ENERJİSA ENERJİ A.Ş. AND
ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
AND THE INDEPENDENT AUDITOR'S REPORT

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Enerjisa Enerji A.Ş:

Report on the audit of the consolidated financial statements

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

<table>
<tr><th>Key Audit Matter</th><th>How key audit matter addressed in the audit</th></tr>
<tr><td>IFRIC Interpretation 12- Service Concession Arrangements</td><td></td></tr>
<tr><td>In accordance with the terms of the service concession agreement with the government, the Group has applied the IFRIC Interpretation 12 financial asset model and identified it in a financial asset financial statements.

Revenue calculated over the financial assets according to the effective interest method is accounted as "financial income from service concession agreement" by the Group. In addition, since the financial assets carried at the balance sheet is an asset subject to impairment in accordance with IFRS 9 “Financial Instruments” standard, the Group provides impairment for financial assets by making a credit risk assessment. As of 31 December 2018, the Group has financial assets amounting to 9.294.635 thousands TL, 5.236 thousands TL impairment for related assets under IFRS 9 and accounted interest income amounting to 1.716.597 thousands TL in the statement of profit or loss and other comprehensive income between 1 January and 31 December 2018. Given the complexity of the accounting of the elements within the scope of IFRIC Interpretation 12 and the complexity of the legislation and inclusion of the assumptions in the calculations (basically includes inflation rate assumptions), we determined that the financial assets are significant to our audit and therefore considered as key audit matter.

The details of financial assets within the scope of IFRIC Interpretation 12 are disclosed in footnote 10 to the consolidated financial statements.</td><td>- The Service Concession Agreement was obtained and the contract conditions have been read.
- Compatibility of the related calculation model in terms of legislation has been evaluated.
- Since the interest income is calculated based on the internal rate of return, calculation of internal rate of return has been checked.
- The payments which were committed by the Republic of Turkey Energy Market Regulatory Authority (“EMRA”) as a consequence of the investments made were checked by the communiques of income requirements.
- The rate of return has been checked from the communiques published in the Official Gazette.
- The year-end financial asset amount in the financial statements was reconciled with the economic model of service concession contracts.
- The fairness and the appropriateness of the key assessments and estimations used by the management together with the methods and data sources used in the calculation of impairment within the scope of “IFRS 9 Financial Instruments” were assessed.
- The compliance of the applied accounting policies with IFRS 9, past performance of the Company / Group and local and global practices were assessed.
- Furthermore, within the scope of the above mentioned specific accounting, the adequacy and sufficiency of the information included in the financial statements and explanatory notes for the users of the financial statements were evaluated.</td></tr>
</table>

Recoverability of deferred tax assets recognized over tax losses carried forward	
As disclosed in footnote 23 to the consolidated financial statements as of 31 December 2018, the Group recognized deferred tax assets over the tax losses carried forward amounting to 116.432 thousands TL. Partially or fully recoverable amount of recognized deferred tax asset was estimated based on the Group Management's assumptions under current conditions. Business plans for the future, the loss amounts incurred in the last 5 years and the expiration dates of unused losses are taken into the consideration during the assessment. Given that the extent to which these assets are recognized is dependent on Group Management's assumptions, these assets are considered as key audit matter.	During our audit, we challenged the management's assumptions on the recoverability of tax assets by controlling the expiration dates of carry forward tax losses with the projected budgets approved by the management. To examine the management's assumptions about the subject, we involved tax experts to our audit team from another entity that is a part of the same audit network. Calculation of related deferred tax assets is presented for the examination and evaluation to tax experts. In addition, the conformity of the disclosures in the financial statements to IFRS has been evaluated.
Revenue recognition of incumbent suppliers	
Incumbent suppliers are obliged supply electricity on retail sales tariff regulated by the EMRA to the ineligible customers (regulated customers) in their respective distribution regions, eligible customers who have not used their eligibility right to become a free customer and to eligible customers as the last resource supplier. Along with that, the Company supplies electricity to eligible customers in the distribution regions through bilateral agreement based on free market conditions. Incumbent suppliers' revenue from the consumers subject to tariff regulation, is determined by the cost of carrying out their activities related to energy sales. In this context, the gross margin is taken into the consideration which is determined based on the depreciation expenses related to the investment expenditures required to carry out the activities, billing and customer services, operating expenses such as retail sales services, active energy costs and the costs to cover all the costs and services incurred to sustain the activity and the risks exposed.	We examined the customer classification, EMRA communiques and the correctness of calculations mentioned in these communiques, calculations and seasonality of invoicing that are used in the calculation of Group's revenue. We also performed sample tests of key controls over information technology systems where the information used in these calculations is provided. The overall consistency of the inputs and parameters used in the calculations are evaluated. To evaluate conformity of applied calculations to communiques and IFRS, we especially focused on the accounting adjustments related to revenue recognition. The sources used for these adjustments and consistency of these adjustments with prior years are controlled. In addition, the adequacy of the disclosures in Note 18 of the financial statements and conformity with IFRS were also assessed.

Therefore, the Group calculates and accounts for the revenue amount on consolidated financial statements prepared in accordance with IFRS on the basis of costs by considering gross profit margin determined by regulations. Furthermore, invoices of the subscribers other than eligible residential and commercial groups are issued monthly at the end of each month by the Group whereas the invoices of the residential subscribers are issued continuously during each month due to the high number of subscribers in this group. As a result, the total electricity supplied to the residential and commercial subscribers during each month cannot be invoiced and income accruals are recognized as revenue at period-ends for these customer groups based on the actual billing performance. Given the complexity of such transactions, we determined this significant to our audit and therefore considered as key audit matter.	
Goodwill impairment test	
As at 31 December 2018, there is a goodwill amounting to 1.977.127 thousands TL on the consolidated statement of financial position as a result of previous acquisitions. In accordance with IFRS, the Group performs an impairment test per each cash generating unit to assess whether there is an impairment in the goodwill amount. These tests are assessed as key audit matter due to the complexity, the required estimates of management and the dependency on future market circumstances.	The assumptions, sensitivities and results of the tests performed are disclosed in note 2 to the financial statements. We involved the valuation specialists from another entity that is a part of the same audit network to support our assessment about the assumptions and methods used by the Group in testing the discount rates per cash generating unit and assessing the model that calculates future cash flows. Furthermore, we tested the expected growth rates and related expected future cash flows. We assessed whether these future cash flows, amongst others, were based on the strategic plan as prepared by the management. In addition, within the scope of the above-mentioned special accounting, the appropriateness and sensitivity of the disclosures contained in the financial statements and the importance of these information for the users of the financial statement were questioned by us.

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

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Other matters

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Erdem Tecer, SMMM
Partner

February 20, 2019
İstanbul, Türkiye

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

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

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

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
Due to Related Parties	*5*	*94,217*	*145,093*
Due to Third Parties		*2,386,700*	*1,367,406*
Payables for Employee Benefits	15	43,217	49,983
Other Payables	7	223,902	185,990
Due to Third Parties		*223,902*	*185,990*
Derivative Financial Instruments	25	3,582	1,797
Deferred Income	9	606,983	605,658
Income Tax Liability	23	52,416	3,725
Short-Term Provisions		364,105	179,962
Provisions for Employment Benefits	*15*	*28,779*	*22,724*
Other Short-Term Provisions	*13*	*335,326*	*157,238*
Other Short-Term Liabilities	16	290,905	323,471
Non-Current Liabilities		**9,281,988**	**7,873,541**
Long-Term Financial Liabilities	24	5,765,047	5,269,080
Other Financial Liabilities	24	321,720	279,657
Other Payables	7	1,693,350	1,140,458
Due to Third Parties		*1,693,350*	*1,140,458*
Derivative Financial Instruments	25	7,722	-
Deferred Income	9	-	1,161
Long-Term Provisions		115,366	92,732
Provisions for Employment Benefits	*15*	*115,366*	*92,732*
Deferred Tax Liabilities	23	1,378,783	1,090,453
TOTAL LIABILITIES		**16,826,126**	**12,705,575**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise indicated.
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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)
Accumulated Loss on Remeasurement of Defined Benefit Plans		*(3,464)*	*(5,241)*
Accumulated Other Comprehensive Incomes to be Reclassified to Profit or Loss in Subsequent Periods		23,359	-
Hedge Reserves		*23,359*	-
Restricted Profit Reserves	17	216,612	185,265
Retained Earnings		1,344,547	690,597
Profit for the Period		747,697	988,009
TOTAL LIABILITIES AND EQUITY		**23,125,041**	**18,585,978**

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

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

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

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

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

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

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

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

(*) With the decision of the Board of Directors on 20 April 2017, Enerjisa Enerji A.Ş. merged with Enerjisa Elektrik Dağıtım A.Ş. ("EEDAŞ") and the subsidiaries of EEDAŞ together with all their assets and liabilities with the takeover method. In addition, on 25 August 2017, the Group's electricity generation and wholesale business areas were separated and structured under another company. As a result of these transactions, necessary corrections are made in the registered share capital and the statutory capital after merger and split has been reached. Adjustment to share capital represents the portion of registered share capital which has been treated as a capital reserve in the statutory books after the merger and split process due to local regulations (Note 1). Such amount has been classified as adjustment to share capital to comply with the International Financial Reporting Standards ("IFRS") requirements.

(**) As of 31 December 2017 work force operating for distribution services, previously as a separate business line under Enerjisa Enerji A.Ş. has been transferred to distribution companies. Since the restructuring is a transaction between companies under common control, TL 143,598 deferred tax asset is accounted for under equity.

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Notes	Audited / current period 1 January - 31 December 2018	Audited / prior period 1 January - 31 December 2017
Cash Flows from Operating Activities		**2,086,590**	**1,859,021**
Profit for the period		**747,697**	**988,009**
Profit for the period		747,697	988,009
Adjustments to reconcile net profit for the period		**2,395,079**	**970,003**
Adjustments related to the depreciation and amortization	11,12	258,182	235,331
Adjustments related to the depreciation of property, plant and equipment	11	34,485	18,674
Adjustments related to the amortization of intangible assets	12	223,697	216,657
Adjustments related to impairment loss		1,344,756	399,382
Adjustments related to doubtful provision expenses	6,10	591,852	399,382
Adjustments related to goodwill impairment	12	752,904	-
Adjustments related to provisions		246,755	69,535
Adjustments related to provisions for employee benefits	15	68,667	50,714
Adjustments related to legal case provisions	13	70,792	18,821
Adjustments related to penalty provisions	13	107,296	-
Adjustments related to interest (income) and expenses, net		1,428,403	880,120
Adjustments related to interest income	22	(104,870)	(88,491)
Adjustments related to interest expense	22	1,533,273	968,611
Adjustments related to unrealized foreign exchange loss		25,528	62,406
Adjustments related to tax expense	23	574,299	295,709
Adjustments related to change in fair value losses / (gains)		35,264	(38,371)
Other adjustments to reconcile profit / (loss)	27	(1,518,108)	(934,109)
Adjustments related to interest (income) / expense based on revenue cap regulation	21	(44,183)	934
Adjustments related to financial income from service concession arrangements	18,27	(1,716,597)	(1,013,557)
Adjustments related to revaluation differences arising from deposits and guarantees	21	242,672	78,514
Changes in operating assets and liabilities		**(2,416,747)**	**(988,499)**
Adjustments related to (increase) / decrease in trade receivables		(1,716,565)	(1,061,293)
Adjustments related to (increase) / decrease in inventories		(46,202)	(27,295)
Adjustments related to (increase) / decrease in other receivables and current assets		(2,040,470)	(1,106,123)
Adjustments related to increase / (decrease) in trade payables		973,037	394,831
Adjustments related to increase / (decrease) in other payables and expense accruals		413,453	811,381
Cash generated from operating activities		**726,029**	**969,513**
Payments related with provisions for employee benefits	15	(37,699)	(24,821)
Tax payments	23	(34,608)	(64,910)
Other cash in-flows	27	1,432,868	979,239
Capital expenditures reimbursements related to service concession arrangements	10	798,304	591,706
WACC reimbursements related to service concession arrangements	10	634,564	437,167
Prior tariff adjustments related to service concession arrangements	10	-	(49,634)
Cash Flows from Investing Activities		**(1,505,968)**	**(1,682,425)**
Cash used for purchase of tangible and intangible assets		(278,326)	(126,611)
Cash used for property, plant and equipment purchases		(250,072)	(98,589)
Cash used for purchase of intangible assets		(28,254)	(28,022)
Interest received		96,087	65,445
Other cash out-flows	27	(1,323,729)	(1,621,259)
Capital expenditures related to service concession arrangements		(1,323,729)	(1,621,259)
Cash Flows from Financing Activities		**(191,020)**	**(78,416)**
Cash in-flows from borrowings		37,998,133	32,064,342
Cash out-flows for borrowings		(36,763,095)	(31,191,933)
Interest paid		(1,143,096)	(950,825)
Dividend paid		(354,321)	-
Other in-flows / (out-flows)		71,359	-
Increase in cash and cash equivalents		389,602	98,180
Cash and cash equivalents at the beginning of the period	27	172,750	74,570
Cash and cash equivalents at the end of the period		**562,352**	**172,750**

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

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

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP

Enerjisa Enerji A.Ş. (the "Company") and its subsidiaries will be referred as the "Group" for consolidated financial statements. The Company is established on 26 December 2011 as a joint venture between Hacı Ömer Sabancı Holding A.Ş. ("Sabancı") and Verbund International GmbH ("Verbund International"). On 4 December 2012, Verbund and DD Turkey Holdings S.A.R.L., E.ON SE ("E.ON") entered into a Share Purchase Agreement for the sales and transfer of all Verbund shares in the Company to E.ON and the transfer is finalized on 24 April 2013.

