



**ENERJISA**

*e-on*

**SABANCI**

# Earnings presentation 9M 2018

06 November 2018



## Executive Summary

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Continued strong earnings growth

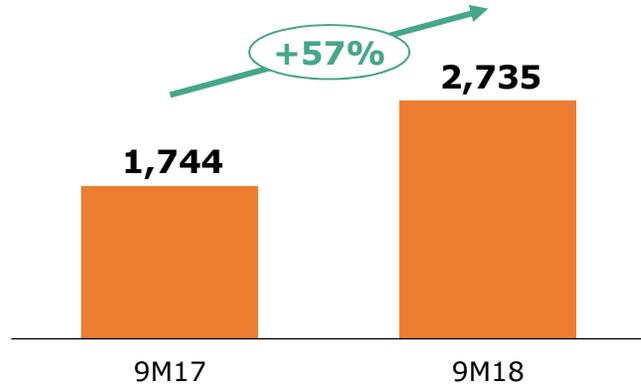
Weak free cash flow due to working capital

Optimistic to meet or even exceed 2018 targets

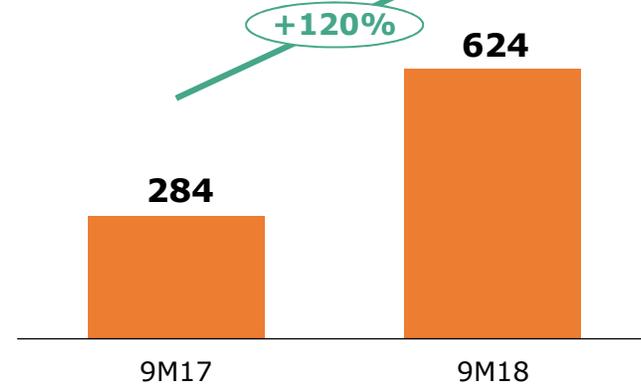


# Financial Highlights

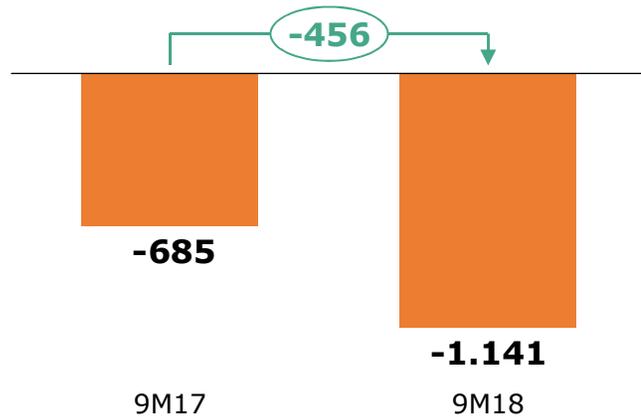
## Operational earnings<sup>1</sup> (TLm)



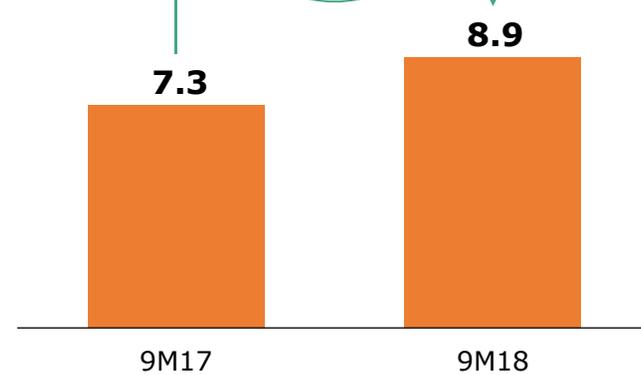
## Underlying Net Income<sup>2</sup> (TLm)



