



ENERJİSA
Türkiye'nin Enerjisi
Energy of Turkey

ENERJİSA ENERJİ ANONİM ŞİRKETİ

**ACTIVITY REPORT
FOR THE PERIOD OF
01.01.2019 – 30.06.2019**

(Convenience translation of a report originally issued in Turkish)

REVIEW REPORT ON COMPLIANCE OF INTERIM OPERATING REPORT

To the Board of Directors of Enerjisa Enerji A.Ş.

We have been engaged to perform a review on the compliance of the financial information included in the accompanying interim operating report of Enerjisa Enerji A.Ş. (“the Company”) and its subsidiaries (“the Group”) as of June 30, 2019, with the interim condensed consolidated financial statements, which we reviewed. Interim operating report is the responsibility of the Group management. Our responsibility as the auditors is to express a conclusion regarding if the financial information included in the accompanying interim operating report is consistent with the interim condensed consolidated financial statements and explanatory notes, which we reviewed as the subject of the review report dated August 6, 2019.

We conducted our review in accordance with the Standard on Review Engagements (“SRE”) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial information included in the accompanying interim operating report is not consistent, in all material respects, with the information disclosed in the interim condensed consolidated financial statements and explanatory notes, which we reviewed.

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


Erdem Tecer, SMMM
Partner

August 6, 2019
İstanbul, Türkiye

1- GENERAL INFORMATION

- a) Accounting period that the report relates to : 01 January 2019 – 30 June 2019
- b) Trade-name of the Company : ENERJİSA ENERJİ ANONİM ŞİRKETİ
- Trade registration number : 800865
- Head office contact details and website address : Barbaros Mah. Begonya Sok. Nida Kule
Ataşehir Batı Sitesi No: 1 / 1
Ataşehir-İSTANBUL
Phone : 0216 579 05 79
Fax : 0216 579 05 30
e-mail : enerjisa-info@enerjisa.com
website : www.enerjisa.com.tr

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

Members of the Board of Directors:

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

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

At the 2018 Ordinary General Assembly meeting held on March 28, 2019; it was decided to approve the Board memberships of Kivanç ZAIMLER, Eric Rene C. DEPLUET and Manfred Michael PAASCH to perform their activities until the Ordinary General Assembly for 2021 where the results of 2020 activities.

Shareholding Structure of the Company:

Shareholder Name	Share / Voting Right			
	31.12.2018		30.06.2019	
	(TL)	(%)	(TL)	(%)
Hacı Ömer Sabancı Holding A.Ş.	472,427,587.56	40.0	472,427,587.56	40.0
DD Turkey Holdings S.A.R.L.	472,427,587.56	40.0	472,427,587.56	40.0
Other (Public)	236,213,792.00	20.0	236,213,792.00	20.0
TOTAL	1,181,068,967.12	100.0	1,181,068,967.12	100.0

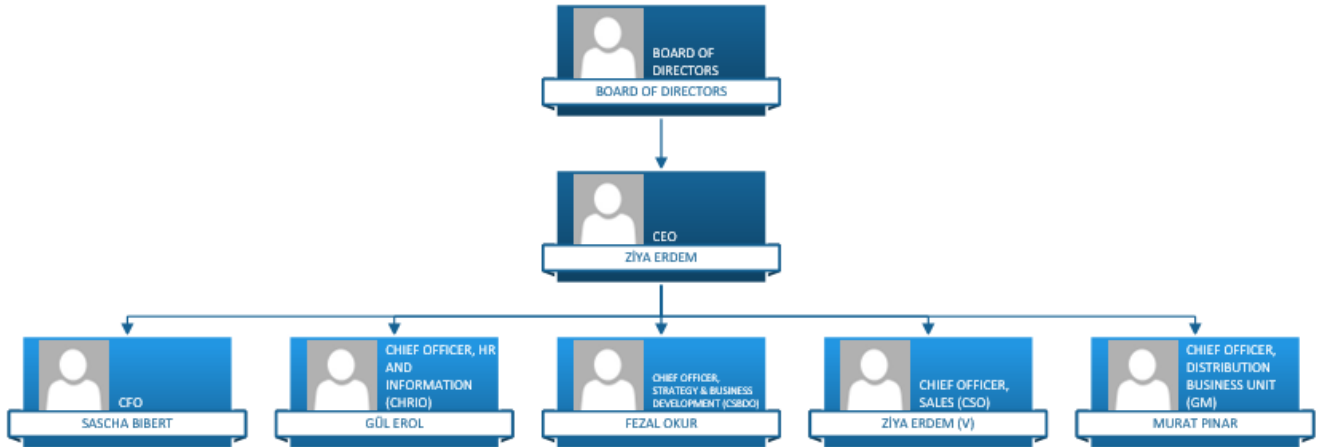
Changes that occurred in the Company Capital during the Period:

Not available.