The Company is registered to the Capital Markets Board ("CMB") and its shares are publicly traded in Borsa Istanbul A.Ş. ("BIST") with ticker "ENJSA.E" since 8 February 2018. The Company is registered in Turkey and the address of the headquarters is as follows:

Barbaros Mahallesi, Begonya Sokak, Nida Kule Ataşehir Batı Sit. No: 1/1, Ataşehir / İstanbul, Turkey.

The Company served as the parent company for generation, trading, sale, distribution and retail service of electricity business lines until 25 August 2017. On 28 April 2017 as the first stage of the reorganization, the Company merged with Enerjisa Elektrik Dağıtım A.Ş. ("EEDAŞ") by taking over its all assets and liabilities along with its subsidiaries (distribution and retail service companies). On 25 August 2017 as the second stage of the reorganization, the Company transferred three subsidiaries (electricity generation, wholesale trading and natural gas trading) by spin-off method with the carrying amounts to a newly established company called Enerjisa Üretim Santralleri A.Ş. ("EÜSAŞ"). On 25 September 2017, the Company has sold its subsidiary which operates in solar energy generation to the generation company that is owned by EÜSAŞ. As a result of these transactions, the Company's main activities under the new structure are customer-focused electricity distribution and retail service.

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

Başkent Elektrik Dağıtım A.Ş. ("BAŞKENT EDAŞ")	Distribution of electricity
İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş. ("AYEDAŞ")	Distribution of electricity
Toroslar Elektrik Dağıtım A.Ş. ("TOROSLAR EDAŞ")	Distribution of electricity
Enerjisa Başkent Elektrik Perakende Satış A.Ş. ("EPS")	Retail service of electricity
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş. ("AEPSAŞ")	Retail service of electricity
Enerjisa Toroslar Elektrik Perakende Satış A.Ş. ("TOROSLAR EPSAŞ")	Retail service of electricity
Enerjisa Müşteri Çözümleri A.Ş.	Customer solutions and distributed generation services
E-şarj Elektrikli Araçlar Şarj Sistemleri A.Ş. ("E-şarj")	Electric vehicles and charging stations equipment services

The Group's operations are carried out only in Turkey.

The Group has 9,734 employees as of 31 December 2018 (31 December 2017: 9,627 employees).

The consolidated financial statements were authorized for issue by the Board of Directors of the Company on 20 February 2019. The General Assembly and certain regulatory bodies have the power to amend the consolidated financial statements after the issue.

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

BAŞKENT EDAŞ and EPS

BAŞKENT EDAŞ has been acquired by EEDAŞ as of 28 January 2009 by privatization bid for the consideration of USD 1,225 million. BAŞKENT EDAŞ currently operates in province including Ankara, Kırıkkale, Kastamonu, Zonguldak, Bartın, Çankırı and Karabük and holds the licence that gives the right for distribution of electricity in these provinces for 30 years starting from the date of Transfer of Operation Rights ("TOR") agreement signed with Türkiye Elektrik Dağıtım A.Ş. ("TEDAŞ") on 31 March 2006.

As of 1 January 2013, BAŞKENT EDAŞ is obliged to carry out the distribution and the retail sales activities under separate legal entities in accordance with Electricity Market Law. On 12 September 2012, EPS was established with the same shareholder structure and as of 31 December 2012, BAŞKENT EDAŞ has transferred some of its assets and liabilities to EPS, due to the fact that, legal unbundling and the unbundling related transactions have been registered as of 31 December 2012. Starting from 1 January 2013, BAŞKENT EDAŞ has undertaken only the distribution activities. In addition, with the new regulation applied by Energy Market Regulatory Authority ("EMRA"), BAŞKENT EDAŞ started retail sales only for illumination customers starting from 1 April 2013.

AYEDAŞ and AEPSAŞ

AYEDAŞ has been acquired by EEDAŞ as of 31 July 2013 by privatization bid for the consideration of USD 1,227 million. AYEDAŞ currently operates in Anatolian Side of İstanbul and holds the license that gives the right for distribution of electricity in this province until 31 December 2042 starting from the date of TOR agreement signed with TEDAŞ on 24 July 2006.

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

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

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

In 2006, EMRA has set a unique pricing mechanism for all of the electricity distribution companies in Turkey which will be effective for the period between 1 January 2006 and 31 December 2012 which is called the "transition period". In accordance with this pricing mechanism, distribution companies in Turkey have already determined their regional tariffs for the period between 1 January 2006 and 31 December 2010 and by using these regional tariffs, EMRA has already determined the national tariffs for the same period. In December 2010, EMRA has announced a new tariff for the period between 1 January 2011 and 31 December 2015; and also in December 2015, EMRA has announced a new tariff for the period between 2016 and 2020.

Enerjisa Müşteri Çözümleri A.Ş.

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

E-şarj

Enerjisa Müşteri Çözümleri A.Ş., acquired 80% of the shares of E-şarj with an amount of TL 4,000 on 26 April 2018. E-şarj is mainly involved in the operation of charging network for electric vehicles and supply of charging stations equipment.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The accompanying consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain assets and liabilities being carried by their fair values.

In order to determine the historical cost, the fair values paid for assets are considered.

2.2 Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB").

2.3 Functional and Presentation of Currency

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

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.

(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)

2.4 Comparative Information and Reclassification of Prior Period Consolidated Financial Statements

In order to allow for the determination of the financial situation and performance trends, the Group's consolidated financial statements have been presented comparatively with the prior period.

If the presentation or classification of the current period financial statements is changed, in order to maintain consistency, comparative information are also adjusted or reclassified in line with the related changes. The nature, amount and reasons for each of the reclassifications and adjustments are described below:

	Notes	Previously Reported 31 December 2017	Impact of reclassifications	Restated 31 December 2017
Property, Plant and Equipment	a	137,925	16,134	154,059
Intangible Assets	a	7,703,430	(16,134)	7,687,296
Current Derivative Financial Instruments	b	44,054	(24,187)	19,867
Non-Current Derivative Financial Instruments	b	-	24,187	24,187
Short-Term Provisions	c	203,150	(23,188)	179,962
Long-Term Provisions	c	69,544	23,188	92,732
Other Current Receivables	d	439,967	55,031	494,998
Short-Term Prepaid Expenses	d	199,638	(55,031)	144,607

a) The Group has retrospectively reclassified TL 16,134 of furniture and fixtures as tangible assets which had presented as intangible assets.

b) The Group has retrospectively reclassified TL 24,187 of derivative instruments as long term, which had presented as short term as.

c) The Group has retrospectively reclassified TL 23,188 of unused vacation provisions regarding employee benefits as long term, which had presented as short term.

d) The Group has retrospectively reclassified TL TL 55,031 of income accruals as other current receivables, which had presented as prepaid expenses.

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

2.5 Changes in Accounting Policies

The significant changes that were made on accounting policies applied retrospectively and the financial statements of preceding period are restated.

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

No other changes have been applied to the accounting policies of the Group in the current period.

2.6 Changes and Misstatements in Accounting Estimates

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

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

2.7 Going Concern

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

2.8 Seasonality of the Group's operations

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

(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 December 2018 and 31 December 2017 are as follows:

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

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

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 recognized at their carrying amounts in the consolidated financial statements. In addition, statements of income are consolidated from the beginning of the financial year in which the business combination takes place. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. As a result of these transactions, neither goodwill nor negative goodwill are recognized.

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

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

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 for annual periods beginning on or after 1 January 2018. The Group adopted IFRS 15 using modified retrospective approach and disclosed the impact of the standard on financial position and performance of the Group in Note 2.11.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group applied IFRS 9, with the initial application date of 1 January 2018 and disclosed the impact of the standard on financial position or performance of the Group in Note 2.11.

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

2.10 New and Revised International Financial Reporting Standards (Continued)

The new standards, amendments and interpretations (Continued)

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

IFRS 4 Insurance Contracts (Amendments)

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. The interpretation did not have an impact on the financial position or performance of the Group.

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

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

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

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

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

2.10 New and Revised International Financial Reporting Standards (Continued)

The new standards, amendments and interpretations (Continued)

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

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

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

Annual Improvements to IFRSs - 2014-2016 Cycle

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

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

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

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

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

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted.

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

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

2.10 New and Revised International Financial Reporting Standards (Continued)

The new standards, amendments and interpretations (Continued)

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

IFRS 16 Leases (Continued)

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognizes an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group is in the process of assessing the impact of the standard on the financial position and performance of the Group, the explanation of preliminary analyses is as follows:

Transition to IFRS 16

The Group plans to adopt IFRS 16 using the simplified modified retrospective approach. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group plans to elect to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value.

The Group has performed a detailed impact assessment of IFRS 16 in 2018. In summary, the impact of IFRS 16 adoption is expected to be as follows:

Impact on the consolidated statement of financial position increase / (decrease) as at 31 December 2018:

Assets	
Intangible assets (right of use)	138,328
Liabilities	
Lease liabilities	138,328

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

2.10 New and Revised International Financial Reporting Standards (Continued)

The new standards, amendments and interpretations (Continued)

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

Amendments to IAS 28 "Investments in Associates and Joint Ventures" (Amendments)

In October 2017, the IASB issued amendments to IAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

IFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with IAS 28 Investments in Associates and Joint Ventures. In this amendment the IASB clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

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

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

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

(a) Whether an entity considers uncertain tax treatments separately;
(b) The assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) How an entity considers changes in facts and circumstances.

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

2.10 New and Revised International Financial Reporting Standards (Continued)

The new standards, amendments and interpretations (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 recognized at the date of initial application.

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

Annual Improvements – *2015–2017 Cycle*

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

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

- *IAS 12 Income Taxes* — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.

- *IAS 23 Borrowing Costs* — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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

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

Plan Amendment, Curtailment or Settlement" (Amendments to IAS 19)

On 7 February 2018, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement". The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

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

2.10 New and Revised International Financial Reporting Standards (Continued)

The new standards, amendments and interpretations (Continued)

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

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

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

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

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

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

IFRS 17 - The new Standard for insurance contracts

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

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

2.10 New and Revised International Financial Reporting Standards (Continued)

The new standards, amendments and interpretations (Continued)

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

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- Clarify the minimum requirements for a business;
- Remove the assessment of whether market participants are capable of replacing any missing elements;
- Add guidance to help entities assess whether an acquired process is substantive;
- Narrow the definitions of a business and of outputs; and
- Introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

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

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

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

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

(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 Amendments to Accounting Standarts and Effects on Consolidated Financial Tables

The Group applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers for the period beginning 1 January 2018 and disclosed the impact of the standards on financial position of the Group in this note; and the current accounting policies in Note 2.12.

The Group used the exemption permitting non-revision of comparative information on prior periods regarding classification and measurement (including impairment) in the application of IFRS 9 Financial Instruments.

The Group applied TFRS 15 Revenue from Contracts with Customers and accounted by using a modified retrospective approach with the cumulative effect on the transition date of 1 January 2018. In accordance with the mentioned method, no cumulative effect of initially applying this standard has been emerged and no restatement has been required in the comparative information of prior periods.

The impacts of the IFRS 9 and IFRS 15 applications on statement of financial position and statement of profit or loss, respectively as at and for the year ended 31 December 2018 are disclosed below.

(i) Consolidated Statement of Financial Position

ASSETS	31 December 2018 (Pre-impacts)	IFRS 9 impacts	IFRS 15 impacts	31 December 2018 (Post impacts)
Current Assets	**6,439,298**	**(34,883)**	**-**	**6,404,415**
Trade Receivables	3,546,826	(34,437)	-	3,512,389
Due from third parties	*3,415,994*	*(34,437)*	-	*3,381,557*
Financial Assets	791,563	(446)	-	791,117
Non-Current Assets	**16,725,416**	**(4,790)**	**-**	**16,720,626**
Financial Assets	8,508,308	(4,790)	-	8,503,518
TOTAL ASSETS	**23,164,714**	**(39,673)**	**-**	**23,125,041**
LIABILITIES				
Non-Current Liabilities	**9,290,714**	**(8,726)**	**-**	**9,281,988**
Deferred Tax Liabilities	1,387,509	(8,726)	-	1,378,783
Equity	**6,329,862**	**(30,947)**	**-**	**6,298,915**
Profit / (loss) for the Period	778,644	(30,947)	-	747,697
TOTAL LIABILITIES AND EQUITY	**23,164,714**	**(39,673)**	**-**	**23,125,041**

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

(ii) Consolidated Statement of Profit or Loss

	1 January - 31 December 2018 (Pre-impacts)	IFRS 9 impacts	IFRS 15 impacts	1 January - 31 December 2018 (Post impacts)
Revenue	18,379,478	-	(32,691)	18,346,787
Cost of Sales (-)	(12,412,956)	-	32,691	(12,380,265)
GROSS PROFIT	**5,966,522**	**-**	**-**	**5,966,522**
General Administrative Expenses (-)	(1,848,857)	-	-	(1,848,857)
Other Income from Operating Activities	373,549	-	-	373,549
Other Expenses from Operating Activities (-)	(1,640,350)	(39,673)	-	(1,680,023)
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSE)	**2,850,864**	**(39,673)**	**-**	**2,811,191**
PROFIT BEFORE TAX	**1,361,669**	**(39,673)**	**-**	**1,321,996**
Tax Expense	**(583,025)**	**8,726**	**-**	**(574,299)**
Current Tax Expense	(85,949)	-	-	(85,949)
Deferred Tax (Expense) / Income	(497,076)	8,726	-	(488,350)
PROFIT FOR THE PERIOD	**778,644**	**(30,947)**	**-**	**747,697**
TOTAL COMPREHENSIVE INCOME	**803,780**	**-**	**-**	**772,833**
Earnings per share				
Earnings per share (kr)	0.66	-	-	0.63

The amendment to IFRS 9 has increased the impairment loss by TL 39,673 and has decreased the deferred tax liability by TL 8,726 as of 31 December 2018. The effect of the transition to IFRS 9 does not have a significant impact on the consolidated financial statements of the Group as at 1 January 2018.

