



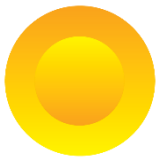
ENERJISA

e-on

SABANCI

Earnings presentation Full Year 2018

21 February 2019



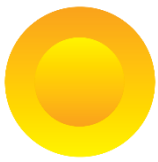
Executive Summary

Significantly exceeded operational earnings target
(+50% to 3.8bnTL)

+40% Underlying Net Income (to 730mTL)

Proposed dividend of 0.40TL per share¹ providing real growth
compared to prior year

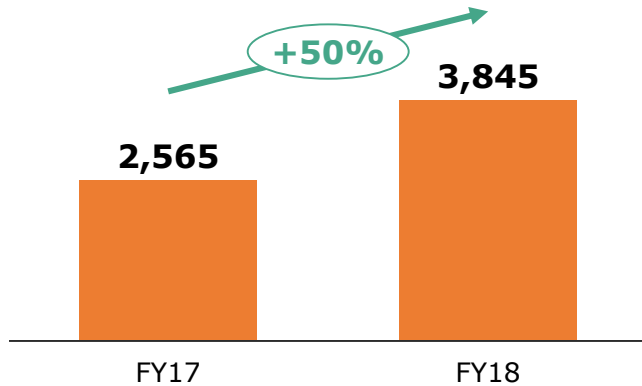
0.6bnTL Free Cash Flow after interest and tax in 4Q



Financial Highlights

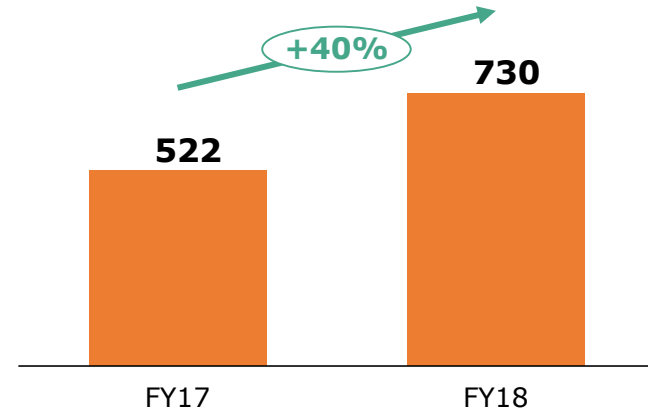
Operational earnings¹

(TLm)



Underlying Net Income²

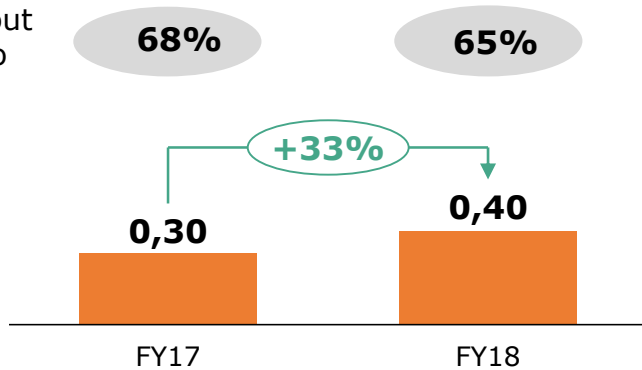
(TLm)



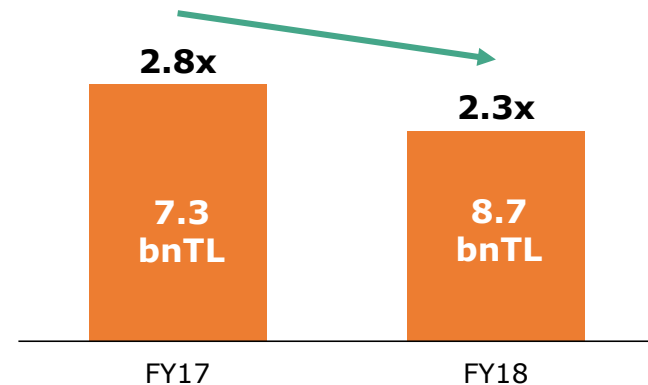
Dividend proposal

(TL/share³)