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

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

As of 30 June 2019 the organization of Enerjisa management is as below:



Dr. Michael Moser, working as Chief Financial Officer (New Customer Solutions) at E.ON has been appointed as Chief Financial Officer (CFO) effective from 1st of July, 2019, in Enerjisa Enerji.

The Group has 9,958 employees as of 30.06.2019.

e) Rights and benefits granted to employees:

Annual base remuneration consists of 12 base salaries and one bonus payment equivalent of one monthly salary amount in every three months.

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

The Chairman and the Members of the Board of Directors may not execute any transaction with the company on their own behalf or for or on account of others, personally or indirectly, without the prior permission of the General Assembly. During the period of 01.01.2019 – 30.06.2019, the members of our Board of Directors neither executed any transaction with the company, nor been involved in any attempts that can compete with the company in its fields of operation.

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

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

	<u>1 January - 30 June 2019</u>	<u>1 January - 30 June 2018</u>
Short-term employee benefits	17,016	12,880
Long-term employee benefits	359	511
	<u>17,375</u>	<u>13,391</u>

3- RESEARCH AND DEVELOPMENT ACTIVITIES

There are no research and development activities conducted by the Company during the period of 01.01.2019 – 30.06.2019.

4- COMPANY'S OPERATIONS AND RELATED MAJOR DEVELOPMENTS

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

International credit rating agency Fitch Ratings has affirmed the National Long-Term Ratings of Enerjisa Enerji A.Ş. and its subsidiary, Başkent Elektrik Dağıtım A.Ş. at 'AA (tur)' with Stable Outlooks on 18 January 2019.

The Company held its Ordinary General Assembly for 2018 on March 28, 2019. The minutes of the meeting were announced to the public on our website and at PDP. According to the decision taken at the meeting:

Pursuant to a review of the Consolidated Financial Statements for the year 2018 prepared in accordance with the Turkish Financial Reporting Standards, it was resolved to propose to the General Assembly to distribute profit as follows from TL 747,697,000.00 Consolidated Net Profit incurred between 01.01.2018 - 31.12.2018;

- Payment of Gross TL 472,427,586.85 dividend in cash (Gross 40%, net 34%) to the shareholders who are representing the TL 1,181,068,967.12 capital,
- To reserve the remaining amount as extraordinary reserves (olağanüstü yedek akçe),
- In the statutory financials recorded in accordance with the Tax Procedure Law (vergi usul kanunu), the loss for the current year in amount of TL 158,223,869.47 has been netted off with the Share Premium,
- In the statutory financials recorded in accordance with the Tax Procedure Law, the dividend shall be distributed in amount of TL 196,227,508.51 from Previous Years' Profit and TL 276,200,078.34 from Extraordinary Reserves,

and it was resolved to propose the General Assembly to distribute the cash dividend, beginning from 2 April 2019.

Dividends derived from the Group's distributable earnings at 2018 have been distributed within April.

The Capital Markets Board has approved the request of the Company with regard to the independent board members with its letter dated February 21, 2019 by evaluating that the Company is in the scope of the exception regulated under the paragraph 6/1 of the Communiqué on Corporate Governance (II-17.1), which has the "Exception on Implementing the Corporate Governance Principles" title and the Company will continue to have two independent board of directors' members, instead of continuing with three board of directors' members.

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 August 9, 2018 and has imposed İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş., Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş., Enerjisa Başkent Elektrik Perakende Satış A.Ş. ve Enerjisa Toroslar Elektrik Perakende Satış A.Ş. a total administrative fine in the amount of TL 143,061,738.12. The reasoned decision of the investigation initiated by the Competition Board has been notified to the subsidiaries on February 7, 2019. As a consequence, Enerjisa reported a corresponding provision expense of TL 107,296,303.59 in the in the 2018 year-end consolidated financial statements, as a discount of 25% can be applied to the fine in case the payment is made within 30 days as of the submission date of the reasoned decision. In our annual accounts the net profit impact was the aforementioned TL 107,296,303.59 while underlying net income was not affected.