The Group netted off pass-through of other regions’ distribution related revenue and distribution related costs amounting to TL 32,691 with the amendment to IFRS 15.

Transition to IFRS 9 “Financial instruments”

The Group has applied IFRS 9 Financial instruments on 1 January 2018. The effect of the transition to IFRS 9 does not have a significant impact on the consolidated financial statements of the Group as at 1 January 2018.

Changes related to the classification of financial assets and liabilities are as follows and these changes in the classification do not result in changes in measurement of assets.

Financial assets	**Original classification under IAS 39**	**New classification under IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade receivables	Loans and receivables	Amortised cost
Derivative instruments	Fair value through statement of profit or loss	Fair value through statement of profit or loss
Financial assets (IFRIC 12)	Loans and receivables	Amortised cost

Financial liabilities	**Original classification under IAS 39**	**New classification under IFRS 9**
Derivative instruments	Fair value through statement of profit or loss	Fair value through statement of profit or loss
Borrowings	Amortised cost	Amortised cost
Financial lease liabilities	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost

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

2.12 Summary of Significant Accounting Policies

Business Combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. When the contingent consideration classified as asset or liability is in the nature of financial instruments and within the context of IFRS 9 *Financial Instruments*, it is re-measured at fair value and; gain or loss due to changes are recognized in profit or loss or other comprehensive income. Those are not within the context of IFRS 9 are re-measured in accordance with IAS 37 *Provisions*, Contingent Liabilities and Contingent Assets.

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

2.12 Summary of Significant Accounting Policies (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually (Note: 2.13), or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements

a) A person or a close member of that person's family is related to a reporting entity if that person:

i. has control or joint control over the reporting entity;
ii. has significant influence over the reporting entity; or
iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii. Both entities are joint ventures of the same third party.

iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

vi. The entity is controlled or jointly controlled by a person identified in (a).

vii. A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2.12 Summary of Significant Accounting Policies (Continued)

Related Parties (Continued)

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Revenue Recognition

The Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

The Group recognizes revenue based on the following main principles:

- Identification of customer contracts
- Identification of performance obligations
- Determination of transaction price in the contract
- Allocation of price to performance obligations
- Recognition of revenue when the performance obligations are fulfilled

The Group recognizes revenue from its customers only when all of the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- The Group can identify each party's rights regarding the goods or services to be transferred,
- The Group can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance,
- It is probable that The Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

At the contract inception date, the Group evaluates the goods and services committed to be provided to the customer based on the contract and identifies each commitment as a separate performance obligation. In addition to that, the Group determines whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for the other party to provide those goods or services. The Group is a principal if it controls a promised good or service before the Group transfers the good or service to a customer. When a Group that is a principal satisfies a performance obligation, it recognizes as revenue the gross amount of consideration which it expects to be entitled to in exchange for those goods or services. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party and in such a position, the Group does not recognize the revenue of the consideration at gross amount.

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

2.12 Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

The Group determines the transaction price in accordance with contract terms and customs of trade. Transaction price is the amount of consideration which is expected to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group, allocates the transaction price to each performance obligation (or distinct goods or services), by reference to the consideration is considered to be deserved in return of the goods and services transferred to the customer. In this allocation, the Group allocates the transaction price determined in the contract to the standalone independent sales prices of these goods and services, where the Group identifies the prices of goods and services committed to be provided in the contract at the date of the inception of the contract and allocates the transaction price on these independent relative prices proportionally.

If the aggregate independent sales prices of the goods and services undertaken in the contract exceeds the transaction price in the contract, the customer has received discount on the purchase of goods or services. The Group allocates the discount to the all performance obligations retained in the contract proportionally except for the circumstances where there are observable inputs indicating that, the discount is provided for some but not all of the performance obligations.

The Group's performance obligations consist of electricity distribution, transmission services and electricity retail sales and sales services. The customer simultaneously receives and consumes the benefits provided by the Group's performance. Electricity distribution, transmission and retail services are recognized as soon as the service is provided; and electricity retail sales are recognized as soon as the electricity is delivered. The Group transfers the control of the goods or services sold to the customer at the same time and the revenue is recognized when the performance obligation is fulfilled. Due to the Group's operations, IFRS 15 did not have a significant impact on the financial position and performance of the Group.

Distribution part of the revenue is composed of distribution, meter reading services, transmission and theft and loss components. Distribution and meter reading service components are considered within the content of service concession arrangements due to the regulations of EMRA. Additionally, according to the Electricity Market Law, the Electricity Market Tariffs Communiqué and other related regulations, the Group's distribution, transmission and meter reading services are subject to revenue caps which cover operating expenses and investment requirements related to distribution and meter reading services. Moreover, transmission revenue is a complete pass-through of transmission costs as charged by Türkiye Elektrik İletim A.Ş. ("TEİAŞ"). These regulations guarantee revenue to the Group during the transition period regardless of the consumption level. The under billings or overbillings made by the Group are adjusted by EMRA in the tariffs to be effective in two years.

Revenue recognition principles other than the assets classified as due from service concession arrangements under IFRIC 12 are as follows:

Revenue (excluding the distribution business) is recognized upon delivery of electricity to customers or upon fulfilment of services. Delivery is deemed complete when the risk and rewards associated with ownership has been transferred to the buyer as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable.

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

2.12 Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Gross profit to be gained from the regulatory portfolio of the Group is determined by EMRA and the revenue of the companies related to the regulated portfolio is computed in accordance with the provisions of "Regulation of Retail Energy Sales Prices" issued by EMRA on 30 December 2015 and "Amendments to Regulation of Retail Energy Sales Prices" published on 31 August 2018 by considering revenue requirements to cover the operational expenses and the doubtful receivable expenses are reflected in the consolidated financial statements accordingly.

Revenue from the sale and delivery of electricity is measured at the fair value of the consideration received or receivable. The estimated value of the electricity supplied but not invoiced to the customers is considered for the measurement of revenue.

Revenue is recognized on an accrual basis at the time the electricity is distributed, at the invoiced values. Net sales represent the invoiced value of electricity distributed excluding TRT energy contribution share, sales commission and sales taxes.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Interest income related to service concession arrangements is recognized in accordance with Service Concession Arrangements ("IFRIC 12"). Interest income on receivable from concession arrangement is recognized on a time-proportion basis using the effective interest method.

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

2.12 Summary of Significant Accounting Policies (Continued)

Service Concession Arrangements

Service concession arrangements are defined within scope of IFRIC 12 as those whereby a government or other body grants contracts for the supply of public services – operations such as roads, energy distribution, prisons or hospitals – to private operators. The Group's electricity distribution and meter reading service businesses are in the scope of service concession agreements.

Considering the Group's terms in the service concession arrangements, a financial asset model where the Group recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor has been applied, since the right to receive cash for the distribution and meter reading services are constituted through actual billing to subscribers where the distribution and meter reading service components of the billing are already specified or determinable through the regulated by EMRA.

The Group recognizes the revenue on an effective interest method as "Financial Income from Service Concession Arrangements" in profit or loss and other comprehensive income and "Financial Assets" on the consolidated statement of financial position.

Inventories

Inventories mainly include electricity equipment and materials related to the Group's electricity distribution business. Inventories are stated at the lower of cost or net realizable value. The cost of inventories is determined on a weighted average basis. Additional costs, incurred to bring the inventories to the intended usable condition or position, are included in determination of cost.

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

2.12 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized from statement of financial position (balance sheet) upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Customer contracts and relations and Transfer of Operational Rights

Customer contracts and relations and TOR are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The useful lives of customer contracts and relations range between 25-30 years.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3-5 years).

Financial leasing transactions

Leasing - the Group as Lessee

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

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

2.12 Summary of Significant Accounting Policies (Continued)

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. There were no capitalized borrowing costs in 2017 and 2018.

All other borrowing costs are recognized in statement of profit or loss and other comprehensive income in the period in which they are incurred.

Financial instruments

Financial assets - Classification and measurement

The Group classified its financial assets in three categories as financial assets carried at amortized cost, financial assets carried at fair value though profit of loss, financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

(a) Financial assets carried at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables", "other receivables", "financial assets" (IFRIC 12) and "cash and cash equivalents" in the statement of financial position.

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

2.12 Summary of Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Financial assets - Classification and measurement (Continued)

(a) Financial assets carried at amortised cost (Continued)

Impairment

The Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables and financial assets (IFRIC 12) carried at amortized cost on its consolidated financial statements, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables and financial assets as a result of a specific events, the Group measures expected credit loss from these receivables and financial assets by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectation based on the macroeconomic indications.

(b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. The Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. The Group's financial instruments at fair value through profit or loss consist of forward contracts.

ii) Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "derivative instruments" in the statement of financial position. Gains or losses on a financial asset carried at fair value through other comprehensive income is recognized in other comprehensive income under the scope of hedge accounting. The Group's financial assets carried at fair value through other comprehensive income consist of cross currency swaps.

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

2.12 Summary of Significant Accounting Policies (Continued)

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Provisions, contingent liabilities, contingent assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities are assessed continuously to determine probability of outflow of economically beneficial assets. For contingent liabilities, when an outflow of resources embodying economic benefits are probable, provision is recognized for this contingent liability in the period when the probability has changed, except for cases where a reliable estimate cannot be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When the outflow of economic benefits from the Group is probable but the amount cannot be measured reliably, the Group discloses this fact in the notes.

Earnings per share

Earnings per share disclosed in the consolidated statement of profit or loss and other comprehensive income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

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

2.12 Summary of Significant Accounting Policies (Continued)

Segment reporting

The Group has electricity distribution and retail operating segments, which includes the information used from management to evaluate performance and taking decision for resource allocation. These segments are managed separately because it is influenced by different economic situations and business positions in terms of risk and return.

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision- makers. The chief operating decision-makers are responsible for the decisions related to the allocation of resources to the segments and assessment of performance of segments.

Government grants

The Group has obtained the investment incentive certificate from the Ministry of Economy on 15 January 2016 and utilizes VAT exemption for machinery equipment purchases from domestic suppliers in the scope of renewal of existing investments.

Taxation and deferred income taxes

Turkish Tax Legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of current tax and deferred tax expenses.

Current tax expense

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the comprehensive income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

2.12 Summary of Significant Accounting Policies (Continued)

Taxation and deferred income taxes (Continued)

Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity.

Subsequent events

Subsequent events; even if they occur after any announcement related with profit or public announcement of other chosen financial information, covers any event between the balance sheet date and the publication date of the balance sheet.

In the case that events requiring an adjustment to the financial statements occur subsequent to the date of statement of financial position, the Group makes the necessary corrections on the consolidated financial statements.

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

2.12 Summary of Significant Accounting Policies (Continued)

Employment benefits

Termination and retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per IAS 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit obligation recognized in the statement of the financial position represents the present value of the defined benefit obligation. Actuarial gains and losses have no material impact in the consolidated financial statements and are recognized in the statement of profit or loss and other comprehensive income.

Vacation rights

The liabilities related to unused vacation rights are accrued when they are entitled.

Defined contribution plans

The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Statement of cash flow

In statement of cash flows, cash flows are classified according to operating, investing and financing activities.

Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (tangible and intangible assets and financial assets).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Share capital and dividends

Common shares are classified as equity.

Dividends on common shares are recognized in equity in the period in which they are approved and declared. Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

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

2.13 Significant Accounting Estimates and Assumptions

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the Group's accounting policies

Use of Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Impairment test of Goodwill

Pursuant to IAS 36 *Impairment of Assets*, the Group tested goodwill as of 31 December 2018 in accordance with the accounting policy stated at Note: 2.12. The goodwill impairment test is carried out for Retail and Distribution Cash Generating Units ("CGUs"). As of 31 December 2018, the following assumptions were used to determine the recoverable amount of Retail CGU:

CGU:	**Retail**
Base used for the recoverable amount:	Value in use
Source:	Forecasted cash flows
WACC (TL):	19.8%
Annual weighted electricity demand increase rate	3.7%
Annual average inflation rate	16.6%

The net present value of Retail CGU was calculated by discounting the post-tax TL, which is the functional currency of the Group, free cash flows. The Group compared the recoverable amount calculated based on the aforementioned assumptions to the total value of Retail CGU and a goodwill impairment provision of TL 752,904 has been determined and recognized in the consolidated financial statements.

As of 31 December 2018, the following assumptions were used to determine the recoverable amount of Distribution CGU:

CGU:	**Distribution**
Base used for the recoverable amount:	Value in use
Source:	Forecasted cash flows during the license period
WACC (TL):	17.8%
Annual weighted electricity demand increase rate	3.7%
Annual average inflation rate	16.6%

The net present value of Distribution CGU was calculated by discounting the post-tax free cash flows for the discrete period from 2015 to 2036 for BAŞKENT EDAŞ and from 2015 to 2042 for AYEDAŞ and TOROSLAR EDAŞ. This calculation includes the discounted values of the TL cash flows of Distribution CGU which is the functional currency of the Group. The Group compared the recoverable amount calculated based on the aforementioned assumptions to the total value of Distribution CGU and no impairment was identified.