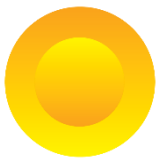
Payout Ratio



Net Debt / Operational earnings



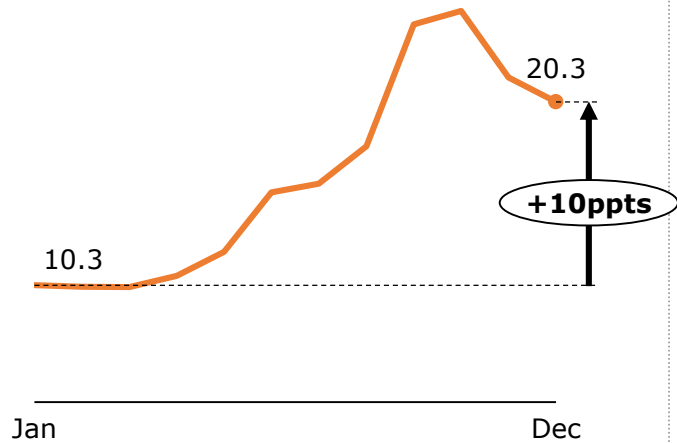
- 1 EBITDA + Capex reimbursements excluding exceptional items: FY17 includes (467 mTL) change in fair value of financial assets (IFRIC income adjustment) as well as (115 mTL) non-recurring income from CAPEX outperformance and theft accrual collections related to fiscal year 2016; FY18 includes (984 mTL) IFRIC income adjustment, (74 mTL) theft accrual related to 2017 due to retention rate increase, (68 mTL) retrospective application of quality bonus for CAPEX realization in 2016 and 2017, and (-107 mTL) Competition Authority penalty fee
- 2 Net Income excluding exceptional items: FY17 includes (374 mTL) IFRIC income adjustment, (92 mTL) non-recurring income from CAPEX outperformance and theft accrual collections related to fiscal year 2016; FY18 includes (768 mTL) IFRIC income adjustment, (58 mTL) theft accrual related to 2017 due to retention rate increase, (52 mTL) retrospective application of quality bonus for CAPEX realization in 2016 and 2017, (-107 mTL) Competition Authority penalty fee and (-753 mTL) Goodwill impairment effect
- 3 Dividend per 100 shares; total number of outstanding shares is 118,106,896,712



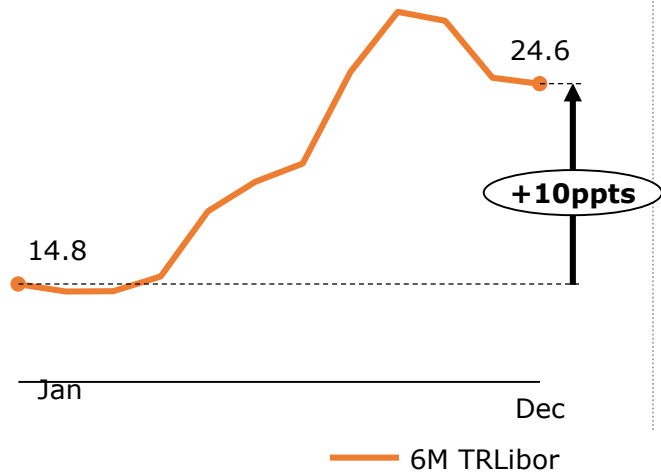
Market environment

Turkey

Inflation (%)

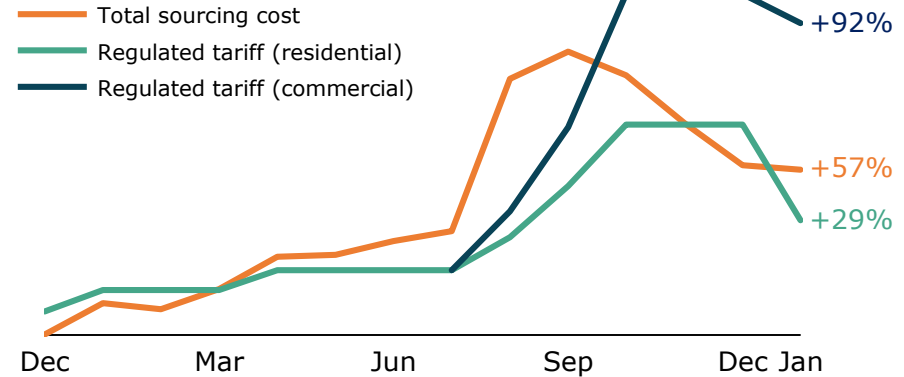


Interest rates (%)

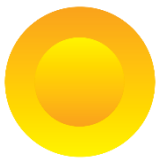


Sector: Regulatory Developments

Retail



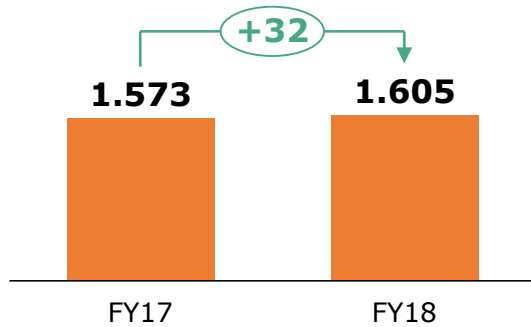
- Regulated Retail tariffs have been adjusted downwards as of 1.1.2019 in line with procurement cost decline since September
- EÜAŞ volume allocation has been announced and is higher compared to 2018, however is again expected to be insufficient to cover the regulated market consumption for 2019. Any corresponding spot procurement for the regulated market will incur additional working capital for Retail companies, which the regulator now compensates by granting a cost base adjustment in the calculation of the regulated Retail revenue
- State will pay up to 150kWh (~80TL) per month of the electricity bill of customers on social support (affects 2.5m customers in Turkey)