The board has decided that there is no need to impose an administrative fine to Enerjisa Enerji A.Ş., Toroslar Elektrik Dağıtım A.Ş. and Başkent Elektrik Dağıtım A.Ş. The administrative fine in the total amount of TL 107,296,303.59 was paid by the aforementioned companies on March 7, 2019.

A lawsuit can be filed in Ankara Administrative Court within 60 days from the notification of decision of the Competition Board. Accordingly, İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş. has initiated a lawsuit regarding the cancellation of the Competition Authority's decision within 13th Administrative Court of Ankara on April 5, 2019.

Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş., Başkent Elektrik Perakende Satış A.Ş. ve Enerjisa Toroslar Elektrik Perakende Satış A.Ş. have initiated the lawsuits regarding the cancellation of the Competition Authority's decision within 2nd Administrative Court of Ankara on April 4, 2019.

The developments related to this matter will be shared with our investors in accordance with the public disclosure requirements.

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

Operational earnings (EBITDA + Capex reimbursements) of Enerjisa Enerji A.Ş. have increased by TL 545 million (+32%) from TL 1,723 million in 1H 2018 to TL 2,268 million in 1H 2019.

This increase in operational earnings was mainly driven by the Distribution business unit, which as of the first half of 2019 contributed 87% of operational earnings for Enerjisa Enerji. The increase in the earnings of the Distribution business unit are mainly due to:

- **Financial Income:** TL 298 million higher financial income mainly driven by higher Regulatory Asset Base, which grew from TL 6.5 billion as of 1H 2018 to TL 7.8 billion as of 1H 2019.
- **CAPEX Reimbursements:** Capex reimbursements increased by TL 130 million from TL 399 million in 1H 2018 to TL 529 million in 1H 2019 due to higher RAB.
- **Efficiency & Quality:** Earnings contributions from efficiency and quality parameters increased by TL 16 million from TL 383 million in 1H 2018 to TL 399 million in 1H 2019, mainly due to TL 90 million higher theft accrual and collection performance of 2019, partially compensated by TL 68 million lower quality bonus due to retrospective quality bonus for 2016 and 2017 realisation in 2018.

The contribution of the Retail business unit in operational earnings increased in 1H 2019, mainly driven by increase in regulated gross profit by TL 83 million from TL 284 million in 1H 2018 to TL 367 million in 1H 2019 mainly due to:

- Compensation of finance cost for EPIAŞ procurement (PTF+X mechanism applicable starting from 2019).
- Higher retail service revenue driven by increase in regulated market customer base.

Regulated segment sales decreased by 9% from 18.2 TWh in 1H 2018 to 16.6 TWh in 1H 2019 due to corporate customers subject to Last Resort Tariff (LRT) switching from regulated to free market. As a result of switching customers partially retained, liberalized corporate customers increased by 7% from 1.4 TWh in 1H 2018 to 1.5 TWh in 1H 2019 with higher margins.

Enerjisa Enerji A.Ş. **Underlying Net Income** increased by TL 55 million from TL 411 million in 1H 2018 to TL 466 million in 1H 2019. While operational earnings (excluding CAPEX reimbursements) increased by TL 415 million, this was partially net off with;

- TL 170 million higher loan financial expenses, driven by higher loan financing costs and higher average loan volume;
- TL 107 million higher other financial expenses mainly due to refinancing fees; and
- TL 63 million swap deposits net impact.

The average cost of financing from loans has increased from 14.6% in 1H 2018 to 18.0% in 1H 2019, whilst in the same period the average cost of bond financing decreased from 18.5% to 8.8%.

Economic Net debt (including non-financial net debt, including lease liabilities and customer deposits) increased from TL 10.1 billion at year-end 2018 to TL 11.1 billion in 1H 2019.

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

As of June 30, 2019, Enerjisa with 11.1 million distribution connection points and with approximately 9.6 million customers is the leading downstream electricity company. The activities conducted by our Company, i.e. the umbrella company housing under its structure the operational companies such as İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş. (İstanbul Anatolian Side Electricity Distribution Co.), Başkent Elektrik Dağıtım A.Ş. (Başkent Electricity Distribution Co.), Toroslar Elektrik Dağıtım A.Ş. (Toroslar Electricity Distribution Co.), Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş. (İstanbul Anatolian Side Electricity Retail Sales Co.), Enerjisa Başkent Elektrik Perakende Satış A.Ş. (Enerjisa Başkent Electricity Retail Sales Co.), Enerjisa Toroslar Elektrik Perakende Satış A.Ş. (Enerjisa Toroslar Electricity Retail Sales Co.), Enerjisa Müşteri Çözümleri A.Ş. (Enerjisa Customer Solutions) and E-şarj Elektrikli Araçlar Şarj Sistemleri A.Ş. (Electric Vehicles and Charging Stations Co.). Our Company does not make any direct investment, but participate in the operational companies under its structure.