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

2.13 Significant Accounting Estimates and Assumptions (Continued)

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the consolidated balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below:

Service concession arrangements

The Group determines the financial asset and financial income balances recognized under service concession arrangements based on the cash flows derived from the tariffs announced by EMRA. The distribution revenue requirement of the Group during the second (2011 - 2015) and third tariff periods (2016 - 2020) was determined by EMRA considering the projected expenses and related tariffs which were published in 2010 and 2015. Moreover, distribution revenue requirements from the end of third tariff period to the end of license (2036 for BAŞKENT EDAŞ and 2042 for AYEDAŞ and TOROSLAR EDAŞ) are expected by the Group management based on the tariff components announced for the third tariff period. These tariffs are revised yearly due to inflation, based on the changes in the Electricity Market Index ("EMI") (Since the "EMI" is not announced, CPI ("Consumer Pirce Index") is considered as based). In determination of the aforementioned projected cash inflows in the upcoming periods the Group management made estimates related to the CPI rate and the WACC ("Weighted Average Capital Cost") rate determined in the latest tariff period continued to be used until the end of the license period.

Revenue recognition

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

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NOTE 3 - SHARES IN OTHER PARTIES

Subsidiaries

			Proportion of ownership (%)	
Name of Subsidiary	**Principal activity**	**Place of incorporation and operation**	**31 December 2018**	**31 December 2017**
BAŞKENT EDAŞ	Electricity Distribution Services	Ankara	100	100
EPS	Electricity Retail Services	Ankara	100	100
AYEDAŞ	Electricity Distribution Services	İstanbul	100	100
AEPSAŞ	Electricity Retail Services	İstanbul	100	100
TOROSLAR EDAŞ	Electricity Distribution Services	Adana	100	100
TOROSLAR EPSAŞ	Electricity Retail Services	Adana	100	100
Enerjisa Müşteri Çözümleri A.Ş.	Customer Solutions and Distributed Generation Services	İstanbul	100	100
E-şarj	Electric Vehicles and Charging Stations Equipment Services	İstanbul	80	-

		Number of subsidiaries owned by the Group	
Principal Activity	**Place of incorporation and operation**	**31 December 2018**	**31 December 2017**
Electricity Distribution Services	Ankara, İstanbul, Adana	3	3
Electricity Retail Services	Ankara, İstanbul, Adana	3	3
Customer Solutions and Distributed Generation Services	İstanbul	1	1
Electric Vehicles and Charging Stations Equipment Services	İstanbul	1	-

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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 and E-şarj Elektrikli Araçlar Şarj Sistemleri A.Ş.'s activities are also disclosed under Retail segment. The Group performs segment reporting according to IFRS 8 in order to provide unbiased and transparent information to the investor. The Group management follows the performance of the business segments with operating profit and net profit for the period, as well as financial and non-financial indicators. In addition to the requirements for segment reporting, Group management have included this information in their reporting footnotes, considering that some financial statement readers may use this information in their analyzes.

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

1 January - 31 December 2018	**Distribution**	**Retail**	**Unallocated (*)**	**Eliminations (**)**	**Total**
Revenue	6,985,840	11,360,947	29,157	(29,157)	18,346,787
Cost of sales (-)	(1,689,929)	(10,690,336)	-	-	(12,380,265)
Gross profit / (loss)	**5,295,911**	**670,611**	**29,157**	**(29,157)**	**5,966,522**
General administrative expenses (-)	(1,271,605)	(341,348)	(269,674)	33,770	(1,848,857)
Other income / (expense) from operating activities - net	(240,692)	(305,473)	(755,696)	(4,613)	(1,306,474)
Operating profit / (loss)	**3,783,614**	**23,790**	**(996,213)**	**-**	**2,811,191**
Financial income	8,076	323,313	398,790	(625,309)	104,870
Financial expense (-)	(1,267,369)	(7,933)	(944,072)	625,309	(1,594,065)
Profit / (loss) before taxation on income	**2,524,321**	**339,170**	**(1,541,495)**	**-**	**1,321,996**
Current tax expense (-)	(24,524)	(61,425)	-	-	(85,949)
Deferred tax income / (expense)	(507,025)	(24,174)	42,849	-	(488,350)
Net profit / (loss) for the period	**1,992,772**	**253,571**	**(1,498,646)**	**-**	**747,697**

(*) TL 208,663 out of TL 258,182 depreciation and amortization expenses represents amortization expenses of intangible assets (Note 12), which is presented as unallocated under operating expenses. The majority of financial expenses under unallocated part mainly represent costs of loans utilized for the acquisitions of distribution and retail business. The Group management follows the performances of the operating segments excluding acquisitions related loans, therefore the amounts have not been distributed to the segments.

(*) Other income / (expense) from operating expenses – net includes goodwill impairment provision of TL 752,904.

(**) The Group netted of pass-through distribution related revenue and distribution related costs amounting to TL 4,157,003 (2017: TL 3,116,169) within the Retail segment after the amendments of IFRS 15, which has been previously eliminated in consolidated level.

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NOTE 4- SEGMENT REPORTING (Continued)

1 January - 31 December 2017	**Distribution**	**Retail**	**Unallocated (*)**	**Eliminations (**)**	**Total**
Revenue	4,933,635	10,520,293	7,059	(3,116,169)	12,344,818
Cost of sales (-)	(1,402,091)	(10,109,475)	(16,930)	3,116,169	(8,412,327)
Gross profit / (loss)	**3,531,544**	**410,818**	**(9,871)**	**-**	**3,932,491**
General administrative expenses (-)	(1,071,516)	(253,205)	(243,191)	49,264	(1,518,648)
Other income / (expense) from operating activities - net	(142,898)	3,732	15,297	(49,264)	(173,133)
Operating profit / (loss)	**2,317,130**	**161,345**	**(237,765)**	**-**	**2,240,710**
Financial income	5,692	208,936	127,431	(253,568)	88,491
Financial expense (-)	(654,537)	(8,632)	(635,882)	253,568	(1,045,483)
Profit / (loss) before taxation on income	**1,668,285**	**361,649**	**(746,216)**	**-**	**1,283,718**
Current tax expense (-)	(34,227)	(17,115)	-	-	(51,342)
Deferred tax income / (expense)	(218,770)	(67,426)	41,829	-	(244,367)
Net profit / (loss) for the period	**1,415,288**	**277,108**	**(704,387)**	**-**	**988,009**

(*) TL 208,663 out of TL 235,331 depreciation and amortization expenses, represents amortization expenses of intangible assets (Note 12), which is presented as unallocated under operating expenses. The majority of financial expenses under unallocated part mainly represent costs of loans utilized for the acquisitions of distribution and retail business. The Group management follows the performances of the operating segments excluding acquisitions related loans, therefore the amounts have not been distributed to the segments.

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NOTE 4- SEGMENT REPORTING (Continued)

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

As at 31 December 2018	Distribution	Retail	Unallocated (*)	Eliminations	Total
Segment assets					
Cash and cash equivalents	261,559	300,696	97	-	562,352
Trade receivables	1,298,790	2,539,979	36,637	(363,017)	3,512,389
Inventories	145,851	2,105	-	-	147,956
Derivative instruments	313,028	-	-	-	313,028
Financial assets	9,299,871	-	(5,236)	-	9,294,635
Property, plant and equipment	306,241	62,493	3,293	(7,000)	365,027
Intangible assets	709	41,822	6,696,418	-	6,738,949
Deferred tax assets	-	2,847	-	-	2,847
Other receivables and assets	2,135,533	1,197,935	1,902,406	(3,048,016)	2,187,858
Total assets	**13,761,582**	**4,147,877**	**8,633,615**	**(3,418,033)**	**23,125,041**
Segment liabilities					
Financial liabilities	5,502,238	-	4,081,190	(384,572)	9,198,856
Other financial liabilities	366,022	-	-	-	366,022
Trade payables	1,575,355	1,255,813	12,766	(363,017)	2,480,917
Derivative instruments	8,732	2,572	-	-	11,304
Deferred tax liabilities	369,342	67,475	941,966	-	1,378,783
Other payables and liabilities	2,959,041	2,155,726	938,921	(2,663,444)	3,390,244
Total liabilities	**10,780,730**	**3,481,586**	**5,974,843**	**(3,411,033)**	**16,826,126**

(*) The majority of intangible assets under unallocated part represents customer contracts, transfer of operating rights and goodwill (Note 12). The majority of bank borrowings under unallocated part represent loans utilized for the acquisitions of distribution and retail business. The related amounts were not distributed to the segments since the Group management follows the performances of the operating segments excluding this related assets and liabilities.

(*) As of 31 December 2018 the Group has recorded an impairment provision of TL 5,236 for its financial assets in accordance with IFRS 9 Financial Instruments.

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NOTE 4- SEGMENT REPORTING (Continued)

As at 31 December 2017	Distribution	Retail	Unallocated (*)	Eliminations	Total
Segment assets					
Cash and cash equivalents	16,948	144,250	11,552	-	172,750
Trade receivables	1,261,083	1,443,198	38,993	(360,834)	2,382,440
Inventories	101,754	-	-	-	101,754
Derivative instruments	27,232	10,042	6,780	-	44,054
Financial assets	6,438,431	-	-	-	6,438,431
Property, plant and equipment	105,519	54,762	778	(7,000)	154,059
Intangible assets	2,242	30,269	7,654,785	-	7,687,296
Deferred tax assets	204,333	5,624	-	-	209,957
Other receivables and assets	1,964,651	1,373,241	1,617,353	(3,560,008)	1,395,237
Total assets	**10,122,193**	**3,061,386**	**9,330,241**	**(3,927,842)**	**18,585,978**
Segment liabilities					
Financial liabilities	3,619,530	-	3,588,490	-	7,208,020
Other financial liabilities	309,666	-	-	-	309,666
Trade payables	862,860	1,002,664	7,809	(360,834)	1,512,499
Derivative instruments	-	1,797	-	-	1,797
Deferred tax liabilities	59,539	46,079	984,835	-	1,090,453
Other payables and liabilities	2,680,084	1,398,629	2,064,435	(3,560,008)	2,583,140
Total liabilities	**7,531,679**	**2,449,169**	**6,645,569**	**(3,920,842)**	**12,705,575**

(*) The majority of intangible assets under unallocated part represents customer contracts, transfer of operating rights and goodwill (Note 12). The majority of bank borrowings under unallocated part represent loans utilized for the acquisitions of distribution and retail business. The related amounts were not distributed to the segments since the Group management follows the performances of the operating segments excluding this related assets and liabilities.

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NOTE 4- SEGMENT REPORTING (Continued)

1 January - 31 December 2018	**Distribution**	**Retail**	**Unallocated (*)**	**Eliminations**	**Total**
Cash Flows from Operating Activities	**2,354,837**	**(151,615)**	**(116,632)**	**-**	**2,086,590**
Profit for the period	1,992,772	253,571	(1,498,646)	-	747,697
Adjustments to reconcile net profit for the period	687,851	269,595	1,437,633	-	2,395,079
Changes in operating assets and liabilities	(1,644,964)	(648,165)	(123,618)	-	(2,416,747)
Cash generated from operating activities	1,035,659	(124,999)	(184,631)	-	726,029
Tax payments	(19,136)	(16,703)	1,231	-	(34,608)
Other cash inflows / (outflows)	1,338,314	(9,913)	66,768	-	1,395,169
Cash Flows from Investing Activities	**(2,376,072)**	**278,091**	**1,105,105**	**(513,092)**	**(1,505,968)**
Restructring effects of companies under common control (*)	(827,279)	-	827,279	-	-
Cash used for purchase of property, plant and equipment and intangible assets	(225,438)	(38,327)	(14,561)	-	(278,326)
Interest received	-	316,418	292,761	(513,092)	96,087
Other cash out-flows (**)	(1,323,355)	-	(374)	-	(1,323,729)
Cash Flows from Financing Activities	**265,846**	**29,970**	**(999,928)**	**513,092**	**(191,020)**
Increase in cash and cash equivalents	244,611	156,446	(11,455)	-	389,602
Cash and cash equivalents at the beginning of the period	16,948	144,250	11,552	-	172,750
Cash and cash equivalents at the end of the period	**261,559**	**300,696**	**97**	**-**	**562,352**

(*) As of 31 December 2017 work force operating for distribution services, previously as a separate business line under Enerjisa Enerji A.Ş., has been transferred to distribution companies.