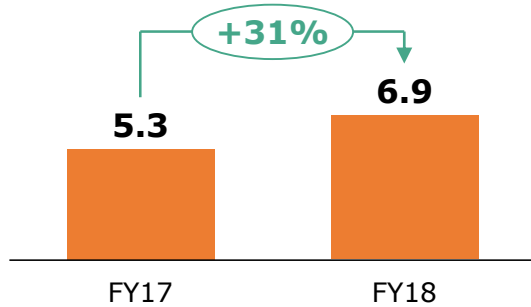
Operations

Distribution

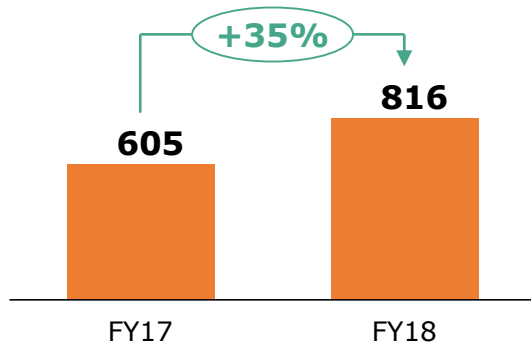
Capex
(TLm)



RAB
(TLbn)

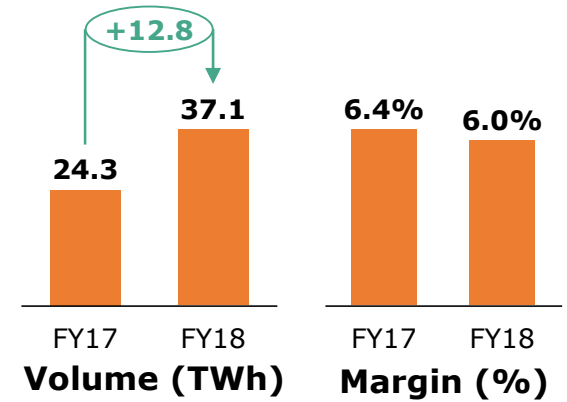


Efficiency & Quality¹
(TLm)