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

Audit Committee:

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

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

Activities of the Internal Audit Department are regularly reported to the Audit Committee. In this scope, two audit committee meetings were held in 1H 2019. Through these meetings, the audit committee was informed on topics including, but not limited to, improvement areas identified in audit/consultancy activities and relevant action plans, results of follow-up activities, information about performed ethics investigation activities and significant considerations about other activities.

Audit Committee Members are as follows;

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

Internal Audit:

Enerjisa Internal Audit Department directly reports to the Audit Committee, which is a sub-committee of the Enerjisa Board of Directors per the necessity of independence and objectivity principles. The purpose of Internal Audit is to provide an opinion to the Board of Directors about the compliance of the Company and its subsidiaries' activities with laws, other applicable legislation, internal strategies, policies and procedures, and the effectiveness and adequacy of internal controls. With these efforts and structuring, it is aimed to take preventive measures, protect the company assets, improve business processes and provide added value for the entity by way of giving opinions and suggestions to increase operational efficiency. In accordance with this objective, internal audit activities are conducted in the frame defined through approved audit committee and internal audit charters.

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

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

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

The direct participation shares held by the Company are as follows:

	<u>Place of incorporation and operation</u>	<u>Proportion of ownership interest and voting power held by the Group (%)</u>		<u>Principal activity</u>
		<u>30 June 2019</u>	<u>31 December 2018</u>	
Başkent Elektrik Dağıtım A.Ş.	Ankara	100	100	Electricity distribution services
Enerjisa Başkent Elektrik Perakende Satış A.Ş.	Ankara	100	100	Electricity retail services
İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş.	İstanbul	100	100	Electricity distribution services
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	İstanbul	100	100	Electricity retail services
Toroslar Elektrik Dağıtım A.Ş.	Adana	100	100	Electricity distribution services
Enerjisa Toroslar Elektrik Perakende Satış A.Ş.	Adana	100	100	Electricity retail services
Enerjisa Müşteri Çözümleri A.Ş.	İstanbul	100	100	Customer solutions and distributed generation services
E-şarj Elektrikli Araçlar Şarj Sistemleri A.Ş.	İstanbul	80	80	Electric vehicles and charging stations equipment services

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

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

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

The interim condensed consolidated financial reports of our Company for the period of 01.01.2019 – 30.06.2019 prepared in accordance with IFRS was reviewed by independent auditors.

There is no public audit conducted in relation to our Company within the period that ended by 30.06.2019.

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

There are no cases filed against the Company within the period of 01.01.2019 – 30.06.2019, which may adversely affect the financial situation and operations of the Company.

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

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

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

There has been no major deviation from our Company's budgetary targets for the period of 01.01.2019 – 30.06.2019.

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

None.

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

Our Company has made donations and aids at the amount of TL 276,198 within the period of 01.01.2019 – 30.06.2019.

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

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

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

Enerjisa Group mostly uses sources of finance via the loans received from the Turkish banks in Turkish Lira.

On 5 March 2019, in accordance with the authorization given by the Company's Articles of Association and with the provisions of the Capital Markets Board's Communiqué on Debt Securities, our Board of Directors has decided on issuance of bonds or bills for a total amount up to TRY 1,500,000,000 denominated in Turkish Lira with various maturities up to 6 (six) years, to be sold to domestic qualified investors or sold via private placement without public offering, one or more at a time, in this scope to make an application to the Capital Markets Board for the approval of the issuance certificate; if the application is approved, it is decided to give authorization to the company management in order to determine all conditions within the scope of these restrictions to be realized within one year as of the approval date, to make all the necessary applications to the relevant authorities for the arrangement of the contracts and to perform all necessary operations.

The Group has a total of TL 1,352,000,000 bonds in circulation as of 30 June, 2019. There are no new bonds issued within the period.

o) Events that occurred after the Balance Sheet Date

Applicable starting from 1 July 2019, EMRA has announced that distribution tariff has been increased by 16.7% - 18.8% and the reactive energy fee has been decreased by 7.3% for the customer / tariff groups in national tariff.

Applicable starting from 1 July 2019, EMRA has announced that interest will be charged 2.5% per month on the overdue receivable balances.

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

None.