## Free Cash Flow after interest and tax (TLm)



## Net Debt (TLbn)

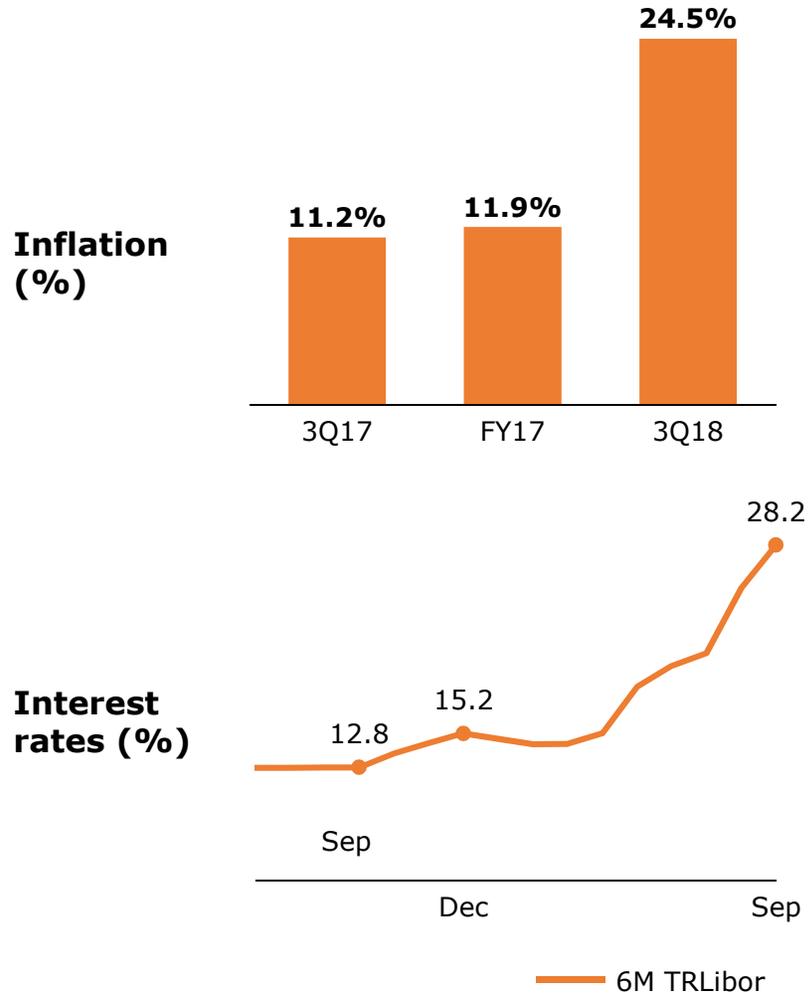


- 1 EBITDA + Capex reimbursements excl. exceptional items: exceptional items in 9M17 include TL143m fair value change of financial assets and TL70m Capex outperformance related to 2016; exceptional items in 9M18 includes TL242m fair value change of financial assets, TL74m theft accrual related to 2017 due to retention rate increase and TL107m Competition Authority penalty provision.
- 2 Net Income excl exceptional items: exceptional items in 9M17 include TL114m fair value change of financial assets and TL56m Capex outperformance related to 2016; exceptional items in 9M18 includes TL189m fair value change of financial assets, TL58m theft accrual related to 2017 due to retention rate increase and TL107m Competition Authority penalty provision and therefore excluded from Underlying Net Income.



# Market environment

## Turkey



## Sector: Regulatory Developments

### **Retail**

- Increase in average regulated tariff by 22.5% as of 1.10.2018 (5th revision YtD; January 7%, April 6%, August 15% and September 18%). Cumulative increase to date is 87%.
- As per the revision on 31.08.2018, Feed in Tariff and Other market costs will be reflected at their related cost periods without time lag (2nd revision of price equalization mechanism within 2018)
- Late penalty interest rate has been increased from 1.4% per month to 2% per month

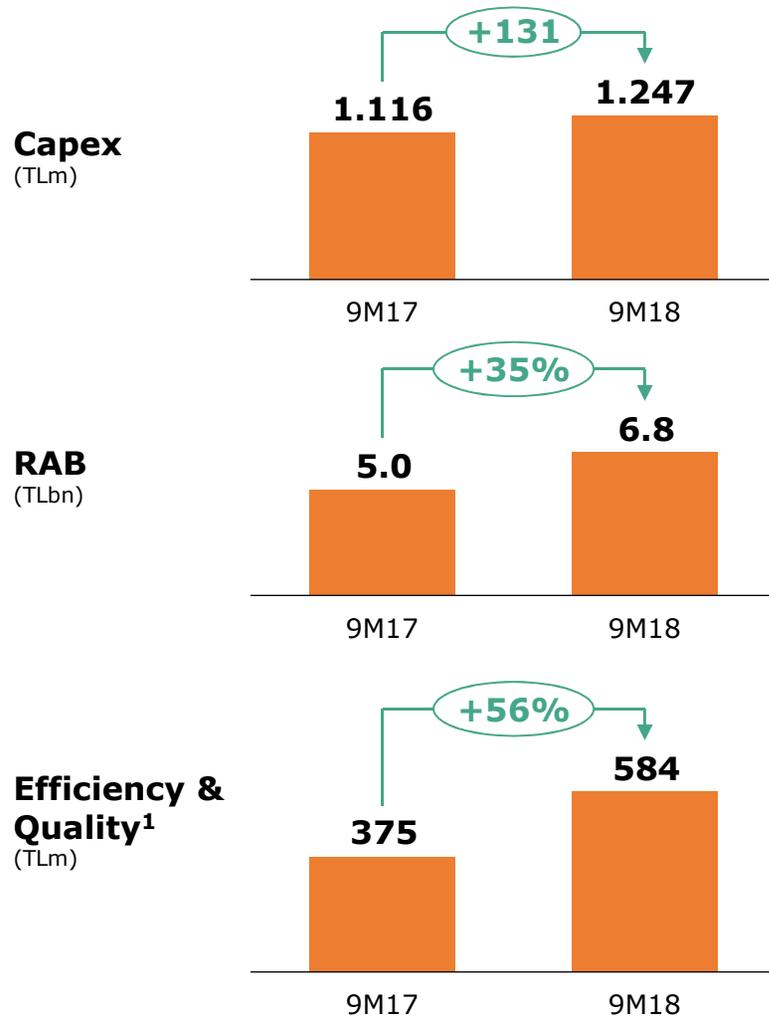
### **Distribution**

- Theft accrual retention rate increased from 40% to 55% retrospectively as of beginning of 2017 (2nd revision of this regulation after increase from 20% to 40% in December 2017)