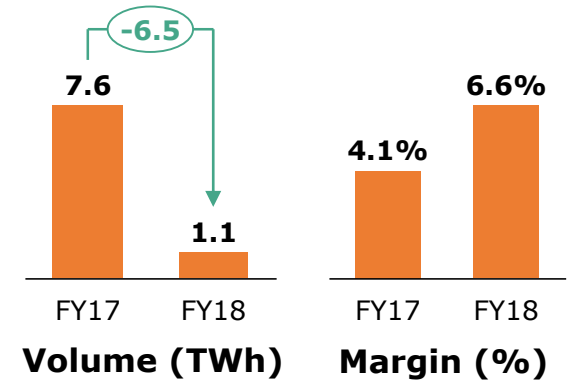


Retail

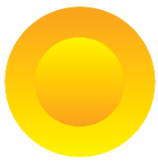
Regulated Segment



Liberalized Residential & SME Segment²

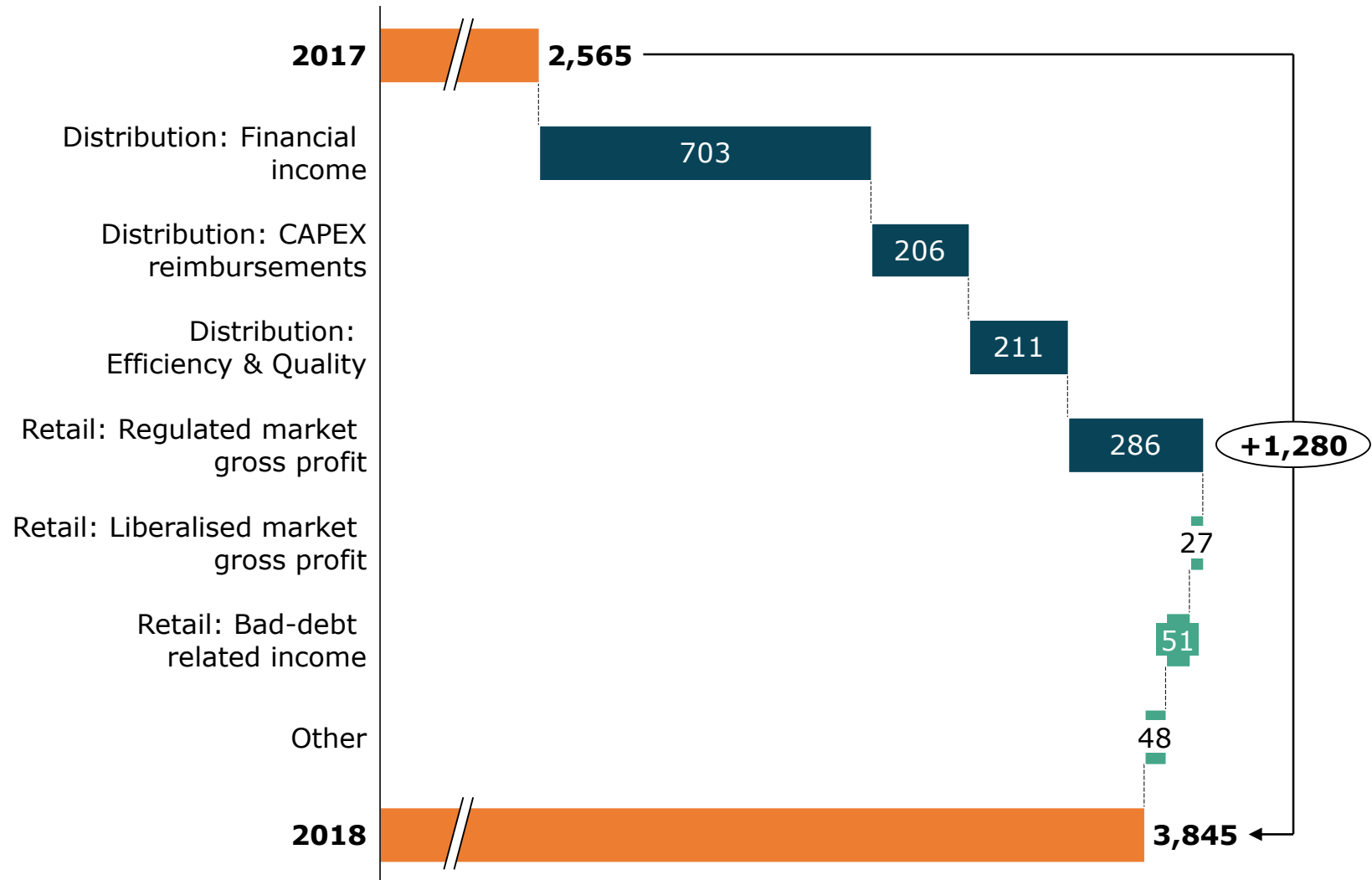


1 Incl. Capex, Opex and T&L outperformances as well as theft accrual & collection and quality bonus
 2 Margins include hedged procurement prices, underlying margins are lower



Consolidated Operational Earnings Development

(TLm)





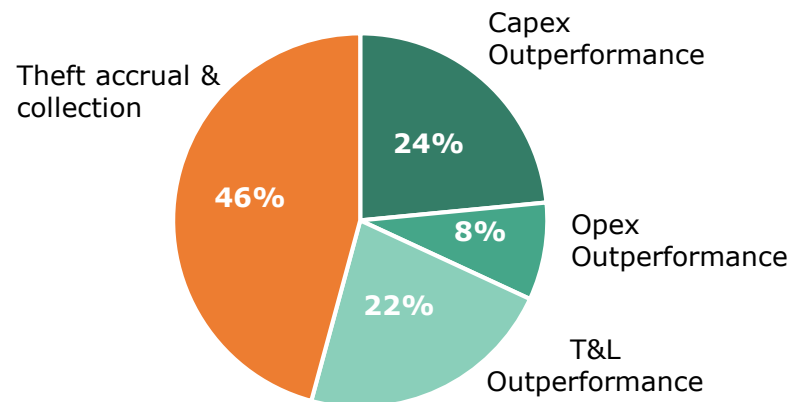
Distribution: Operational Earnings & Cash Development

Operational Earnings and Free Cash Flow Before Interest and Tax

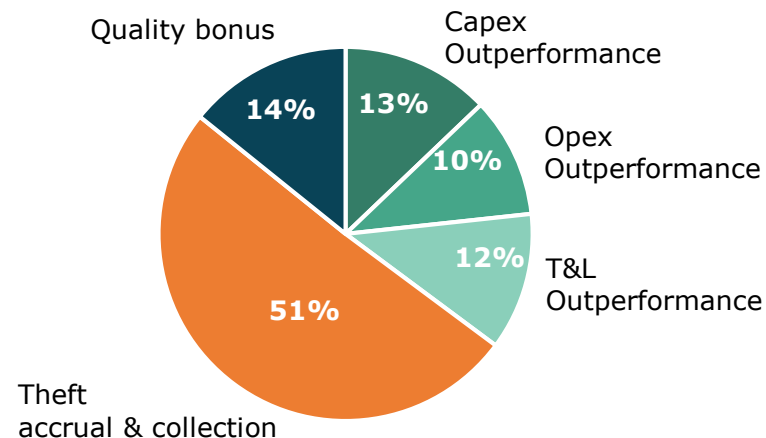
(TLm)