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

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NOTE 4- SEGMENT REPORTING (Continued)

1 January - 31 December 2017	Distribution	Retail	Unallocated (*)	Eliminations	Total
Cash Flows from Operating Activities	**1,596,860**	**314,205**	**(52,044)**	**-**	**1,859,021**
Profit for the period	1,415,288	277,108	(704,387)	-	988,009
Adjustments to reconcile net profit for the period	144,491	51,136	774,375	-	970,003
Changes in operating assets and liabilities	(901,833)	7,637	(94,302)	-	(988,499)
Cash generated from operating activities	657,946	335,881	(24,314)	-	969,513
Tax payments	(48,912)	(14,763)	(1,235)	-	(64,910)
Other cash inflows / (outflows)	987,826	(6,913)	(26,495)	-	954,418
Cash Flows from Investing Activities	**(1,705,002)**	**156,105**	**75,002**	**(208,530)**	**(1,682,425)**
Cash used for purchase of property, plant and equipment and intangible assets	(83,743)	(29,882)	(12,986)	-	(126,611)
Interest received	-	185,987	87,988	(208,530)	65,445
Other cash out-flows (*)	(1,621,259)	-	-	-	(1,621,259)
Cash Flows from Financing Activities	**102,739**	**(378,279)**	**(11,406)**	**208,530**	**(78,416)**
Increase in cash and cash equivalents	(5,403)	92,031	11,552	-	98,180
Cash and cash equivalents at the beginning of the period	22,351	52,219	-	-	74,570
Cash and cash equivalents at the end of the period	**16,948**	**144,250**	**11,552**	**-**	**172,750**

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

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NOTE 5 - RELATED PARTY TRANSACTIONS

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

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

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

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

Related Party Bank Balances- Akbank T.A.Ş. (1)	31 December 2018	31 December 2017
Demand deposits	42,061	13,943
Time deposits	54,150	11,407
Repurchase agreements	235,062	2,000
	331,273	27,350

			31 December 2018	
Loans provided by related parties	Original currency	Maturity	Current liabilities	Non-current liabilities
Akbank T.A.Ş. (1)	TL	2 January 2019	11,625	-
Akbank T.A.Ş. (1)	TL	2 January 2019	2,606	-
Akbank T.A.Ş. (1)	TL	29 July 2019	315,135	-
Akbank T.A.Ş. (1)	USD	5 August 2019	348,574	-
Akbank T.A.Ş. (1)	TL	9 September 2019	201,650	-
Akbank T.A.Ş. (1)	USD	27 September 2019	529,030	-
Akbank T.A.Ş. (1)	TL	25 October 2019	53,253	-
Akbank T.A.Ş. (1)	TL	25 October 2019	106,080	-
Akbank T.A.Ş. (1)	TL	9 January 2020	32,032	480,000
Akbank T.A.Ş. (1)	TL	2 June 2020	1,691	150,000
Akbank T.A.Ş. (1)	TL	2 June 2020	3,882	300,000
Akbank T.A.Ş. (1)	TL	30 September 2020	10,570	303,000
Akbank T.A.Ş. (1)	TL	5 November 2020	15,810	300,000
Akbank T.A.Ş. (1)	TL	20 May 2021	5,485	150,000
			1,637,423	1,683,000

As of 31 December 2018, the interest rates of TL intercompany loans utilized are in the range of 13.51% - 34.44% (31 December 2017: 12.86% - 16.07%). As of 31 December 2018, the interest rate of USD related party loans utilized is 4.88% (31 December 2017: 4.88%- 4.99%).

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

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

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

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

	31 December 2018				
	Contract Amount (USD)	Contract Amount (EUR)	Contract Amount (TL)	Assets	Liabilities
Forward exchanges	16,993	51,105	397,459	-	(9,379)
Cross currency swap	163,595	-	860,657	299,154	-
	180,588	51,105	1,258,116	299,154	(9,379)

	31 December 2017				
	Contract Amount (USD)	Contract Amount (EUR)	Contract Amount (TL)	Assets	Liabilities
Forward exchanges	9,071	-	34,213	-	(240)
Cross currency swap	163,595	-	617,065	24,187	-
Foreign exchange swap	105,071	-	396,316	6,780	-
	277,737	-	1,047,594	30,967	(240)

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

	31 December 2018		
	Receivables		Payables
	Current		Current
Balances with Related Parties	Trade	Other	Trade
Akbank T.A.Ş. (1)	876	-	-
Akçansa Çimento Sanayi ve Ticaret A.Ş. (1)	67,751	-	-
Aksigorta A.Ş. (1) (**)	2	-	-
AvivaSA Emeklilik ve Hayat A.Ş. (1) (**)	101	-	-
Sabancı Dijital Teknoloji Hizmetleri A.Ş.(1) (***)	-	-	807
Brisa Bridgestone Sabancı Lastik San. Tic. A.Ş. (1)	-	-	594
Carrefoursa A.Ş. (1)	2,710	-	-
Çimsa Çimento Sanayi A.Ş. (1)	57,567	-	10
Enerjisa Üretim Santralleri A.Ş. (1)	424	-	92,803
Hacı Ömer Sabancı Holding A.Ş. (2) (*)	306	-	-
Philip Morris Sabancı Pazarlama Satış A.Ş. (1)	98	-	-
Teknosa İç ve Dış Ticaret A.Ş. (1)	245	-	3
Temsa Global San. ve Tic. A.Ş. (1)	572	-	-
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. (1)	180	-	-
	130,832	-	94,217

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

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

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

(***) Includes IT consulting and software fees that are billed to the group companies by Sabancı Dijital Teknoloji Hizmetleri A.Ş. (2017: Bimsa Uluslararası İş ve Bilgi Sistemleri A.Ş.), one of the group companies.

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NOTE 5 - RELATED PARTY TRANSACTIONS (Continued)

Key management compensation

Key management includes Chairman and members of the Board of Directors, General Manager, Heads of Units and Directors. The compensation paid or payable to key management for employee services is shown below:

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

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

	1 January - 31 December 2018						
Balances with Related Parties	Electricity sales	Electricity purchases	Interests received	Interests paid	Other income	General administrative expenses	Other expenses
Akbank T.A.Ş. (1)	7,562	-	871	358,064	-	-	-
Akçansa Çimento Sanayi ve Ticaret A.Ş. (1)	139,336	-	-	-	-	-	-
Aksigorta A.Ş. (1) (**)	39	-	-	-	-	3	-
AvivaSA Emeklilik ve Hayat A.Ş. (1) (**)	681	-	-	-	-	-	-
Sabancı Dijital Teknoloji Hizmetleri A.Ş. (1) (*)	1,174	-	-	-	-	8,409	-
Brisa Bridgestone Sabancı Lastik San. Tic. A.Ş. (1)	2	-	-	-	-	2,122	-
Carrefoursa A.Ş. (1)	57,528	-	-	-	-	8	-
Çimsa Çimento Sanayi A.Ş. (1)	121,886	-	-	-	-	-	-
Enerjisa Üretim Santralleri A.Ş. (1)	402	279,770	-	-	2,425	552	-
Hacı Ömer Sabancı Holding A.Ş. (2) (***)	3,756	-	-	-	-	1,384	-
Philip Morris Sabancı Pazarlama Satış A.Ş. (1)	578	-	-	-	-	-	-
Philsa Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. (1)	132	-	-	-	-	-	-
Teknosa İç ve Dış Ticaret A.Ş. (1)	2,143	-	-	-	-	5	-
Temsa Global San. ve Tic. A.Ş. (1)	4,062	-	-	-	-	-	-
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. (1)	958	-	-	-	-	-	-
	340,239	279,770	871	358,064	2,425	12,483	-

(*) Includes IT consulting and software fees that are billed to the group companies by Sabancı Dijital Teknoloji Hizmetleri A.Ş. (2017: Bimsa Uluslararası İş ve Bilgi Sistemleri A.Ş.), one of the group companies.

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

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

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NOTE 5 - RELATED PARTY TRANSACTIONS (Continued)

	1 January - 31 December 2017						
Balances with Related Parties	Electricity sales	Electricity purchases	Interests received	Interests paid	Other income	General administrative expenses	Other expenses
Akbank T.A.Ş. (1)	27,523	-	16,512	411,983	-	-	1,377
Akçansa Çimento Sanayi ve Ticaret A.Ş. (1)	66,896	-	-	-	-	-	-
Aksigorta A.Ş. (1) (**)	41	-	-	-	-	-	2,275
AvivaSA Emeklilik ve Hayat A.Ş. (1) (**)	469	-	-	-	-	-	-
Bimsa Uluslararası İş ve Bilgi Sistemleri A.Ş. ("Bimsa") (1) (*)	-	-	-	-	-	-	5,264
Brisa Bridgestone Sabancı Lastik San. Tic. A.Ş. (1)	1,421	-	-	-	-	-	-
Carrefoursa A.Ş. (1)	63,663	-	-	-	-	-	22
Çimsa Çimento Sanayi A.Ş. (1)	72,520	-	-	-	-	-	-
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş. (1)	-	828,799	-	-	1,082	-	1,796
Enerjisa Enerji Üretim A.Ş. (1)	318	-	-	-	7,416	-	1,312
Enerjisa Doğalgaz Toptan Satış A.Ş. (1)	-	-	-	-	48	-	-
Exsa Export San. Mamülleri Satış ve Araştırma A.Ş. (1)	4	-	-	-	-	-	-
Hacı Ömer Sabancı Holding A.Ş. (2) (***)	5,188	-	-	-	-	-	1,720
Hacı Ömer Sabancı Vakfı (1)	-	-	-	-	-	-	3,550
Sabancı Üniversitesi (1)	3,914	-	-	-	-	-	2,450
Teknosa İç ve Dış Ticaret A.Ş. (1)	3,572	-	-	-	-	-	3
Temsa Global San. ve Tic. A.Ş. (1)	3,074	-	-	-	-	-	-
	248,603	828,799	16,512	411,983	8,546	-	19,769

(*) Includes IT consulting and software fees that are billed to the group companies by Bimsa Uluslararası İş ve Bilgi Sistemleri A.Ş. (2018: Sabancı Dijital Teknoloji Hizmetleri A.Ş.), one of the group companies.

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

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

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NOTE 6 - TRADE RECEIVABLES AND PAYABLES

6.1 Trade Receivables:

Current Trade Receivables	31 December 2018	31 December 2017
Trade receivables	5,086,804	3,617,454
Due from related parties (Note 5)	130,832	40,859
Allowance for doubtful receivables (-)	(1,705,247)	(1,275,873)
	3,512,389	2,382,440

As of 31 December 2018, trade receivables amounting TL 1,866,858 (31 December 2017: TL 1,773,684) were neither past due nor impaired. Interest is charged at 2% (31 December 2017: 1.40%) per month on the overdue receivable balances.

As of 31 December 2018, trade receivables amounting TL 1,645,531 (31 December 2017: TL 608,756) were past due but not impaired. The aging analysis of trade receivables past due but not impaired as of 31 December 2018 and 31 December 2017 is as follows:

	31 December 2018	31 December 2017
Up to 1 months	373,724	248,197
1 to 3 months	232,242	167,093
Over 3 months	1,039,565	193,465
	1,645,531	608,756

In accordance with with the requirements of IFRS 9 introducing a new impairment model based on expected credit losses, the Group has modified impairment calculation method for trade receivables. The Group recognizes the impairment of trade receivables, weighting the lifetime expected credit losses by default (Probability of Default) for all trade receivables on each customer basis and including non-overdue receivables.

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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 December 2018	1 January - 31 December 2017
Opening balance	(1,275,873)	(1,032,928)
Charge for the period	(586,616)	(406,764)
Amounts collected during the period	157,242	156,437
Write offs	-	7,382
Closing balance	(1,705,247)	(1,275,873)

The Group received guarantee letters amounting to TL 834,699 (31 December 2017: TL 1,044,473) and deposits and guarantees amounting to TL 1,693,350 (31 December 2017: TL 1,140,458) as collateral for its electricity receivables.

6.2 Trade Payables:

Current Trade Payables	31 December 2018	31 December 2017
Trade payables	2,386,700	1,367,406
Due to related parties (Note 5)	94,217	145,093
	2,480,917	1,512,499

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

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NOTE 7 - OTHER RECEIVABLES AND PAYABLES

7.1 Other Receivables:

Other Current Receivables	31 December 2018	31 December 2017
Income accruals (*)	951,365	458,947
Due from related parties (Note 5)	-	598
Deposits and guarantees given	382	20,706
Receivables from personnel	218	213
Allowance for other doubtful receivables (-)	(3,123)	(3,123)
Other sundry receivables	41,838	17,657
	990,680	494,998

Other Non-Current Receivables	31 December 2018	31 December 2017
Deposits and guarantees given (**)	273,428	205,134
Income accruals (*)	628,120	204,379
Other sundry receivables (***)	81,997	63,992
	983,545	473,505

(*) According to the Electricity Market Law, the Electricity Market Tariffs Communiqué and other related regulations the Group's distribution, transmission and meter reading services are subject to revenue caps. Realized revenue is determined in a way to cover operating expenses and investment requirements related to distribution, transmission and meter reading. Moreover, transmission revenue is a complete pass-through of transmission costs as charged by Türkiye Elektrik İletim A.Ş. These regulations guarantee revenue to the Group regardless of the consumption level. The under billings or overbillings made by the Group are calculated at every year end and are adjusted through the tariffs to be effective in two years by EMRA. The effects of the under billings, which means the actual revenue is below the revenue cap set by EMRA, are accounted as income accruals at the Group's accompanying consolidated financial statements.

(**) The balance represents subscription fees refunded to the subscribers, subscribed before 31 March 2006 for EPS and 24 July 2006 for AEPSAŞ and TOROSLAR EPSAŞ (Note 1) when they leave the system. The balances were paid to the subscribers based on their indexed amounts as required by EMRA periodically. According to the TOR Agreement signed with TEDAŞ, retail companies (EPS, AEPSAŞ and TOROSLAR EPSAŞ) are obliged to keep deposits refunded with their fair values and the net balance of deposits received and paid will be paid back to TEDAŞ at the end of the license periods.

(***) The Group management has assessed that the severance payment provision can be taken with the revenue requirement according to the tariff structure changing with the third tariff period and has imposed an accrued income for the severance payment provision calculated.

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

7.2 Other Payables:

Other Current Payables	31 December 2018	31 December 2017
Payables to tax authority (*)	86,918	-
Other payables	77,561	128,976
Deposits received	16,187	13,778
Lighting payables	43,236	43,236
	223,902	185,990

Other Non-Current Payables	31 December 2018	31 December 2017
Deposits received (**)	1,693,350	1,140,458
	1,693,350	1,140,458

(*) The balance represents the installments made by Ministry for VAT and other taxes related to the year 2018 for BAŞKENT EDAŞ, AYEDAŞ and TOROSLAR EDAŞ according to article of "Tax deferment of debt-compliant taxpayers" within the scope of "Law No: 6183 amending the Procedure Law on Collection of Public Claims".