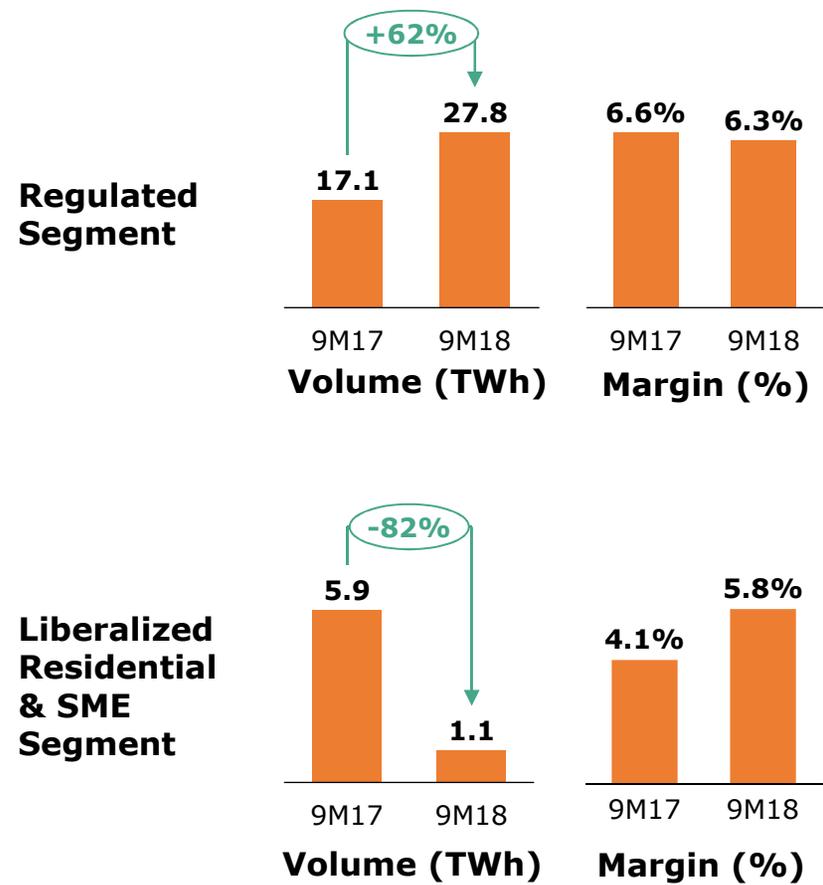


# Operations

## Distribution



## Retail

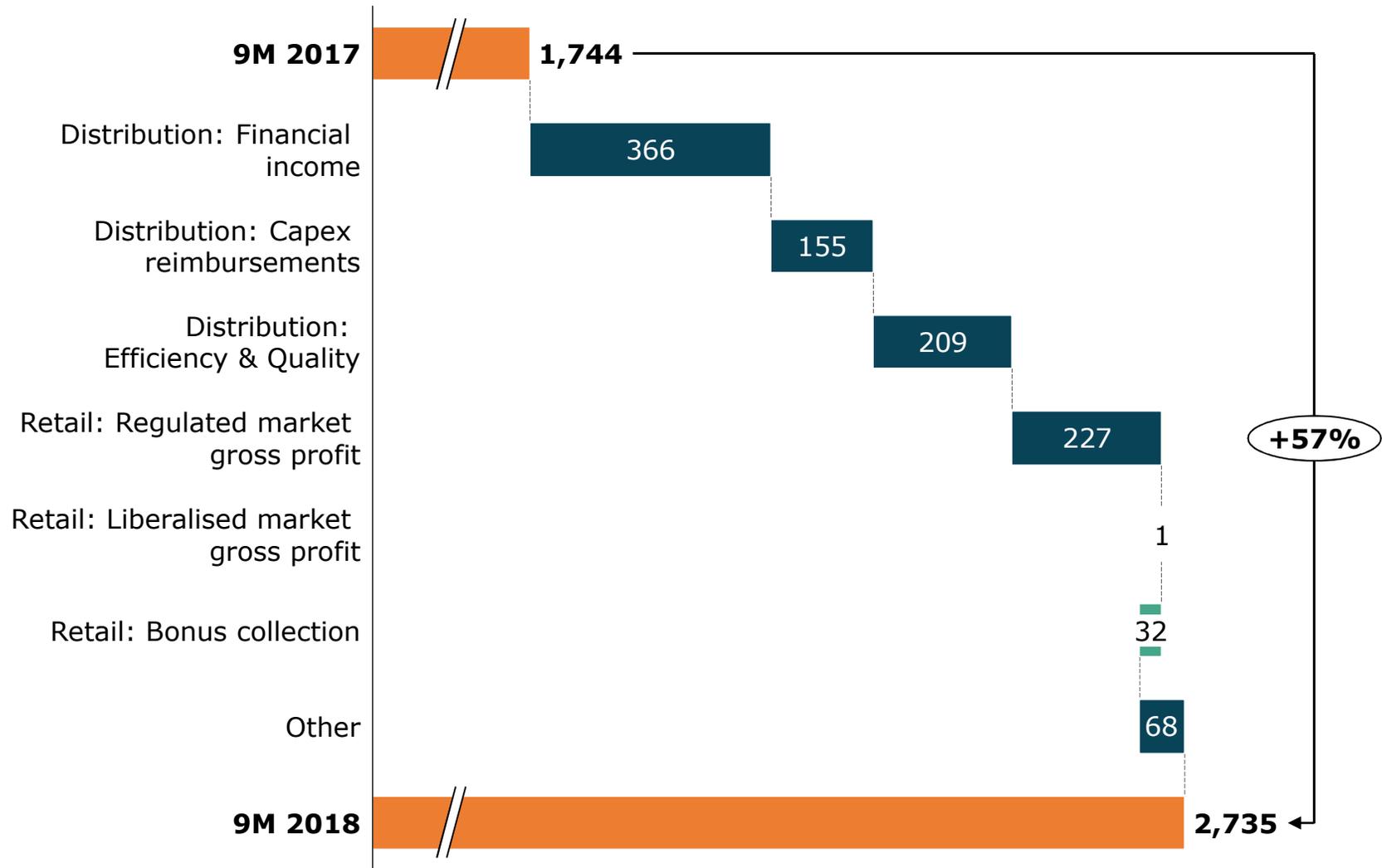


1 Incl. Capex, Opex and T&L outperformances as well as theft accrual & collection and quality bonus.



# Consolidated Operational Earnings Development

(TLm)



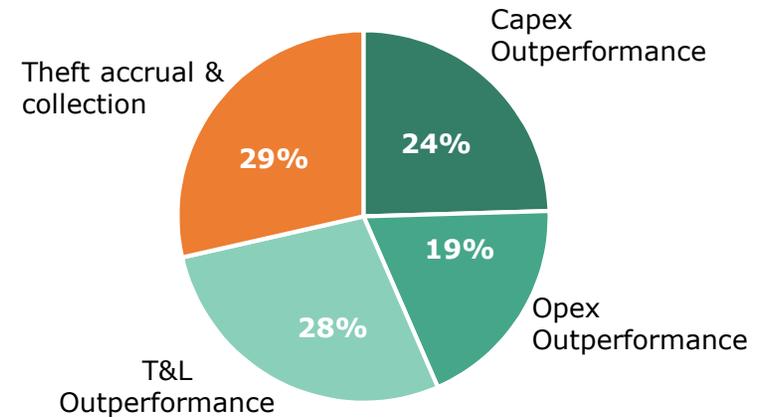


# Distribution: Operational Earnings & Cash Development

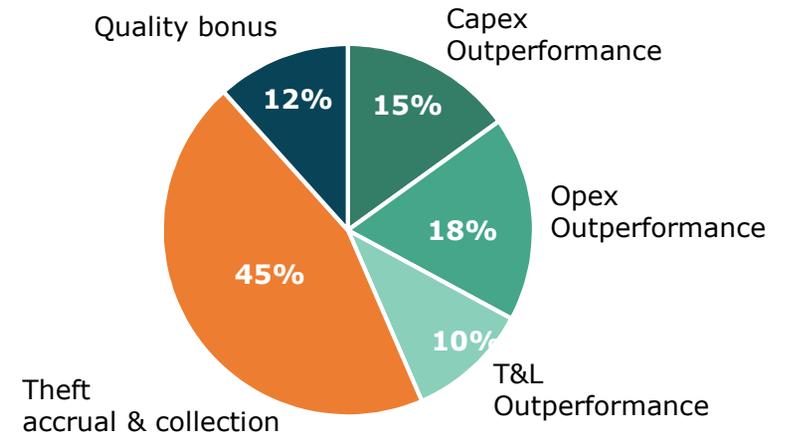
## Operational Earnings and Free Cash Flow Before Interest and Tax (TLm)

	9M 2017	9M 2018
Financial income	665	1.031
CAPEX reimbursements	444	599
Efficiency & Quality	375	584
Tax correction	47	90
Other	55	90
<b>Operational earnings</b>	<b>1.586</b>	<b>2.394</b>
Financial income not yet cash effective	-338	-556
Capex outperformance	-92	-88
Net VAT received/paid	220	313
Other (Working Capital)	-321	-701
<b>Operating Cash Flow before interest and tax</b>	<b>1.055</b>	<b>1.362</b>
Actual allowed Capex (nominal)	-1.116	-1.247
Capex outperformance	92	88
VAT paid	-131	-254
Previous year/unpaid Capex	-133	55
<b>Cash-effective Capex</b>	<b>-1.288</b>	<b>-1.358</b>
<b>Free Cash Flow before interest and tax</b>	<b>-233</b>	<b>4</b>