	FY 2017	FY 2018
Financial income	1,014	1,717
CAPEX reimbursements	592	798
Efficiency & Quality	605	816
Tax correction	86	133
Other	47	26
Operational earnings	2,344	3,490
Financial income not yet cash effective	-577	-1.082
Capex outperformance	-142	-105
Net VAT received/paid	108	362
Other (Working Capital)	-87	-291
Operating Cash Flow before interest and tax	1,646	2,374
Actual allowed Capex (nominal)	-1,573	-1,605
Capex outperformance	142	105
VAT paid	-308	-308
Previous year/unpaid Capex	34	259
Cash-effective Capex	-1,705	-1,549
Free Cash Flow before interest and tax	-59	825

Efficiency & quality FY 2017



Efficiency & quality FY 2018



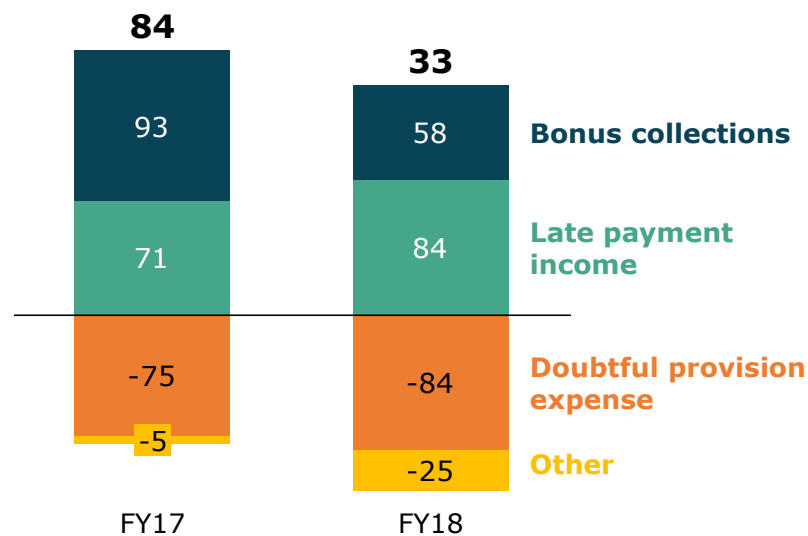


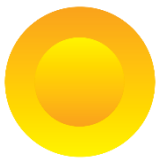
Retail: Operational Earnings & Cash Development

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

	FY 2017	FY 2018
Regulated gross profit	335	621
Liberalised gross profit	74	47
Customer Solutions gross profit	0	11
Opex	-246	-323
Bad debt related income and expense	84	33
Operational earnings	247	389
Price equalization effects	14	-489
Net customer deposit additions	140	246
Other (Working Capital)	-72	-281
Operating Cash Flow before interest and tax	329	-135
Capex	-30	-38
Free Cash Flow before interest and tax	299	-173