(**) The Group receives deposits from the customers subscribed after 31 March 2006 for EPS and 24 July 2006 for AEPSAŞ and TOROSLAR EPSAŞ (Note 1) upon their subscription on behalf of TEDAŞ and these deposits are initially recorded at their fair values as the subscription fee charged to customers represents the fees announced by EMRA. According to the TOR Agreements signed with TEDAŞ, retail companies (EPS, AEPSAŞ and TOROSLAR EPSAŞ) are obliged to carry the deposits received by their revalued amounts and the net balance of deposits received and paid will be paid back to TEDAŞ at the end of the license period.

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NOTE 8 - INVENTORIES

	31 December 2018	31 December 2017
Spare parts and equipments	144,718	100,772
Trade goods	2,105	-
Other inventories	1,133	982
	147,956	101,754

NOTE 9 - PREPAID EXPENSES AND DEFERRED INCOME

9.1 Prepaid Expenses:

Short-term prepaid expenses	31 December 2018	31 December 2017
Prepaid expenses	59,050	8,636
Inventory advances given	11,239	135,035
Personnel advances	834	857
Other advances given	232	79
	71,355	144,607

Long-term prepaid expenses	31 December 2018	31 December 2017
Prepaid expenses	2,575	4,840
	2,575	4,840

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NOTE 9 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)

9.2 Deferred Income

Short Term Deferred Income	31 December 2018	31 December 2017
Deferred income (*)	532,231	460,324
Advances received (**)	74,752	145,334
	606,983	605,658

Long Term Deferred Income	31 December 2018	31 December 2017
Deferred income (*)	-	1,161
	-	1,161

(*) According to the Electricity Market Law, the Electricity Market Tariffs Communiqué and other related regulations the Group’s distribution, transmission and meter reading services are subject to revenue caps. Realized revenue is determined in a way to cover operating expenses and investment requirements related to distribution, transmission and meter reading. Moreover, transmission revenue is a complete pass-through of transmission costs as charged by Türkiye Elektrik İletim A.Ş. These regulations guarantee revenue to the Group regardless of the consumption level. The under billings or overbillings made by the Group are calculated at every year end and are adjusted through the tariffs to be effective in two years by EMRA. The effects of the overbillings, which means the actual revenue is above the revenue cap set by EMRA, are accounted as deferred income at the Group’s accompanying consolidated financial statements.

(**) Advances received balances are due to selling electricity back to EPİAŞ. These advances are netted off from invoices issued at the end of every month.

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NOTE 10 – FINANCIAL ASSETS

	Financial assets	
	31 December 2018	31 December 2017
Within one year	791,117	691,860
1-3 years	1,560,529	789,525
3-5 years	2,608,631	889,680
More than 5 years	4,334,358	4,067,366
	9,294,635	6,438,431
Current financial assets	791,117	691,860
Non - current financial assets	8,503,518	5,746,571
	9,294,635	6,438,431

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance	6,438,431	4,293,306
Investments	1,604,664	1,573,484
Collections	(1,432,868)	(979,239)
CAPEX reimbursements	*(798,304)*	*(591,706)*
WACC reimbursements	*(634,564)*	*(437,167)*
Prior tariff adjustments	-	49,634
Financial income	1,716,597	1,013,557
Fair value difference and other	973,047	537,323
Impairment for financial assets (*)	(5,236)	-
Closing balance	9,294,635	6,438,431

(*) The Group has recorded an impairment provision of TL 5,236 for its financial assets in accordance with IFRS 9 Financial Instruments.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENTS

	Plant, machinery and equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost					
Opening balance as of 1 January 2018	97,691	40,438	54,318	2,035	194,482
Additions	103,454	-	99,463	42,536	245,453
Transfers from constructions in progress	2,158	-	-	(2,158)	-
Closing balance as of 31 December 2018	203,303	40,438	153,781	42,413	439,935
Accumulated Depreciation					
Opening balance as of 1 January 2018	(5,903)	(26,488)	(8,032)	-	(40,423)
Charge for the period	(20,420)	(3,197)	(10,868)	-	(34,485)
Closing balance as of 31 December 2018	(26,323)	(29,685)	(18,900)	-	(74,908)
Carrying value as of 31 December 2018	176,980	10,753	134,881	42,413	365,027

	Plant, machinery and equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost					
Opening balance as of 1 January 2017	15,061	36,946	25,670	-	77,677
Additions	82,630	3,492	26,599	2,035	114,756
Assets transferred on merger with the shareholder	-	-	2,049	-	2,049
Closing balance as of 31 December 2017	97,691	40,438	54,318	2,035	194,482
Accumulated Depreciation					
Opening balance as of 1 January 2017	(1,052)	(15,775)	(3,433)	-	(20,260)
Charge for the period	(4,851)	(10,713)	(3,110)	-	(18,674)
Accumulated amortization transferred on merger with the shareholder	-	-	(1,489)	-	(1,489)
Closing balance as of 31 December 2017	(5,903)	(26,488)	(8,032)	-	(40,423)
Carrying value as of 31 December 2017	91,788	13,950	46,286	2,035	154,059

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

Depreciation expense of TL 30,441 and TL 4,044 are accounted in general administrative expenses and cost of sales, respectively (2017 general administrative expenses: TL 18,127 and cost of sales: TL 547).

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NOTE 12 - INTANGIBLE ASSETS

	Customer contracts and related relationships	Transfer of operating rights	Goodwill	Computer software	Other intangible assets	Total
Cost						
Opening balance as of 1 January 2018	4,390,673	1,650,121	2,730,031	1,152	42,047	8,814,024
Additions	-	-	-	-	28,254	28,254
Closing balance as of 31 December 2018	4,390,673	1,650,121	2,730,031	1,152	70,301	8,842,278
Accumulated Amortization						
Opening balance as of 1 January 2018	(851,479)	(265,141)	-	(1,150)	(8,958)	(1,126,728)
Charge for the period	(152,108)	(56,555)	-	-	(15,034)	(223,697)
Impairment	-	-	(752,904)	-	-	(752,904)
Closing balance as of 31 December 2018	(1,003,587)	(321,696)	(752,904)	(1,150)	(23,992)	(2,103,329)
Carrying value as of 31 December 2018	3,387,086	1,328,425	1,977,127	2	46,309	6,738,949

	Customer contracts and related relationships	Transfer of operating rights	Goodwill	Computer software	Other intangible assets	Total
Cost						
Opening balance as of 1 January 2017	4,390,673	1,650,121	2,730,031	1,152	28,480	8,800,457
Additions	-	-	-	-	11,888	11,888
Assets transferred on merger with the shareholder	-	-	-	-	1,679	1,679
Closing balance as of 31 December 2017	4,390,673	1,650,121	2,730,031	1,152	42,047	8,814,024
Accumulated Amortization						
Opening balance as of 1 January 2017	(699,371)	(208,586)	-	(1,150)	-	(909,107)
Charge for the period	(152,108)	(56,555)	-	-	(7,994)	(216,657)
Assets transferred on merger with the shareholder	-	-	-	-	(964)	(964)
Closing balance as of 31 December 2017	(851,479)	(265,141)	-	(1,150)	(8,958)	(1,126,728)
Carrying value as of 31 December 2017	3,539,194	1,384,980	2,730,031	2	33,089	7,687,296

Amortization expense of TL 223,697 is included in general administrative expenses (31 December 2017: TL 216,657).

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

On 31 March 2006 BAŞKENT EDAŞ and on 24 July 2006, AYEDAŞ and TOROSLAR EDAŞ signed TOR Agreements with TEDAŞ. In accordance with the TOR agreement, TEDAŞ transferred the operating rights of the distribution system, the distribution facilities, and the other movables and immovable which are crucial for the operation of the distribution facilities to BAŞKENT EDAŞ until the end of 2036 and to AYEDAŞ and TOROSLAR EDAŞ until the end of 2042. Based on the future cash flows fair value of the TOR agreements are determined. The residual value of TOR after the portion recognized as financial asset which calculated based on IFRIC 12 (Note 10) is recognized as intangible asset based on IFRS 3.

The Group recognized TL 3,997 of E-şarj purchase price amounting to TL 4,000 under other intangible assets. However, TL 200 portion of this price will be accounted as contingent liabilities for 13 months following the purchase transaction and following the expiration of such period, TL 200 shall be paid to the sellers on condition that there exists no receivable which the Group had notified the sellers.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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NOTE 12 - INTANGIBLE ASSETS (Continued)

In recognition of customer contracts and related relationships; relationships with the different customer groups are identified and a fair value for retail customers is estimated by Group management.

Customer contracts and related relationships and TOR amortization is calculated on a straight line basis in a range between 25-30 years and charged to operating expenses.

A goodwill impairment provision of TL 752,904 has been determined and recognized under other expenses from operating expenses as of 31 December 2018 (2017: None).

NOTE 13 - PROVISIONS

Current Provisions	31 December 2018	31 December 2017
Legal claims (*)	228,030	157,238
Competition Authority administrative fine (**)	107,296	-
	335,326	157,238

(*) Legal claims are set for the probable cash outflows related to the legal disputes. As of 31 December 2018, actual provision amount for the legal claims are determined according to the assessment made by the Group management in which there is high probability that the legal cases will be finalized against the Group.

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

The Group is charging the theft and loss costs to the subscribers in accordance with the tariff determined by EMRA. There are legal cases filed by the subscribers to claim back the theft and loss amounts from the Group claiming that they are unfair. Some cases are finalized against the Group while some others in favor of the Group at local courts and consumer arbitrage committees. In June of 2016, statement of "In applications filed in respect of the amounts determined by EMRA within the scope of income and tariff regulations, the authority of the consumer arbitration committees and the courts is limited to the control of compliance with the regulatory procedures of EMRA." has been added to article 17 of Law No. 6446. By this article, it has been determined that in the cases for the theft and loss amounts, the courts can only examine if the theft and loss amounts incurred in accordance with the regulations of the EMRA and it has been ruled that no judgement can be made whether the theft and loss amounts will be collected or not. As of reporting date, the total amount of ongoing cases against the Group is TL 78,812 (31 December 2017: TL 126,397).

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

NOTE 13 – PROVISIONS (Continued)

Movements of provisions are as follows:

	Other provisions	Legal claims	Total
Opening balance as of 1 January 2018	-	157,238	157,238
Additional provisions recognized	107,296	137,499	244,795
Reversal of provisions	-	(66,707)	(66,707)
Closing balance as of 31 December 2018	107,296	228,030	335,326

	Other provisions	Legal claims	Total
Opening balance as of 1 January 2017	-	138,417	138,417
Additional provisions recognized	-	48,278	48,278
Reversal of provisions	-	(29,457)	(29,457)
Closing balance as of 31 December 2017	-	157,238	157,238

NOTE 14 - COMMITMENT AND CONTINGENCIES

31 December 2018	TL Amount	TL
A. Total amount of Collateral Pledge Mortgage (CPM) given on behalf of the legal	7,778	7,778
- Collateral	*7,778*	*7,778*
B. Total amount of CPM given against the subsidiaries included in full consolidation	2,110,028	2,110,028
- Collateral	*2,110,028*	*2,110,028*
Total	2,117,806	2,117,806

31 December 2017	TL Amount	TL
A. Total amount of Collateral Pledge Mortgage (CPM) given on behalf of the legal	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

Mandatory investments

As the regulated incumbent electricity distribution operator, the Distribution companies have an obligation to make any required expansion investments to the grid infrastructure in order to ensure the security of supply to all customers of the respective region. Such expansion investments are mostly a result of new customer or transmission connection requests as well as new street lighting projects initiated by municipalities that also fall under the regulated activities of Distribution companies.

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NOTE 14 - 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 year. These energy sales agreements have been established based on regulated prices. During the year, the Group is obliged to purchase the energy quantity stated in these agreements. At the current operating conditions and market structure, the Group's energy needs are higher than the contracted quantities and the Group makes purchases regularly from EPİAŞ. As a result, the Group management does not expect any liability related to the Energy Sales Agreements arising from not fulfilling the requirements of Energy Sales Agreements.

NOTE 15 - EMPLOYMENT BENEFITS

Payables Related to Employee benefits:	31 December 2018	31 December 2017
Social security premiums payable	23,984	30,647
Payable to personnel	19,233	19,336
	43,217	49,983

Short-term Provisions Related to Employee Benefits:

	31 December 2018	31 December 2017
Bonus provisions	28,779	22,724
	28,779	22,724

Long-term Provisions Related to Employee Benefits:

	31 December 2018	31 December 2017
Provisions for unused vacation	31,959	23,188
Provision for employment termination benefits	83,407	69,544
	115,366	92,732

The movement of bonus and unused vacation provisions are as follows:

	Bonus provisions	Unused vacation provision	Total
Opening balance as of 1 January 2018	22,724	23,188	45,912
Additional provisions recognized	25,844	8,771	34,615
Reversal of provisions	(19,789)	-	(19,789)
Closing balance as of 31 December 2018	28,779	31,959	60,738

	Bonus provisions	Unused vacation provision	Total
Opening balance as of 1 January 2017	12,398	17,064	29,462
Additional provisions recognized	19,719	5,694	25,413
Reversal of provisions	(12,434)	-	(12,434)
Obligation transferred on merger with the partner	3,041	430	3,471
Closing balance as of 31 December 2017	22,724	23,188	45,912

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NOTE 15 - EMPLOYMENT BENEFITS (Continued)

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 5,434.42 (full digit) (31 December 2017: TL 4,732.48 (full digit) for each period of service at 31 December 2018.

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. IAS 19 *Employee Benefits* requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 9.50% and a discount rate of 15.00%, resulting in a real discount rate of approximately 5.20% (31 December 2017: inflation rate of 6.00% and a discount rate of 11.00%, resulting in a real discount rate of approximately 4.72%) Ceiling amount of TL 6,017.60 (full digit) which is in effect since 1 January 2019 is used in the calculation of Groups' provision for retirement pay liability (1 January 2017: TL 5,001.07 (full digit)).