## Efficiency & quality 9M 2017



## Efficiency & quality 9M 2018



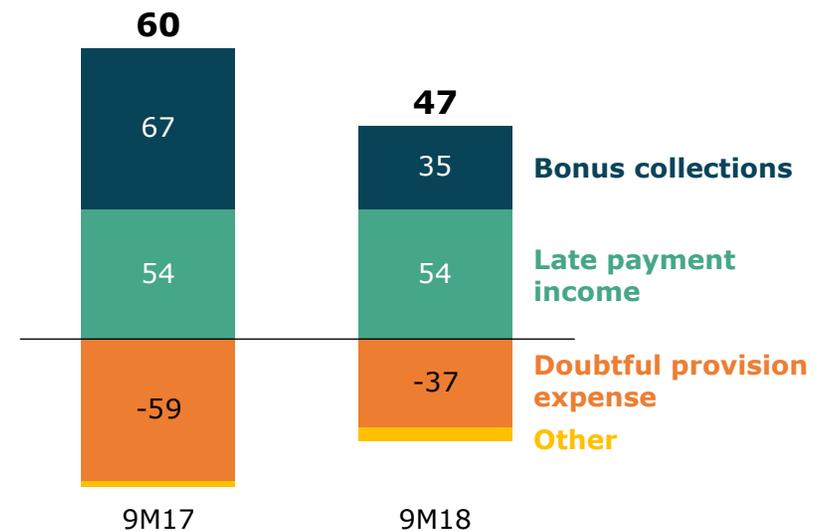


# Retail: Operational Earnings & Cash Development

## Operational Earnings and Free Cash Flow Before Interest and Tax (TLm)

	9M 2017	9M 2018
Regulated gross profit	239	466
Liberalised gross profit	35	34
Customer Solutions gross profit	0	9
Opex	-166	-189
Bad debt related income and expense	60	47
<b>Operational earnings</b>	<b>168</b>	<b>367</b>
Price equalization effects	-35	-702
Net customer deposit additions	99	196
Other (Working Capital)	-34	-123
<b>Operating Cash Flow before interest and tax</b>	<b>198</b>	<b>-262</b>
Capex	-25	-32
<b>Free Cash Flow before interest and tax</b>	<b>173</b>	<b>-294</b>

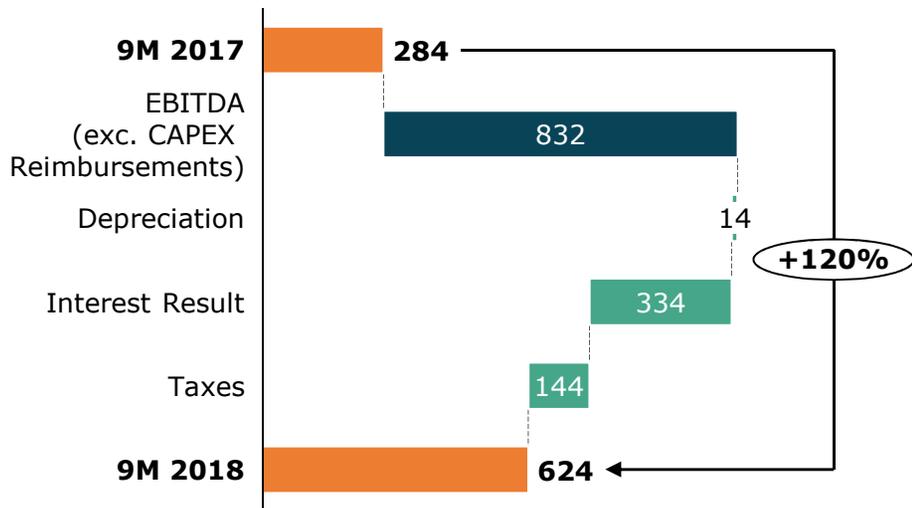
## Bad debt related income and expense (TLm)