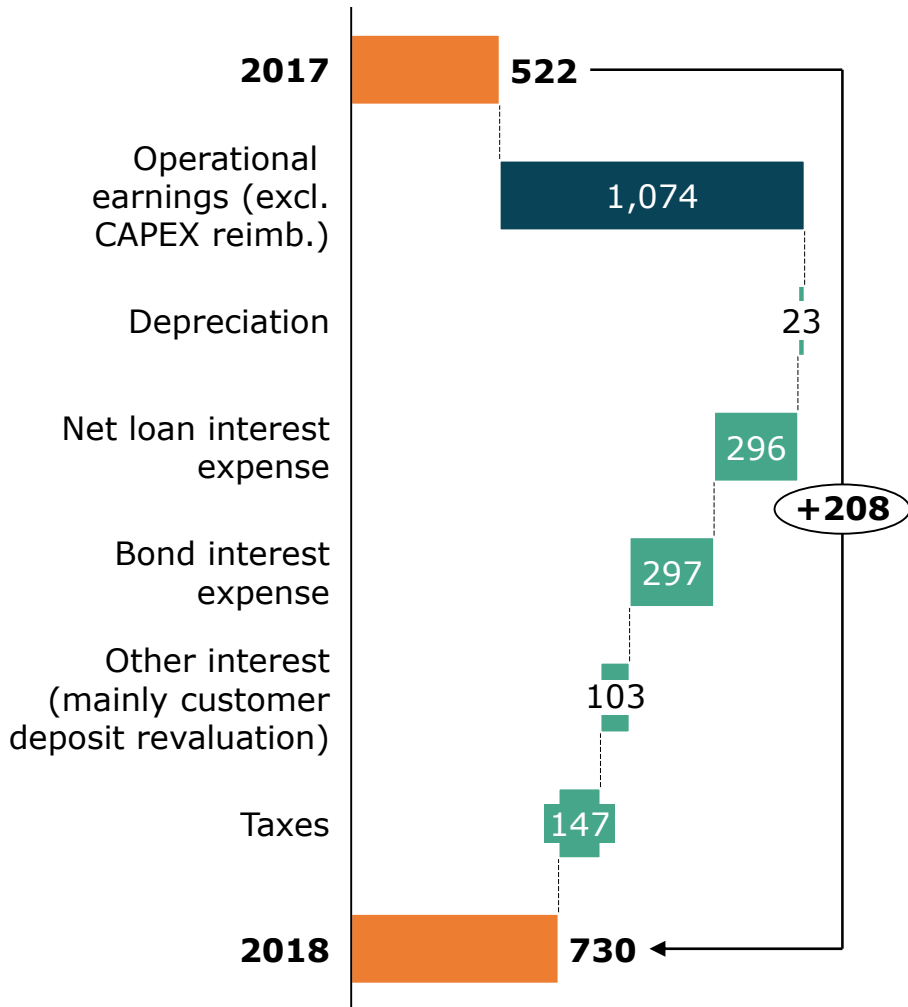
Bad debt related income and expense (TLm)



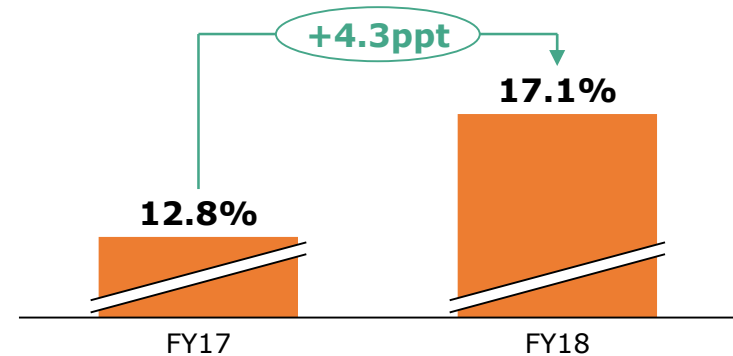


Consolidated Underlying Net Income Development

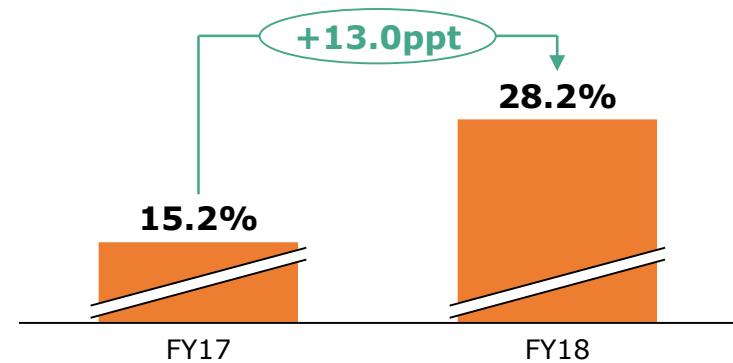
Underlying net income development (TLm)