Group management has assessed that the severance payment provisions of electricity distribution companies within the Group can be taken with the revenue requirement according to the changed tariff structure with "Third Tariff Period" and has accounted accrued income for the severance payment provisions calculated for those companies as of 31 December 2018 and 31 December 2017.

The movement for retirement pay provisions is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance	69,544	56,442
Service cost	29,010	25,445
Interest cost	5,042	2,316
Actuarial gain / (loss)	(2,279)	(2,460)
Retirement payments	(17,910)	(12,387)
Obligation transferred on merger with the shareholder	-	188
Closing balance	83,407	69,544

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NOTE 16 - OTHER ASSETS AND LIABILITIES

16.1 Other Current Assets:

	31 December 2018	31 December 2017
Deferred VAT	6,856	57,903
Other prepaid taxes and funds	-	25
Other	117	11
	6,973	57,939

16.2 Other Non-current Assets:

	31 December 2018	31 December 2017
Deferred VAT	124,165	208,133
	124,165	208,133

16.3 Other Current Liabilities:

	31 December 2018	31 December 2017
Taxes and funds payable	285,907	321,363
Other	4,998	2,108
	290,905	323,471

NOTE 17 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

17.1 Share Capital:

	31 December 2018		31 December 2017	
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

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NOTE 17 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

17.1 Share Capital (Continued):

It has been decided by the Board of Directors of the Company to make a capital reduction pursuant to Article 474 of the Turkish Commercial Code in order to recover the deficit in the carry forward-losses in the balance sheet with the decision numbered 14 taken on 30 November 2016. As a result of this transaction, the capital account has been deducted from previous years' losses and no change has occurred in total equity.

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

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

As at 31 December 2018, the capital of the Company comprising 118,106,897 thousand (31 December 2017: 118,106,897 thousand) registered ordinary shares of TL 0.01 each (31 December 2017: TL 0.01 each).

17.2 Earnings per share:

Earnings per share for each class of share disclosed in the consolidated statements of profit or loss and other comprehensive income is determined by dividing the profit for the period attributable to ordinary equity holders of the parent entity by the weighted average number of shares that have been outstanding during the year.

	1 January - 31 December 2018	1 January - 31 December 2017
Profit for the period	747,697	988,009
Weighted average shares (*)	118,106,896,712	118,106,896,712
Earnings per share (kr)	0.63	0.84

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

17.3 Restricted Profit Reserves:

	31 December 2018	31 December 2017
Restricted Profit Reserves	216,612	185,265
	216,612	185,265

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise indicated.
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NOTE 17 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

17.3 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 18 – REVENUE

	1 January - 31 December 2018	1 January - 31 December 2017
Revenue from electricity sales and services provided	16,614,264	11,324,199
Retail sales revenue	*10,962,588*	*7,076,392*
Regulated revenue	*9,918,503*	*4,820,199*
Liberalised revenue	*1,044,085*	*2,256,193*
Retail service revenue	*382,433*	*254,541*
Distribution lighting sales revenue	*228,345*	*176,855*
Distribution service revenue	*4,280,904*	*3,146,508*
Transmission revenue	*759,994*	*596,713*
Other regions distribution revenue (***)	-	*73,190*
Financial income from service concession arrangements	1,716,597	1,013,557
Customer solutions revenue	15,926	7,062
	18,346,787	12,344,818

NOTE 19 - COST OF SALES

	1 January - 31 December 2018	1 January - 31 December 2017
Electricity purchases	(11,611,362)	(7,715,550)
Retail energy purchases	*(10,681,826)*	*(6,920,117)*
Distribution related energy purchases (*)	*(929,536)*	*(795,433)*
System usage fee (**)	(759,994)	(669,903)
Depreciation and amortization expenses	(4,044)	(547)
Other	(4,865)	(26,327)
	(12,380,265)	(8,412,327)

(*) Includes theft/loss and lighting related electricity purchases.
(**) Includes pass-through of transmission and other regions distribution revenue.
(***) The Group netted off other regions’ pass-through distribution related revenue and distribution related costs amounting to TL 32,691 with the amendments of IFRS 15.

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NOTE 20 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2018	1 January - 31 December 2017
General administrative expenses (-)	(1,848,857)	(1,518,648)
	(1,848,857)	(1,518,648)

Details of general administrative expenses are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Payroll and employee benefit expenses	(824,373)	(670,614)
Depreciation and amortization expenses (Note 11, 12)	(254,138)	(234,784)
Material expenses	(132,581)	(136,498)
Fleet management expenses	(132,268)	(95,238)
Outsourcing expenses	(58,752)	(42,872)
Rent expenses	(23,005)	(18,743)
Posting, telephone and communication	(13,284)	(13,149)
Legal and lawsuit provision expenses	(107,828)	(45,880)
Marketing and promotion expenses	(25,752)	(32,790)
Consulting expenses	(41,930)	(33,296)
Repair and maintenance expenses	(56,910)	(61,478)
Duties, taxes and levies	(51,997)	(27,122)
Travel expenses	(17,378)	(14,662)
Insurance expenses	(17,938)	(10,514)
Other expenses	(90,723)	(81,008)
	(1,848,857)	(1,518,648)

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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NOTE 21 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

21.1 Other Income From Operating Activities:

	1 January - 31 December 2018	1 January - 31 December 2017
Power theft penalties	172,313	90,257
Late payment interest income from electricity receivables	114,641	87,489
Rent income	7,554	6,144
Interest income related to revenue cap regulation - net	44,183	-
Compensation and penalty income	57	151
Lawsuit income	57	-
Income from derivative financial instruments - net	5,066	-
Other income	29,678	3,015
	373,549	187,056

21.2 Other Expenses From Operating Activities:

	1 January - 31 December 2018	1 January - 31 December 2017
Impairment provison expense for goodwill (Note 12)	(752,904)	-
Provision for doubtful receivables - net (Note 6, 10)	(434,610)	(250,327)
Valuation differences arising from deposits and guarantees	(242,672)	(78,514)
Competition Authority administrative fine (Note 13)	(107,296)	-
Foreign exchange losses from operating activities	(44,128)	-
Donations	(18,377)	(7,100)
Penalty expenses	(17,994)	(275)
Losses from derivative financial instruments - net	-	(1,846)
Interest losses related to revenue cap regulation	-	(934)
Other expenses	(62,042)	(21,193)
	(1,680,023)	(360,189)

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NOTE 22 - FINANCE INCOME AND EXPENSES

22.1 Finance Income:

	1 January - 31 December 2018	1 January - 31 December 2017
Interest income	104,870	88,491
	104,870	88,491

22.2 Finance Expenses:

	1 January - 31 December 2018	1 January - 31 December 2017
Interest expenses of borrowings	(1,522,209)	(968,611)
Foreign exchange gains / (losses) - net	(60,792)	(62,406)
Bank commission expenses	(11,064)	(14,466)
	(1,594,065)	(1,045,483)

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NOTE 23 - TAXATION ON INCOME

Current assets related with current taxes	31 December 2018	31 December 2017
Prepaid taxes and funds	8,565	11,215
	8,565	11,215

Current tax liability	31 December 2018	31 December 2017
Current corporate tax provision	85,949	51,342
Less: Prepaid taxes and funds	(33,533)	(47,617)
	52,416	3,725

Tax expense recognized in profit or loss	1 January - 31 December 2018	1 January - 31 December 2017
Current tax expense	(85,949)	(51,342)
Deferred tax expense relating to the origination and reversal of temporary differences, net	(488,350)	(244,367)
Total tax expense	(574,299)	(295,709)

Corporate tax

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

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

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

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was applied as 22% in 2018 (31 December 2017: 20%). However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their to 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. The companies apply 22% (will be applied as 22% for 2018, 2019 and 2020 tax periods) tax rate over their quarterly profits when calculating their temporary tax payables; which they are obliged to declare via Advance Corporate Tax Declaration by the end of the 14th, and pay by the end of the 17th of the 2 month following the related period. Quarterly Advance Corporate Tax payments made within a year are deducted from the Corporate Income Tax calculated for the same fiscal year. Following the netting-off, if there is still remaining Advance Corporate Tax balance, it can be deducted from any other financial debt owed to the State or can be received in the form of a cash refund.

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

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NOTE 23 - TAXATION ON INCOME (Continued)

Corporate tax (Continued)

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

Income withholding tax

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

Deferred tax

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

For calculation of deferred tax assets and liabilities as of 31 December 2018, the rate of 22% is used (2017: 20%).

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

Deferred tax (assets) / liabilities	31 December 2018	31 December 2017
Differences arising from customer contracts and transfer of operational rights	943,116	984,835
Carrying amount differences of property, plant and equipment, intangible assets and concession arrangement difference	246,484	(100,000)
Provision for employment termination benefits	(3,145)	(4,604)
Provision for doubtful receivables	7,929	19,790
Provision for lawsuits	(47,081)	(32,063)
Provision for unused vacation	(6,745)	(4,962)
Effect of revenue cap adjustments	254,646	50,018
Late payment penalties	(63,790)	(17,244)
Adjustments due to system migration	(39,090)	(39,090)
Carry forward tax losses	(116,432)	(144,143)
Other	200,044	167,959
	1,375,936	880,496

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NOTE 23 - TAXATION ON INCOME (Continued)

Deferred tax (Continued)

	31 December 2018	31 December 2017
Deferred tax (asset)	(2,847)	(209,957)
Deferred tax liability	1,378,783	1,090,453
Deferred tax (asset) / liability, net	1,375,936	880,496

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

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance	880,496	778,961
Charged to statement of profit or loss	488,350	244,367
Charged to other comprehensive income / expense	7,090	492
Sale of business line accounted for under equity	-	(143,598)
Closing balance	1,375,936	880,496

Tax Reconciliation:	1 January - 31 December 2018	1 January - 31 December 2017
Profit from operations before tax	1,321,996	1,283,718
	22%	20%
Tax at the domestic income tax rate of 22% (2017: 20%)	290,839	256,744
Tax effects of:		
- revenue that is exempt from taxation (*)	165,639	-
- expenses that are not deductible in	10,087	7,259
- unused tax losses	126,433	33,337
- other (**)	(18,699)	(1,631)
Income tax expense recognised in profit or loss	574,299	295,709

(*) No deferred tax is recognized for goodwill impairment provision.

(**) TL 13,880 out of TL 18,669 represents the effect of the deemed interest deductions arising from the cash capital increase under the Law no: 6637.

Deferred tax assets may only be recognized to the extent it is probable that sufficient taxable profit will be available in the future. In case of a probable tax advantage, deferred income tax asset is calculated for unused carry forward tax losses and unused investment incentive.

At 31 December 2018, the Group recognized deferred tax assets amounting to TL 116,432 for unused carry forward tax losses amounting to TL 529,238 since it was considered as probable that there would be sufficient taxable income in the subsequent periods to utilise such assets based on the forecasts made (31 December 2017: TL 144,143 and TL 655,196 respectively).

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NOTE 23 - TAXATION ON INCOME (Continued)

Deferred tax (Continued)

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

	1 January - 31 December 2018	1 January - 31 December 2017
Expiring in 2018	-	66,110
Expiring in 2019	177,786	196,045
Expiring in 2020	-	46,370
Expiring in 2021	77,184	75,964
Expiring in 2022	274,268	270,707
	529,238	655,196

The expiration dates of previous years' losses on which deferred tax asset was not recognized are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Expiring in 2018	-	153,005
Expiring in 2019	378,350	378,350
Expiring in 2020	172,023	172,023
Expiring in 2021	119,063	119,063
Expiring in 2022	19,886	19,886
Expiring in 2023	564,866	-
	1,254,188	842,327

NOTE 24 - FINANCIAL INSTRUMENTS

24.1 Financial Liabilities:

	31 December 2018	31 December 2017
Short-term borrowings	998,170	795,658
Short-term portion of long term bonds issued	533,563	20,876
Short-term portion of long-term borrowings	1,902,076	1,122,406
Total short term financial liabilities	3,433,809	1,938,940
Long-term borrowings	4,453,001	3,978,065
Bonds issued	1,312,046	1,291,015
Total long term financial liabilities	5,765,047	5,269,080
Total financial liabilities	9,198,856	7,208,020

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

NOTE 24 - FINANCIAL INSTRUMENTS (Continued)

24.1 Financial Liabilities (Continued):

The financial liabilities are repayable as follows:

	31 December 2018	31 December 2017
To be paid within 1 year	3,433,809	1,938,940
To be paid between 1-2 years	3,773,000	2,044,941
To be paid between 2-3 years	1,363,446	2,183,000
To be paid between 3-4 years	432,416	695,807
To be paid between 4-5 years	196,185	345,332
	9,198,856	7,208,020

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

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

	Weighted average effective	31 December 2018	
Currency	interest rate	Current	Non-current
TL	19.05%	1,863,300	4,453,001
USD (*)	4.92%	932,640	-
EUR (*)	3.99%	104,306	-
		2,900,246	4,453,001

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

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

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

NOTE 24 - FINANCIAL INSTRUMENTS (Continued)

24.1 Financial Liabilities (Continued):

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

Currency	Weighted average effective interest rate (*)	31 December 2018 Current	31 December 2018 Non-current
TL	CPI + 4%-5%	533,563	1,312,046
		533,563	1,312,046

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

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

As of 31 December 2018, the principal valuation of bonds is TL 460,761 (31 December 2017: TL 101,015).

