

	1 January - 31 December 2018	1 January - 31 December 2017
Short-term employee benefits	21,100	22,039
Long-term employee benefits	790	293
Termination benefits	-	181
	<u>21,890</u>	<u>22,513</u>

3- RESEARCH AND DEVELOPMENT ACTIVITIES

There are no research and development activities conducted by the company during the period of 01.01.2018 – 31.12.2018.

4- COMPANY'S OPERATIONS AND RELATED MAJOR DEVELOPMENTS

a) Information on the main developments during the related fiscal period:

The draft Prospectus regarding public offering of our company was submitted to the approval of the Capital Markets Board of Turkey ("Board") at the end of 2017; and the draft Prospectus was approved by the Board on 25 January 2018 in accordance with the Board decision 29833736-105.01.01.01-E.890. On the same date, approved Prospectus and Annexes were announced to the public on our website and on the Public Disclosure Platform ("PDP").

Within the framework of the Public Offering approval of the Board, the shares representing the share capital of Enerjisa Enerji A.Ş., which was offered to the public on 1-2 February 2018 outside the Exchange, amounting to TL 1.181.068.967,12 quoted as per the Article 8 of the Quotation Directive and shares with a nominal value of TL 236.213.792 were publicly traded on 8 February 2018 in BIST Stars Market, at TL 6.25 base price.

The Company held its Ordinary General Assembly for 2017 on May 29, 2018. The minutes of the meeting were announced to the public on our website and at PDP. According to the decision taken at the meeting:

Pursuant to review of Consolidated Financial Statements for the year 2017 prepared in accordance with the Turkish Financial Reporting Standards, it was resolved to distribute profit as follows from 988,009,000.00 TL Consolidated Net Profit incurred between 01.01.2017 - 31.12.2017 after deducting 54,262,771.98 TL general legal reserves;

- Payment of Gross 354,320,690.14 TL dividend in cash (Gross 30%, net 25,5%) to the shareholders who are representing the 1,181,068,967.12 TL capital,
- To reserve the remaining amount as extraordinary reserves,
- In the statutory financials recorded in accordance with the Tax Procedure Law, the loss for Previous Years in amount of TL 51,608,780.62 has been netted off with Share Premium, and it was resolved to distribute the cash dividend, beginning from 3 April 2018.

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

Enerjisa Müşteri Çözümleri A.Ş. acquired 80% of the shares of E-şarj Elektrikli Araçlar Şarj Sistemleri Anonim Şirketi ("E-şarj") with an amount of TL 4,000,000 on 26 April 2018. Group recognized TL 3,997,000 of this amount under other intangible assets. However, TL 200,000 portion of this price will be accounted as contingent liabilities for 13 months following the purchase transaction and on condition that there exists no receivable which the Group had notified the Sellers following the expiration of such period, TL 200,000 shall be paid to the Sellers. E-şarj is mainly involved in the operation of charging network for electric vehicles and supply of charging stations equipment.

The Competition Authority conducted an examination for electricity distribution and electricity retail sales companies in the market. Within this scope the Competition Authority rendered a decision to start an investigation against our electricity distribution and incumbent retail company in the İstanbul Anatolian Side distribution region and our incumbent retail companies in the Toroslars electricity distribution region and Başkent electricity distribution region to determine whether the companies had violated Article 6 of the Law on the Protection of Competition in December 2016.

The Competition Board has announced its short decision on August 9, 2018 and has imposed İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş., Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş., Enerjisa Başkent Elektrik Perakende Satış A.Ş. ve Enerjisa Toroslar Elektrik Perakende Satış A.Ş. a total administrative fine in the amount of TL 143,061,738.12. The reasoned decision of the investigation initiated by the Competition Board has been notified to the subsidiaries on February 7, 2019.

As a consequence, Enerjisa reported a corresponding provision expense of 107,296,303.59 TL in the consolidated financial statements, as a discount of 25% can be applied to the fine in case the payment is made within 30 days as of the submission date of the reasoned decision. In our annual accounts the net profit impact was the aforementioned TL 107,296,303.59, while underlying net income was not affected.

The board has decided that there is no need to impose an administrative fine to Enerjisa Enerji A.Ş., Toroslar Elektrik Dağıtım A.Ş. and Başkent Elektrik Dağıtım A.Ş.

A lawsuit can be filed in Ankara Administrative Court within 60 days from the notification of decision of the Competition Board. Our subsidiaries will use their legal rights with respect to the said monetary penalty, and the developments related to this matter will be shared with our investors in accordance with the public disclosure requirements.

b) Information on the operational developments during the related fiscal period:

Operational earnings (EBITDA + Capex reimbursements excluding exceptional items) of Enerjisa Enerji A.Ş. have increased by TL 1,280 million (+50%) from TL 2,565 million in 2017 to TL 3,845 million in 2018.