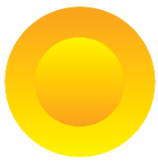


Weighted average loan interest rates



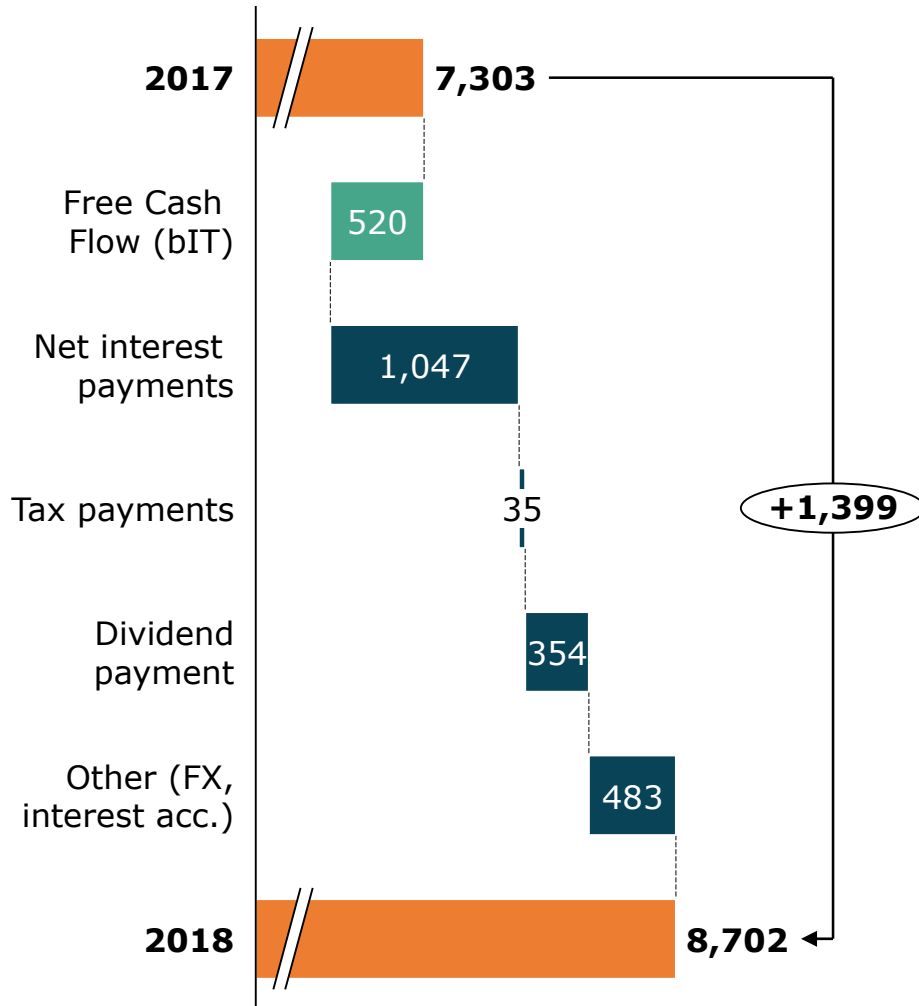
Weighted average bond interest rates (CPI-linked)



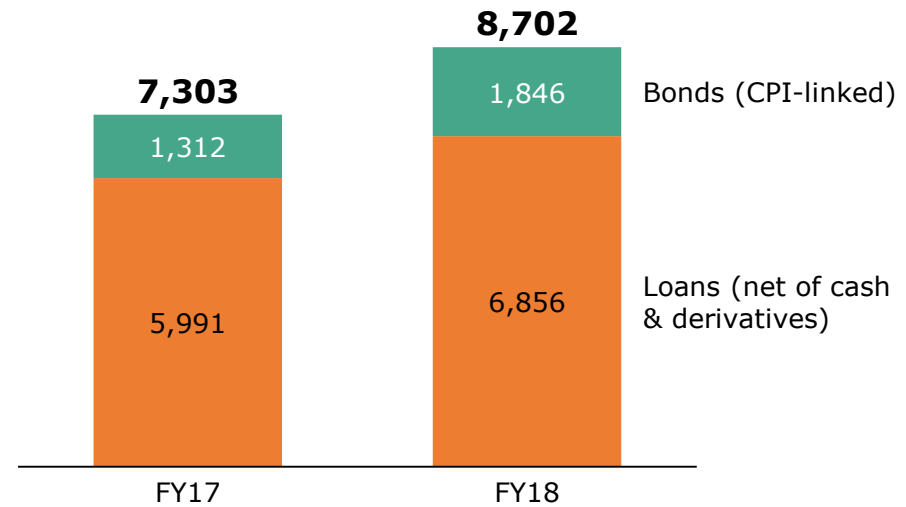


Leverage

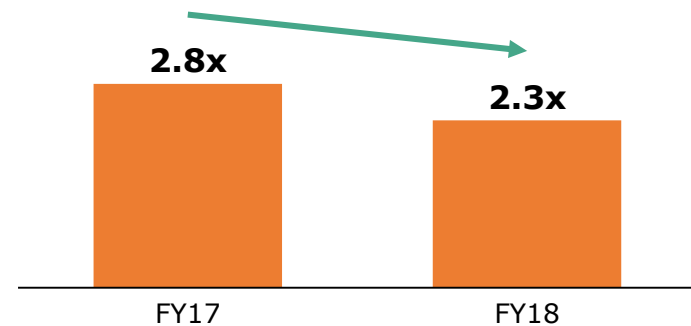
Net debt development (TLm)

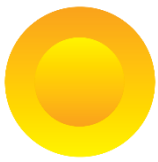


Net debt composition (TLm)