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

To the best of our knowledge of current conditions, the legal actions taken by our Company with the controlling companies or any of their subsidiaries or in favour of the controlling companies or any of their subsidiaries upon the instructions of the controlling companies and all the other measures taken or avoided in favour of the controlling companies or any of their subsidiaries in the fiscal period of 01.01.2019 – 30.06.2019 were evaluated in the form of a report under the scope of all transactions performed between our Company and the controlling company and its affiliated companies during the Fiscal Period of 01 January 2019 – 30 June 2019, which were conducted in full conformity with the honest and fair accounting principles according to the conditions well known to us. Our company did not suffer any loss resulting from any transaction executed under known conditions in connection with the Fiscal Period of 01.01.2019 – 30.06.2019.

5- FINANCIAL SITUATION

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

Our Company's financial results for the period of 01.01.2019 – 30.06.2019 are provided in the enclosed Balance Sheet and Income Statement.

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

The Company's gross profit as of 30 June 2019 is TL 2,716,143,000.

The Company's net debt to equity ratio has been recorded as 60% in the period of 01.01.2019 – 30.06.2019.

There is no revenue risk predicted for the Company.

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

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

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

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

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

The Article 6 (“Head Office and Branch Offices”) of the articles of association of the Company was amended during the General Assembly Meeting held on 28 March 2019 in accordance with the required permits of the Capital Markets Board and Ministry of Customs and Trade in order to provide the compliance with the Company’s actual head office address.

7- RISKS AND THE EVALUATION OF THE MANAGEMENT BODY

a) Risk Management Framework of Enerjisa

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

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

b) Key Risks and Opportunities

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

i. Regulatory Risks and Opportunities

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

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

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

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

ii. Market Risks and Opportunities

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

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

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

iii. Credit Risks and Opportunities

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

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

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

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

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

iv. Liquidity Risk

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

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

v. Operational Risks

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

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

c) Enerjisa Risk Monitoring Procedure

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

d) Enerjisa Early Risk Detection Committee

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

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

The meetings of the Committee are organized at least four times (once every three months around quarter closings) per year. In the first half of 2019, the Early Risk Detection Committee had two physical meetings and one report circulation. Meeting and report circulation dates and in-depth review topics have been the following:

Meeting Date	In-Depth Review Topic
7 February 2019	Enerjisa Process Universe
8 April 2019	Enerjisa Financial Risk Management
10 June 2019	Enerjisa H1 Qualitative Risk Report

e) Enerjisa Corporate Governance Committee

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

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

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

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

Corporate Governance Committee meetings were held on 7th of February, 18th of April and 4th of July.

Best regards,

Report date: 06.08.2019

Hüseyin Yusuf Ziya Erdem,
CEO

Christian Zaum,
Controlling and Investor Relations Director

ENERJISA ENERJİ A.Ş. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

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

ASSETS	Notes	Reviewed / current period 30 June 2019	Audited / prior period 31 December 2018
Current Assets		6,625,910	5,872,184
Cash and Cash Equivalents	23	1,564,549	562,352
Financial Assets	8	876,804	791,117
Trade Receivables	6	2,937,819	3,512,389
<i>Due from Related Parties</i>	5	21,704	130,832
<i>Due from Third Parties</i>		2,916,115	3,381,557
Other Receivables	7	687,799	458,449
<i>Due from Third Parties</i>		687,799	458,449
Derivative Financial Instruments	21	367,108	313,028
Inventory		147,075	147,956
Prepaid Expenses		35,832	71,355
Assets Related with Current Taxes	19	443	8,565
Other Current Assets		8,481	6,973
Non-Current Assets		17,147,420	16,720,626
Other Receivables	7	1,040,021	983,545
<i>Due from Third Parties</i>		1,040,021	983,545
Financial Assets	8	8,763,663	8,503,518
Right of Use Assets	9	166,909	-
Property, Plant and Equipment	10	483,601	358,781
Intangible Assets	11	6,633,244	6,745,195
<i>Goodwill</i>		1,977,127	1,977,127
<i>Other Intangible Assets</i>		4,656,117	4,768,068
Prepaid Expenses		761	2,575
Deferred Tax Assets	19	26,365	2,847
Other Non-Current Assets		32,856	124,165
TOTAL ASSETS		23,773,330	22,592,810