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

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

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

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

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

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

The average cost of financing from loans has increased from 12.8% in 2017 to 17.1% in 2018. Moreover the bond interest expense and customer deposit valuation expense have increased significantly with higher inflation level. Furthermore, tax expenses increased by TL 278 million from TL 296 million in 2017 to TL 574 million in 2018 which is a result of higher pre-tax earnings and increase in income tax rate by 2% in 2018.

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

c) Information on the investments made by the Company during the related fiscal period:

As of December 31, 2018, Enerjisa with approximately 10,9 million distribution connection points and with approximately 9.6 million customers is the leading downstream electricity company. The activities conducted by our Company, i.e. the umbrella company housing under its structure the operational companies such as İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş. (İstanbul Anatolian Side Electricity Distribution Co.), Başkent Elektrik Dağıtım A.Ş. (Başkent Electricity Distribution Co.), Toroslar Elektrik Dağıtım A.Ş. (Toroslar Electricity Distribution Co.), Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş. (İstanbul Anatolian Side Electricity Retail Sales Co.), Enerjisa Başkent Elektrik Perakende Satış A.Ş. (Enerjisa Başkent Electricity Retail Sales Co.), Enerjisa Toroslar Elektrik Perakende Satış A.Ş. (Enerjisa Toroslar Electricity Retail Sales Co.), Enerjisa Müşteri Çözümleri A.Ş. (Enerjisa Customer Solutions) and E-şarj Elektrikli Araçlar Şarj Sistemleri A.Ş. ("Electric Vehicles and Charging Stations Co.). Our Company does not make any direct investment, but participate in the operational companies under its structure.

d) Information on the internal control system and internal audit activities of the Company and the related opinion of the management body:

Internal audit activities related with the efficiency of the internal control system of the Company are planned and conducted by the Internal Audit Department. The audit results are shared with Enerjisa

Enerji A.Ş. Audit Committee composed of independent BoD members only and the company management and the planned actions are monitored.

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

Internal Audit Committee Members are as follows;

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

e) Information on the Company's direct or indirect participations/subsidiaries and the share ratios:

The direct participation shares held by the Company are as follows

	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group (%)		Principal activity
		31 December 2018	31 December 2017	
Başkent Elektrik Dağıtım A.Ş.	Ankara	100	100	Electricity distribution services
Enerjisa Başkent Elektrik Perakende Satış A.Ş.	Ankara	100	100	Electricity retail services
İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş.	İstanbul	100	100	Electricity distribution services
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	İstanbul	100	100	Electricity retail services
Toroslar Elektrik Dağıtım A.Ş.	Adana	100	100	Electricity distribution services
Enerjisa Toroslar Elektrik Perakende Satış A.Ş.	Adana	100	100	Electricity retail services
Enerjisa Müşteri Çözümleri A.Ş.	İstanbul	100	100	Customer solutions and distributed generation services
E-şarj Elektrikli Araçlar Şarj Sistemleri A.Ş.	İstanbul	80	-	Electric vehicles and charging stations equipment services

f) Information on the own shares of the company acquired:

The company does not own any shares in the related period.

g) Information on private audit and public audit conducted in the fiscal period:

The financial reports of our Company for the period of 01.01.2018 – 31.12.2018 prepared in accordance with TAS was independently audited by Güney Bağımsız Denetim ve SMMM A.Ş., a member firm of Ernst & Young, one of the international independent audit companies.

There is no public audit conducted in relation to our Company within the period that ended by 31.12.2018.

h) Information on legal actions filed against the Company which might adversely affect the financial situation and operations of the Company and their possible consequences:

There are no cases filed against the Company within the period of 01.01.2018 – 31.12.2018, which may adversely affect the financial situation and operations of the Company.

i) Information on the administrative or judicial sanctions imposed on the Company and the members of its management body for practices in breach of the provisions of applicable legislation:

There is no judicial or administrative sanction imposed on the Company and the members of the Board of Directors for practices contrary to applicable laws and regulations.

j) Information and evaluation on whether the goals set in the previous periods were achieved, and whether the decisions of the general assembly were implemented, and if not, the related reasons for failure to achieve such goals or to implement such decisions:

There has been no major deviation from our Company's budgetary targets for the period of 01.01.2018 – 31.12.2018.