24.2 Other Financial Liabilities:

	31 December 2018	31 December 2017
Other current financial liabilities	44,302	30,009
Other non-current financial liabilities	321,720	279,657
	366,022	309,666

The other financial liabilities are repayable as follows:

	31 December 2018	31 December 2017
To be paid within 1 year	44,302	30,009
To be paid between 1-2 years	45,232	27,663
To be paid between 2-3 years	46,191	27,349
To be paid between 3-4 years	47,203	27,020
To be paid between 4-5 years	25,272	26,677
To be paid between 5+ years	157,822	170,948
	366,022	309,666

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

NOTE 24 - FINANCIAL INSTRUMENTS (Continued)

24.2 Other Financial Liabilities (Continued):

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

Currency	Weighted average effective interest rate	31 December 2018 Current	31 December 2018 Non-current
EUR	4.70%	44,302	321,720
		44,302	321,720

Currency	Weighted average effective interest rate	31 December 2017 Current	31 December 2017 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 25 – DERIVATIVE INSTRUMENTS

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

	31 December 2018				
	Contract Amount (USD)	Contract Amount (EUR)	Contract Amount (TL)	Assets	Liabilities
Forward exchanges	24,345	66,918	531,458	-	(11,304)
Cross currency swap	174,595	17,000	1,021,003	313,028	-
	198,940	83,918	1,552,461	313,028	(11,304)

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

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

	1 January- 31 December 2018	1 January- 31 December 2017
Opening balance	42,257	3,886
Derivative financial (liabilities) / assets at fair value designated through income / expense	(35,264)	38,371
Derivative financial (liabilities) / assets at fair value designated through other comprehensive income / expense (*)	294,731	-
Total derivative financial (liabilities) / assets	301,724	42,257

(*) TL 294,731 is netted off with TL 264,784 foreign currency losses; and TL 29,947 is recognized before tax at other comprehensive income.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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NOTE 26 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

26.1 Capital risk management:

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and reserves.

The Group management considers the cost of capital and the risks associated with each class of capital. The management of the Group aims to balance its overall capital structure through new share issues, and by issue of new debt or the redemption of existing debt.

	31 December 2018	31 December 2017
Total borrowings (Note 24)	9,564,878	7,517,686
Less: cash and cash equivalents (Note 27)	(562,352)	(172,750)
Less: derivative instruments (Note 25)	(301,724)	(42,257)
Net debt	8,700,802	7,302,679
Total equity	6,298,915	5,880,403
Total capital	14,999,717	13,183,082
Net debt / Total capital ratio (%)	58	55

NOTE 26 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

26.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the finance department. The finance department identifies and evaluates financial risks in close co-operation with the Group's operating units.

26.2.1 Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risks mainly arise from trade receivables. The Group manages this risk by the guarantees received from customers. Trade receivables, are evaluated based on the Group's policies and procedures and as a result presented net of doubtful provision in the consolidated financial statements. In accordance with with the requirements of IFRS 9 introducing a new impairment model based on expected credit losses, the Group has modified impairment calculation method for trade receivables. The Group recognizes the impairment of trade receivables, weighting the lifetime expected credit losses by default (Probability of Default) for all trade receivables on each customer basis and including non-overdue receivables.

Trade receivables consist of a large number of customers, spread across diverse industries within several different provinces. Credit risk of the financial instruments is as the follows:

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NOTE 26 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

26.2 Financial risk factors (Continued):

26.2.1 Credit risk management (Continued)

Credit risk exposure based on financial instrument categories

	Receivables							
	Trade receivables		Other receivables					
			Current		Non-current			
31 December 2018	Related party	Other	Related party	Other	Other	Bank deposits & repos	Financial assets excluding cash	Derivatives
Maximum net credit risk as of the balance sheet date (*)	130,832	3,381,557	-	990,680	983,545	562,352	9,294,635	313,028
The part of maximum risk under guarantee	-	2,528,049	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired (**)	130,832	1,736,026	-	990,680	983,545	562,352	9,294,635	313,028
B. Net book value of financial assets that are due but not impaired (**)		1,645,531	-	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due (gross book value)	-	1,648,018	-	3,123	-	-	-	-
- Impairment (-)	-	(1,648,018)	-	(3,123)	-	-	-	-
- Not due (gross book value)	-	57,229	-	-	-	-	-	-
- Impairment (-)	-	(57,229)	-	-	-	-	-	-
D. Credit risk factors off balance sheet	-	-	-	-	-	-	-	-

(*) The factors such as collaterals received, that increase the credit reliability, have not been taken into consideration in determination of the amount.
(**) Amounts have been subjected to impairment in accordance with IFRS 9.

Maturity of Expected Credit Loss

31 December 2018	Not due	Overdue Up to 1 months	Overdue 1-3 months	Overdue more than 3 months	Total
Balance at period end	1,924,087	382,995	281,394	2,629,160	5,217,636
Credit loss rate (%)	3%	2%	17%	60%	33%
Expected credit losses	(57,229)	(9,271)	(49,152)	(1,589,595)	(1,705,247)

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NOTE 26 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

26.2 Financial risk factors (Continued):

26.2.1 Credit risk management (Continued)

Credit risk exposure based on financial instrument categories (Continued)

	Receivables							
	Trade receivables		Other receivables					
			Current		Non-current			
31 December 2017	Related party	Other	Related party	Other	Other	Bank deposits & repos	Financial assets excluding cash	Derivatives
Maximum net credit risk as of the balance sheet date (*)	40,859	2,341,581	598	494,400	473,505	172,750	6,438,431	44,054
The part of maximum risk under guarantee	-	2,228,751	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	40,859	1,732,825	598	494,400	473,505	172,750	6,438,431	44,054
B. Net book value of financial assets that are due but not impaired	-	608,756	-	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due	-	1,275,873	-	3,123	-	-	-	-
- Impairment	-	(1,275,873)	-	(3,123)	-	-	-	-
D. Credit risk factors off balance sheet								

(*) The factors such as collaterals received, that increase the credit reliability, have not been taken into consideration in determination of the amount.

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NOTE 26 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

26.2 Financial risk factors (Continued):

26.2.2 Liquidity risk management

The Group aims to maintain an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

The maturities of the financial liabilities determined with respect to the contracts including the expected interest payments as of 31 December 2018 and 31 December 2017 are as follows:

31 December 2018

Maturity analysis of non-derivative financial liabilities	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	9,198,856	11,578,399	395,668	3,784,512	7,398,219	-
Trade payables	2,480,917	2,480,917	2,480,917	-	-	-
Deferred income	606,983	606,983	-	606,983	-	-
Other payables	1,917,252	1,917,252	223,892	10	-	1,693,350
Other financial liabilities	366,022	366,022	15,296	29,006	163,898	157,822
Total liabilities	14,570,030	16,949,573	3,115,773	4,420,511	7,562,117	1,851,172

31 December 2017

Maturity analysis of non-derivative financial liabilities	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	7,208,020	8,593,963	653,754	1,742,125	6,198,084	-
Trade payables	1,512,499	1,512,499	1,512,499	-	-	-
Deferred income	606,819	606,819	-	605,658	1,161	-
Other payables	1,326,448	1,326,448	185,990	-	-	1,140,458
Other financial liabilities	309,666	309,666	12,465	17,544	108,709	170,948
Total liabilities	10,963,452	12,349,395	2,364,708	2,365,327	6,307,954	1,311,406

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NOTE 26 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

26.2 Financial risk factors (Continued):

26.2.3 Market risk management

26.2.3.1 Foreign currency risk management

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

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

	31 December 2018		
	Total TL equivalent	**USD TL equivalent**	**EUR TL equivalent**
Cash and cash equivalents	235,579	200,979	34,600
Trade receivables	4,772	761	4,011
Total assets	**240,351**	**201,740**	**38,611**
Financial liabilities (*)	(1,036,946)	(932,640)	(104,306)
Other financial liabilities	(366,022)	-	(366,022)
Trade payables	(117,079)	(102,817)	(14,262)
Total liabilities	**(1,520,047)**	**(1,035,457)**	**(484,590)**
Net foreign currency asset / (liability) position of off-balance sheet derivative	531,458	128,075	403,383
Net foreign currency asset / (liability) position	**(748,238)**	**(705,642)**	**(42,596)**
Cash flow hedging	1,021,003	918,527	102,476
Net foreign currency position after cash flow hedging	**272,765**	**212,885**	**59,880**

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

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NOTE 26 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

26.2 Financial risk factors (Continued):

26.2.3 Market risk management (Continued)

26.2.3.1 Foreign currency risk management (Continued)

	31 December 2017		
	Total TL equivalent	**USD TL equivalent**	**EUR TL equivalent**
Cash and cash equivalents	5,672	5,594	78
Total assets	**5,672**	**5,594**	**78**
Financial liabilities	(1,082,884)	(1,032,412)	(50,472)
Other financial liabilities	(309,666)	-	(309,666)
Trade payables	(123,912)	(107,597)	(16,315)
Total liabilities	**(1,516,462)**	**(1,140,009)**	**(376,453)**
Net foreign currency asset / (liability) position of off-balance sheet derivative	1,590,483	1,436,762	153,721
Net foreign currency asset / (liability) position	**79,693**	**302,347**	**(222,654)**

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

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

The following table details the Group's sensitivity to a 20% increase and decrease in the TL against the relevant foreign currencies. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss before taxation on income where the TL strengthens against the relevant currency.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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NOTE 26 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

26.2 Financial risk factors (Continued):

26.2.3 Market risk management (Continued)

26.2.3.1 Foreign currency risk management (Continued)

	1 January - 31 December 2018 Profit / Loss	
	Appreciation of foreign currency	**Depreciation of foreign currency**
Change in USD against TL by 20%		
USD net assets / liabilities	(166,743)	166,743
Hedged items (-)	209,320	(209,320)
USD net effect	**42,577**	**(42,577)**
Change in EUR against TL by 20%		
EUR net assets / liabilities	(89,196)	89,196
Hedged items (-)	101,172	(101,172)
EUR net effect	**11,976**	**(11,976)**

	1 January - 31 December 2017 Profit / Loss	
	Appreciation of foreign currency	**Depreciation of foreign currency**
Change in USD against TL by 20%		
USD net assets / liabilities	(226,524)	226,524
Hedged items (-)	287,352	(287,352)
USD net effect	**60,828**	**(60,828)**
Change in EUR against TL by 20%		
EUR net assets / liabilities	(75,275)	75,275
Hedged items (-)	30,744	(30,744)
EUR net effect	**(44,531)**	**44,531**

Above sensitivities do not include cross currency swaps and foreign exchange swaps that would largely offset any foreign currency risk.

NOTE 26 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

26.2 Financial risk factors (Continued):

26.2.3 Market risk management (Continued)

26.2.3.2 Interest rate risk management

As of 31 December 2018 and 31 December 2017, the Group has no floating interest rate risk although the Group has CPI indexed bond obligation since the revenues under the concession agreement are also indexed to CPI.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Fair value of financial instruments

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models.

Categories of financial instruments and fair values

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

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

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

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

The fair values of financial liabilities with fixed interest rate are considered to approximate their carrying values. The fair value of financial liabilities with variable interest rates are considered to be equivalent to the carrying amount due to the expectation that the floating interest rate will change accordingly with the market interest rates.

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

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

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NOTE 26 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

26.2 Financial risk factors (Continued):

26.2.3 Market risk management (Continued)

26.2.3.2 Interest rate risk management (Continued)

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

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

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

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

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

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

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

Financial assets / (Financial liabilities)	**Fair value / revalued amount**		**Fair value hierarchy**	**Valuation technique and key input**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
	31 December 2018	**31 December 2017**				
Derivatives	301,724	42,257	Level 2	Market Value	-	-
Deposits and guarantees given	273,428	205,134	-	CPI	-	-
Deposits and gurantees received	(1,693,350)	(1,140,458)	-	CPI	-	-
Financial assets	9,294,635	6,438,431	-	CPI	-	-

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NOTE 27 - EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS

	31 December 2018	31 December 2017
Cash at banks	327,290	148,987
Demand deposits	*140,347*	*137,580*
Time deposits	*186,943*	*11,407*
Repurchase agreements	235,062	23,763
	562,352	172,750

As at 31 December 2018, TL 92,870 of the Group's demand deposits are blocked at different banks (31 December 2017: TL 72,111). These blocked deposits are related to the collections made through bank branches which are made available for use by banks 1 or 2 days after the collection depending on the agreements with related banks.

As of 31 December 2018 repurchase agreements consist of short term TL balances with original maturities between 1-5 days (31 December 2017: 1-3 days). The weighted average effective interest rates of USD and EUR repurchase agreements are 4.00% and 1.25% respectively as at 31 December 2018 (31 December 2017: TL, 13.15%).

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

	1 January - 31 December 2018	1 January - 31 December 2017
Adjustments related to interest (income) / expense based on revenue cap regulation (Note 21)	(44,183)	934
Adjustments related to financial income from service concession arrangements (Note 10)	(1,716,597)	(1,013,557)
Adjustments related to revaluation differences arising from deposits (Note 21)	242,672	78,514
	(1,518,108)	(934,109)

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

	1 January - 31 December 2018	1 January - 31 December 2017
Net collections from financial assets related to service concession arrangements	1,432,868	979,239
Capital expenditure reimbursements (Note 10)	*798,304*	*591,706*
WACC reimbursements (Note 10)	*634,564*	*437,167*
Prior period tariff adjustments (Note 10)	-	*(49,634)*
	1,432,868	979,239

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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NOTE 27 - EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

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

	1 January - 31 December 2018	1 January - 31 December 2017
Capital expenditures related to service concession arrangements	(1,323,729)	(1,621,259)
	(1,323,729)	(1,621,259)

NOTE 28 - EVENTS AFTER THE REPORTING DATE

On 30 January 2019, the Group signed a commitment agreement with Akbank for the Enerjisa Enerji A.Ş. and TOROSLAR EDAŞ's bank borrowings disclosed below.

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

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

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

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