ENERJISA ENERJİ A.Ş. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

(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	Reviewed / current period 30 June 2019	Audited / prior period 31 December 2018
Current Liabilities		10,151,279	7,011,907
Short-Term Financial Liabilities	20	2,422,190	998,170
Short-Term Portion of Long Term Financial Liabilities	20	5,012,752	2,435,639
Other Financial Liabilities	20	48,513	44,302
Trade Payables	6	1,872,421	2,480,917
<i>Due to Related Parties</i>	5	148,794	94,217
<i>Due to Third Parties</i>		1,723,627	2,386,700
Payables for Employee Benefits		81,036	43,217
Other Payables	7	155,238	223,902
<i>Due to Third Parties</i>		155,238	223,902
Derivative Financial Instruments	21	15,668	3,582
Deferred Income		13,318	74,752
Income Tax Liability	19	55,525	52,416
Short-Term Provisions		236,242	364,105
<i>Provisions for Employment Benefits</i>		5,639	28,779
<i>Other Short-Term Provisions</i>		230,603	335,326
Other Short-Term Liabilities		238,376	290,905
Non-Current Liabilities		7,287,629	9,281,988
Long-Term Financial Liabilities	20	3,674,685	5,765,047
Other Financial Liabilities	20	325,317	321,720
Other Payables	7	1,782,587	1,693,350
<i>Due to Third Parties</i>		1,782,587	1,693,350
Derivative Financial Instruments	21	-	7,722
Long-Term Provisions		133,178	115,366
<i>Provisions for Employment Benefits</i>		133,178	115,366
Deferred Tax Liabilities	19	1,371,862	1,378,783
TOTAL LIABILITIES		17,438,908	16,293,895

ENERJISA ENERJİ A.Ş. AND ITS SUBSIDIARIES**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

(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	Reviewed / current period 30 June 2019	Audited / prior period 31 December 2018
Equity		6,334,422	6,298,915
Registered Share Capital	13	1,181,069	1,181,069
Adjustments to Share Capital	13	2,626,532	2,784,755
Total Share Capital		3,807,601	3,965,824
Other Funds		4,340	4,340
Accumulated Other Comprehensive Expenses not to be Reclassified to Profit or Loss in Subsequent Periods		(3,464)	(3,464)
<i>Accumulated Loss on Remeasurement of Defined Benefit Plans</i>		(3,464)	(3,464)
Accumulated Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods		72,452	23,359
<i>Hedge Reserves</i>		72,452	23,359
Restricted Profit Reserves	13	251,545	216,612
Retained Earnings		1,743,107	1,344,547
Profit for the Period		458,841	747,697
TOTAL LIABILITIES AND EQUITY		23,773,330	22,592,810

ENERJISA ENERJİ A.Ş. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2019

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

	Notes	Reviewed / current period 1 January - 30 June 2019	Reviewed / prior period 1 January - 30 June 2018	Unreviewed / current period 1 April - 30 June 2019	Unreviewed / prior period 1 April - 30 June 2018
Revenue	14	9,327,279	7,807,517	4,843,643	3,746,993
Cost of Sales (-)	15	(6,611,136)	(5,533,882)	(3,427,938)	(2,498,145)
GROSS PROFIT		2,716,143	2,273,635	1,415,705	1,248,848
General Administrative Expenses (-)	16	(991,047)	(837,272)	(485,106)	(422,364)
Other Income from Operating Activities	17	176,891	131,103	68,560	62,112
Other Expenses from Operating Activities (-)	17	(378,281)	(292,939)	(247,306)	(206,552)
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSE)		1,523,706	1,274,527	751,853	682,044
Finance Income	18	76,569	56,175	27,702	24,331
Finance Expense (-)	18	(931,804)	(621,453)	(525,429)	(328,849)
PROFIT BEFORE TAX		668,471	709,249	254,126	377,526
Tax Expense		(209,630)	(210,277)	(92,704)	(121,416)
Current Tax Expense	19	(235,995)	(38,778)	(62,285)	(29,772)
Deferred Tax Income / (Expense)	19	26,365	(171,499)	(30,419)	(91,644)
PROFIT FOR THE PERIOD		458,841	498,972	161,422	256,110
OTHER COMPREHENSIVE INCOME AND EXPENSE					
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods		49,093	25,151	43,088	21,583
<i>Gains on Hedges</i>	21	45,019	32,244	35,872	27,784
<i>Income Tax Relating to Other Comprehensive Income</i>	19	4,074	(7,093)	7,216	(6,201)
TOTAL COMPREHENSIVE INCOME		507,934	524,123	204,510	277,693
Earnings per share					
Earnings per share (kr)	13	0.39	0.42	0.14	0.22