k) If any extraordinary general assembly meeting has been held during the year, information on such extraordinary general assembly meeting including the date of the meeting, the decisions taken in such meeting and the related activities:

None.

l) Information on the Company's donations and aids and its expenditures made on social responsibility projects during the year:

Our Company has made donations and aids at the amount of TL 18,438,163 within the period of 01.01.2018 – 31.12.2018.

m) If a company operating under a group of companies; legal actions taken with the parent company, or any subsidiary of the parent company in favour of the parent company or any subsidiary thereof upon the instructions of the parent company and all the other measures taken or avoided in favour of the parent company or any subsidiary thereof in the previous fiscal year:

There are no legal actions that we have taken with Hacı Ömer Sabancı Holding A.Ş., DD Turkey Holdings S.A.R.L. or any subsidiary thereof or in favour of them or any of their subsidiaries upon their instructions; and there are no actions taken or avoided in favour of ve Hacı Ömer Sabancı Holding A.Ş., DD Turkey Holdings S.A.R.L. or any of their subsidiaries.

n) The company's sources of finance and the nature and value of the capital markets instruments issued, if any

Enerjisa Group mostly uses sources of finance via the loans received from the Turkish banks in Turkish Lira. The Group has a total of TL 1,352,000,000 bonds in circulation as of 31 December, 2018. There are no new bonds issued within the period.

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 162,000,000, semiannual coupon payments and principal payment at the maturity.

o) Events that occurred after the Balance Sheet Date

On January 2019, Group signed a commitment agreement with Akbank for the Enerjisa Enerji A.Ş. and TOROSLAR EDAŞ's bank borrowings disclosed below.

Enerjisa Enerji A.Ş. signed a commitment agreement for a loan amounting to TL 297,000,000 with a maturity date of 29 July 2021 to be utilized for the refinancing of an existing loan with the same amount at its maturity on 29 July 2019.

TOROSLAR EDAŞ, signed a commitment agreement for a loan amounting to TL 200,000,000 with a maturity date of 9 September 2021 to be utilized for the refinancing of an existing loan with the same amount at its maturity on 9 September 2019.

TOROSLAR EDAŞ, signed a commitment agreement for a loan amounting to TL 225,000,000 with a maturity date of 5 August 2019 to be utilized for the refinancing of an existing loan amounting to USD 63,595,000 at its maturity on 5 August 2021.

TOROSLAR EDAŞ, signed a commitment agreement for a loan amounting to TL 357,000,000 with a maturity date of 27 September 2021 to be utilized for the refinancing of an existing loan amounting to USD 100,000,000 at its maturity on 27 September 2019.

p) Other issues not included in the financial statements, but useful to know for interested parties

None.

q) If a company operating under a group of companies; information about whether a counter action was provided appropriate for each legal action and whether the measure taken or avoided caused the company to suffer a loss; and if the company suffered a loss, whether it was compensated or not according to the situation and conditions known by them at the time when the legal action or the measure mentioned in the subparagraph (i) was performed or taken or avoided:

To the best of our knowledge of current conditions, the legal actions taken by our Company with the controlling companies or any of their subsidiaries or in favour of the controlling companies or any of their subsidiaries upon the instructions of the controlling companies and all the other measures taken or avoided in favour of the controlling companies or any of their subsidiaries in the fiscal period of 01.01.2018 – 31.12.2018 were evaluated in the form of a report under the scope of all transactions performed between our Company and the controlling company and its affiliated companies during the Fiscal Period of 01 January 2018 – 31 December 2018, which were conducted in full conformity with the honest and fair accounting principles according to the conditions well known to us. Our company did not suffer any loss resulting from any transaction executed under known conditions in connection with the Fiscal Period of 01.01.2018 – 31.12.2018.

5- FINANCIAL SITUATION

a) Management body's analysis and assessment of the financial position and operational results, the extent of realization of planned activities, and the company's position against defined strategic goals:

Our Company's financial results for the period of 01.01.2018 – 31.12.2018 are provided in the enclosed Balance Sheet and Income Statement.

b) Company's sales, productivity, income generation capacity, profitability and debt to equity ratio within the year in comparison with the previous years, and information on any other issues that might suggest the company's operational results and future expectations:

The Company's gross profit as of 31 December 2018 is TL 5,966,522,000.

The Company's net debt to equity ratio has been recorded as 58% in the period of 01.01.2018 – 31.12.2018.

There is no revenue risk predicted for the Company.

c) Determination about whether the Company's capital has remained without reserve or whether it has run into debt and the management body's evaluations related thereof:

The Company is not in a deep-in-debt (technical bankruptcy) situation according to the evaluations made pursuant to Article 376 of the Turkish Commercial Code.

d) Measures planned to improve the financial structure of the Company, if any:

Since the Company's financial and capital structures are strong, there are no measures planned to be taken to improve the financial structure of the Company.