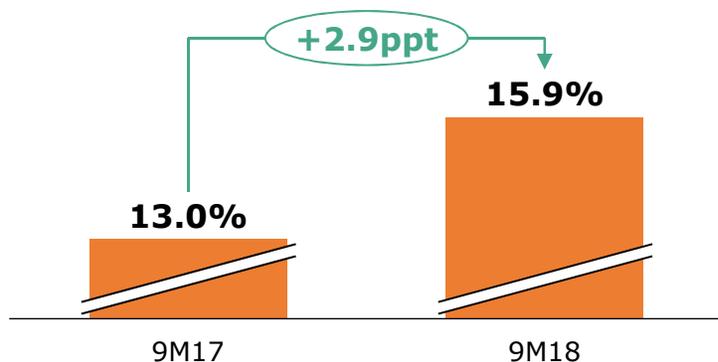


# Consolidated Net Income & Leverage

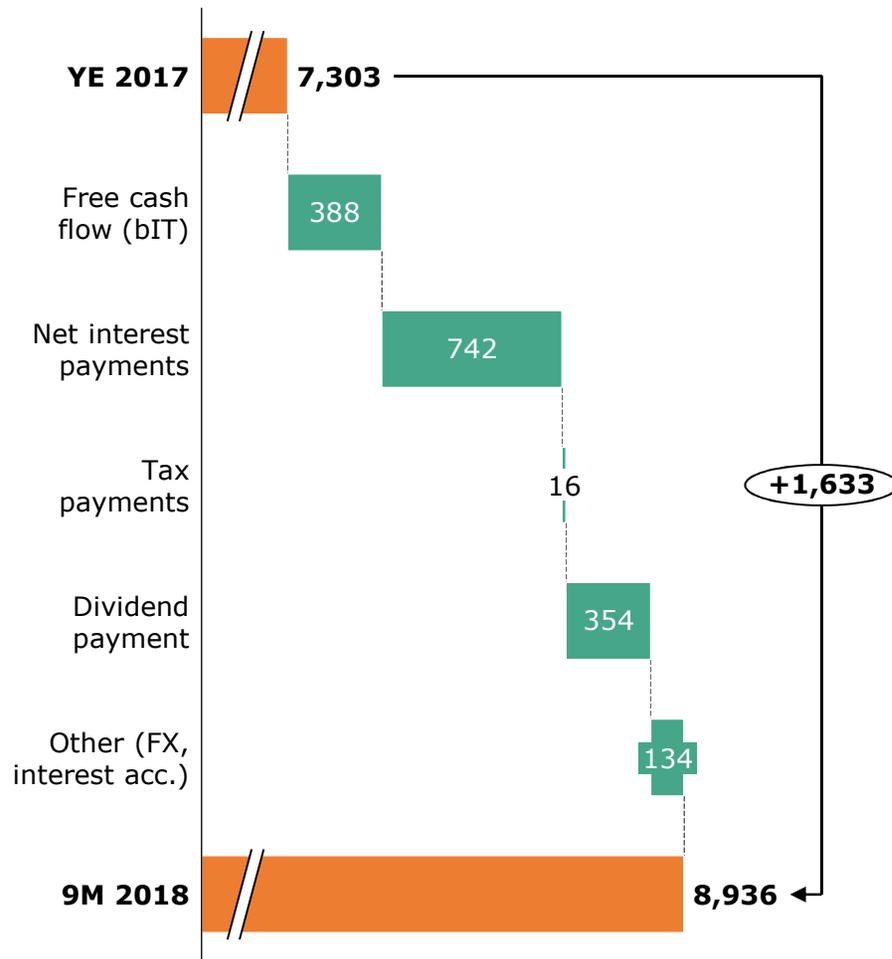
## Underlying net income development (TLm)



## Weighted average interest rates



## Net debt development (TLm)





# Targets & Strategy

## Targets

Mid-term targets	Confirmed ✓
2018 Operational Earnings guidance	Meet or exceed ✓ ✓

## Changing Macro Environment

+

Prioritise Cash Flow Management

Investment decisions to be considered with macro developments



# Appendix



# Summary Financial Statements

## Consolidated Income Statement

	1 January 30 September	1 January 30 September		1 January 30 September	1 January 30 September
(TLm)	2017	2018	(TLm)	2017	2018
Sales Revenue	8.591	12.499	<b>Operating profit before finance income/(expense)</b>	<b>1.285</b>	<b>2.025</b>
Cost of Sales	-6.137	-9.003	Adjustment of depreciation and amortization	172	186
<b>Gross Profit</b>	<b>2.454</b>	<b>3.496</b>	Adjustments related to operational fx gains and losses	1	45
OPEX	-1.035	-1.287	Adjustments related to fair value difference arising from deposits	54	112
Other Income/(Expense)	-134	-184	Interest income related to revenue cap regulation	1	-23
<b>Operating profit before finance income/(expense)</b>	<b>1.285</b>	<b>2.025</b>	<b>EBITDA</b>	<b>1.513</b>	<b>2.345</b>
Financial Income/(Expense)	-681	-936	CAPEX Reimbursements	444	599
<b>Profit before tax</b>	<b>604</b>	<b>1.089</b>	<b>EBITDA+CAPEX Reimbursements</b>	<b>1.957</b>	<b>2.944</b>
Taxation	-150	-325	Fair value changes of financial assets	-143	-242
<b>Net Income</b>	<b>454</b>	<b>764</b>	Competition Authority penalty provision	0	107
			Non-recurring income related to previous years	-70	-74
			<b>Operational earnings</b>	<b>1.744</b>	<b>2.735</b>
			<b>Net Income</b>	<b>454</b>	<b>764</b>
			Fair value changes of financial assets	-114	-189
			Competition Authority penalty provision	0	107
			Non-recurring income related to previous years	-56	-58
			<b>Underlying Net Income</b>	<b>284</b>	<b>624</b>

Note: Consolidated numbers include the Business Units Distribution and Retail as well as the legal holding entity.