6- AMENDMENTS TO ARTICLES OF ASSOCIATION MADE IN THE PERIOD AND THE RELATED REASONS

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

7- RISKS AND THE EVALUATION OF THE MANAGEMENT BODY

a) Risk Management Framework of Enerjisa

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

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

b) Key Risks and Opportunities

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

i. Regulatory Risks and Opportunities

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

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

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

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

ii. Market Risks and Opportunities

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

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

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

iii. Credit Risks and Opportunities

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

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

Enerjisa is exposed to credit risk with respect to its transactions with financial counterparties (mainly loan providers).

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

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

iv. Liquidity Risk

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

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

v. Operational Risks

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

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

c) Enerjisa Risk Monitoring Procedure

All risks and opportunities are identified through a detailed assessment process. For each risk and opportunity, best, base and worst cases are simulated with their probability of occurrences. Correlations are considered during consolidation of risk and opportunity impacts. For the risks that are not easy to quantify, impact and occurrence levels are defined based on other approaches and prioritized accordingly. These assessments form the basis of the Enerjisa Risks and Opportunities

reporting, which is presented to top management as well as to the Enerjisa Early Risk Detection Committee.

d) Enerjisa Early Risk Detection Committee

The Enerjisa Board delegates the monitoring of risks to the Early Risk Detection Committee. Members to the committee are selected board members (including two independent members) and the committee is chaired by an independent Board Member. Aside from receiving regular Risks and Opportunities reports, each meeting agenda includes an in-depth review of a prioritized topic. The Early Risk Detection Committee reports directly to the Enerjisa Board.

Early Risk Detection Committee is responsible to advise Board regarding risk and opportunity definitions which threat company's existence and strategies, relevant mitigation actions, early detections and precautions. Following Board review, agreed actions are monitored by the Enerjisa CFO and Early Risk Detection Committee.

The meetings of the Committee are organized at least four times (once every three months around quarter closings) per year. In 2018, the Early Risk Detection Committee has convened four times. Meeting date and in-depth review topic has been the following:

Meeting Date	In-Depth Review Topic
20 February 2018	Distribution Business Regulatory Highlights
02 May 2018	Introduction to Risk Management at Enerjisa
31 July 2018	Review and Approval of Group Risk Policy and Early Risk Detection Committee Charter
26 November 2018	IT-Cyber Security Obligations

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

e) Enerjisa Corporate Governance Committee

Following the IPO in February 2018, the Corporate Governance Committee has been enacted at the General Assembly Meeting held on March 29th, 2018. Members of the committee are selected board members, as well as the Enerjisa CFO and committee is chaired by an independent Board Member.

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

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

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

In 2018, Corporate Governance Committee convened three times and further reported to the Board of Directors.

Meeting Date	In-Depth Review Topic
2 August 2018	Human Resources, Corporate Communications, Business Continuity Management and Investor Relations Reporting
31 October 2018	Human Resources, Corporate Communications and Investor Relations Reporting
7 December 2018	Human Resources, Corporate Communications and Investor Relations Reporting (Market Performance and 2019 IR planning)

Best regards,

Report date: 20.02.2019

Hüseyin Yusuf Ziya Erdem, CEO

Sascha Bibert, CFO

ENERJISA ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

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

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

ENERJISA ENERJİ A.Ş. AND ITS SUBSIDIARIES

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

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

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

ENERJISA ENERJİ A.Ş. AND ITS SUBSIDIARIES

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

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

LIABILITIES	Notes	Audited / current period 31 December 2018	Audited / prior period 31 December 2017
Equity		6,298,915	5,880,403
Registered Share Capital	17	1,181,069	1,181,069
Adjustments to Share Capital	17	2,784,755	2,836,364
Total Share Capital		3,965,824	4,017,433
Other Funds		4,340	4,340
Accumulated other comprehensive expenses not to be reclassified to profit or loss in subsequent periods		(3,464)	(5,241)
<i>Accumulated loss on remeasurement of defined benefit plans</i>		(3,464)	(5,241)
Accumulated other comprehensive incomes to be reclassified to profit or loss in subsequent periods		23,359	-
<i>Hedge reserves</i>		23,359	-
Restricted Profit Reserves	17	216,612	185,265
Retained Earnings		1,344,547	690,597
Profit for the Period		747,697	988,009
TOTAL LIABILITIES AND EQUITY		23,125,041	18,585,978

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

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

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

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