# Summary Financial Statements

## Consolidated Balance Sheet

(TLm)	31 December 2017	30 September 2018
Cash and Cash Equivalents	173	249
Financial Assets	692	800
Trade Receivables	2.382	3.689
Derivative financial instruments	20	625
Other Current Assets	810	1.011
<b>Current Assets</b>	<b>4.077</b>	<b>6.374</b>
Financial Assets	5.747	7.083
Tangible and Intangible Assets	7.841	7.680
Derivative financial instruments	24	23
Other Non-Current Assets	897	988
<b>Non-Current Assets</b>	<b>14.509</b>	<b>15.774</b>
<b>TOTAL ASSETS</b>	<b>18.586</b>	<b>22.148</b>
Short-Term Financial Liabilities	1.939	4.258
Other Financial Liabilities	30	51
Trade Payables	1.512	1.847
Derivative financial instruments	2	1
Other Current Liabilities	1.349	1.289
<b>Current Liabilities</b>	<b>4.832</b>	<b>7.446</b>
Long-Term Financial Liabilities	5.269	5.145
Other Financial Liabilities	280	380
Other Non-current Liabilities	2.325	2.827
<b>Long-Term Liabilities</b>	<b>7.874</b>	<b>8.352</b>
Total Share Capital	4.017	3.966
Other Equity Items	184	275
Retained Earnings	1.679	2.109
<b>Equity</b>	<b>5.880</b>	<b>6.350</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>18.586</b>	<b>22.148</b>

Note: Consolidated numbers include the Business Units Distribution and Retail as well as the legal holding entity.



# Summary Financial Statements

## Consolidated Cash Flow

	1 January 30 September	1 January 30 September		1 January 30 September	1 January 30 September
(TLm)	2017	2018	(TLm)	2017	2018
Profit for the period	454	764	Cash Flows from Operating Activities (before interest and tax)	1.230	1.005
Adjustments to reconcile net profit for the period	741	1.015	CAPEX	-1.357	-1.391
Changes in operating assets and liabilities	-675	-1.781	<b>Free cash flow (before interest and tax)</b>	<b>-127</b>	<b>-386</b>
Other inflows (incl. Capex reimbursements)	710	1.007	Tax payments	-34	-15
<b>Cash Flows from Operating Activities (before interest and tax)</b>	<b>1.230</b>	<b>1.005</b>	Interest received	73	58
Tax payments	-34	-15	Interest paid	-597	-798
<b>Cash Flows from Operating Activities (before interest, after tax)</b>	<b>1.196</b>	<b>990</b>	<b>Free cash flow (after interest and tax)</b>	<b>-685</b>	<b>-1.141</b>
CAPEX	-1.357	-1.391			
Interest received	73	58			
<b>Cash Flows from Investing Activities</b>	<b>-1.284</b>	<b>-1.333</b>			
Cash in-flows and out-flows from borrowings	765	1.571			
Interest paid	-597	-798			
Dividend paid	0	-354			
<b>Cash Flows from Financing Activities</b>	<b>168</b>	<b>419</b>			
Increase in cash and cash equivalents	80	76			
Cash and cash equivalents at the beginning of the period	75	173			
<b>Cash and cash equivalents at the end of the period</b>	<b>155</b>	<b>249</b>			

Note: Consolidated numbers include the Business Units Distribution and Retail as well as the legal holding entity.



## Retail: Income statement

(TLm)	1 January	1 January
	30 September	30 September
	2017	2018
Sales Revenue (net)	7.737	11.300
<i>Regulated</i>	3.602	7.426
<i>Liberalised</i>	1.727	830
<i>Pass-through grid revenue</i>	2.408	3.034
<i>Customer solutions</i>	0	10
Cost of Sales (-)	-7.443	-10.799
<i>Regulated</i>	-3.364	-6.960
<i>Liberalised</i>	-1.671	-805
<i>Pass-through grid cost</i>	-2.408	-3.034
<b>Gross Profit</b>	<b>294</b>	<b>501</b>
OPEX	-172	-206
Other Income/(Expense)	-14	-156
<b>Operating profit before finance income/(expense)</b>	<b>108</b>	<b>139</b>
Adjustment of depreciation and amortization	6	17
Adjustments related to fair value difference arising from deposits	54	112
<b>EBITDA</b>	<b>168</b>	<b>268</b>
Competition Authority penalty provision	-	99
<b>Operational earnings</b>	<b>168</b>	<b>367</b>



## Distribution: Income statement

	1 January 30 September	1 January 30 September
(TLm)	2017	2018
Sales Revenue	3.213	4.206
<i>Financial income</i>	665	1.031
<i>Distribution revenue</i>	1.977	2.500
<i>Pass-through transmission revenue</i>	446	521
<i>Lighting sales revenue</i>	125	154
Cost of Sales	-1.043	-1.211
<i>Energy purchases (Lighting, T&amp;L)</i>	-597	-690
<i>Pass-through transmission cost</i>	-446	-521
<b>Gross Profit</b>	<b>2.170</b>	<b>2.995</b>
OPEX	-727	-902
Other Income/(Expense)	-100	-25
<b>Operating profit before finance income/(expense)</b>	<b>1.343</b>	<b>2.068</b>
Adjustment of depreciation and amortization	11	13
Adjustments related to operational fx gains and losses	1	45
Interest income related to revenue cap regulation	0	-23
<b>EBITDA</b>	<b>1.355</b>	<b>2.103</b>
CAPEX Reimbursements	444	599
<b>EBITDA+CAPEX Reimbursements</b>	<b>1.799</b>	<b>2.702</b>
Fair value changes of financial assets	-143	-242
Competition Authority penalty provision	-	8
Non-recurring income related to previous years	-70	-74
<b>Operational earnings</b>	<b>1.586</b>	<b>2.394</b>



## Investor Relations contacts

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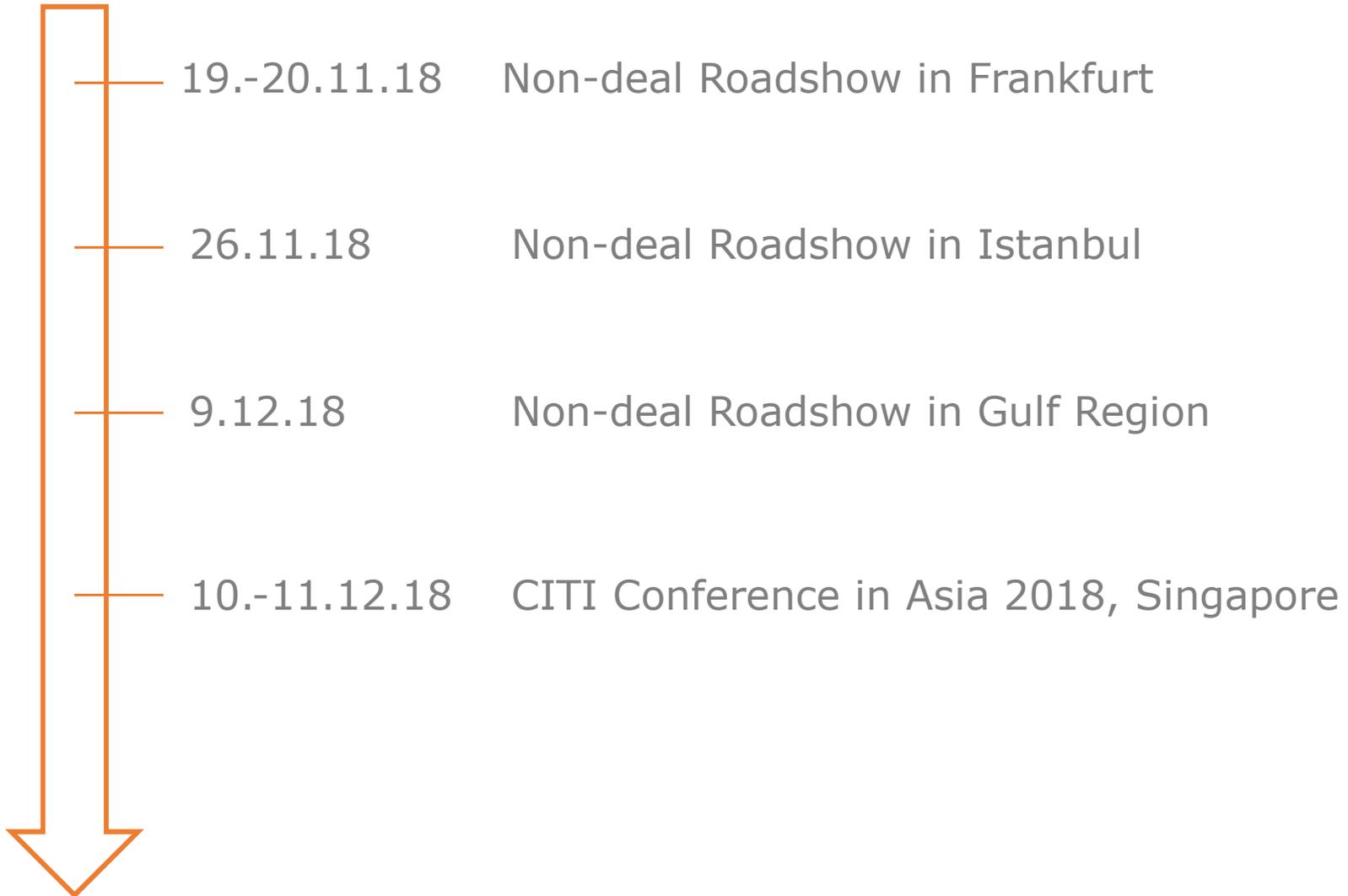
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## Financial calendar 2018

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