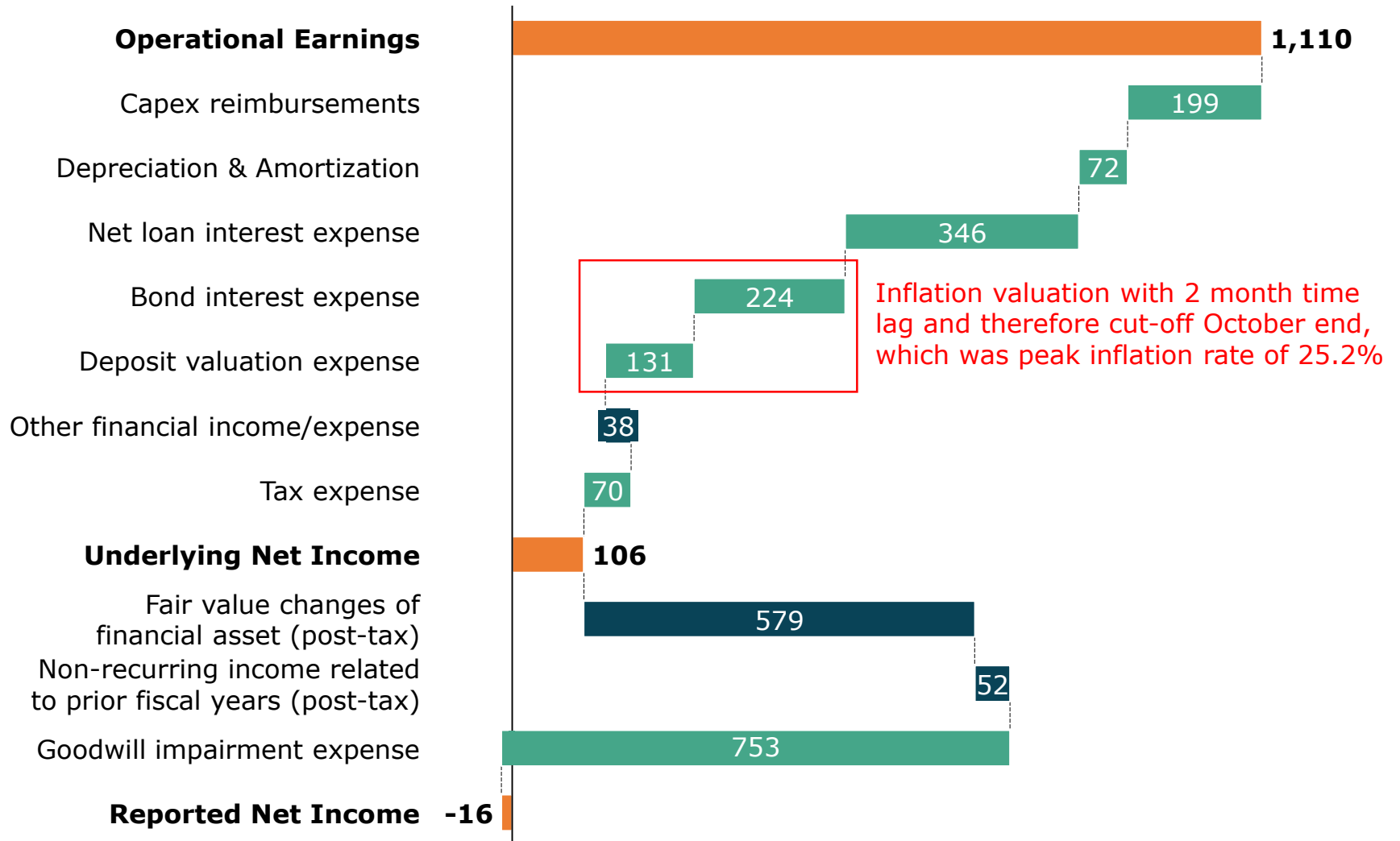
Debt factor development

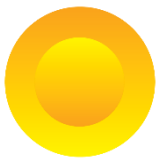




4Q Net Income reconciliation

(TLm)

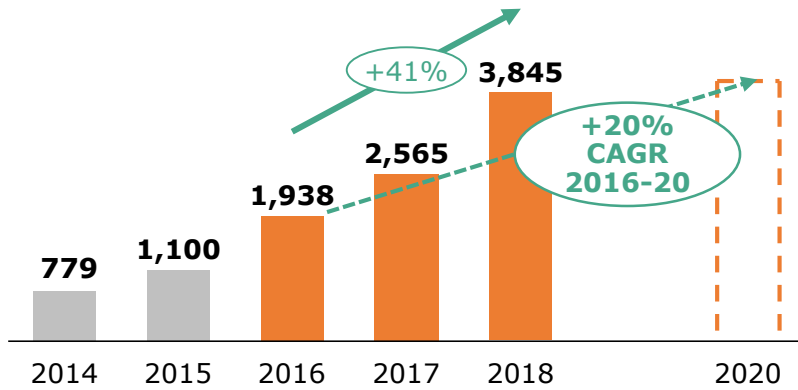




Mid-term outlook

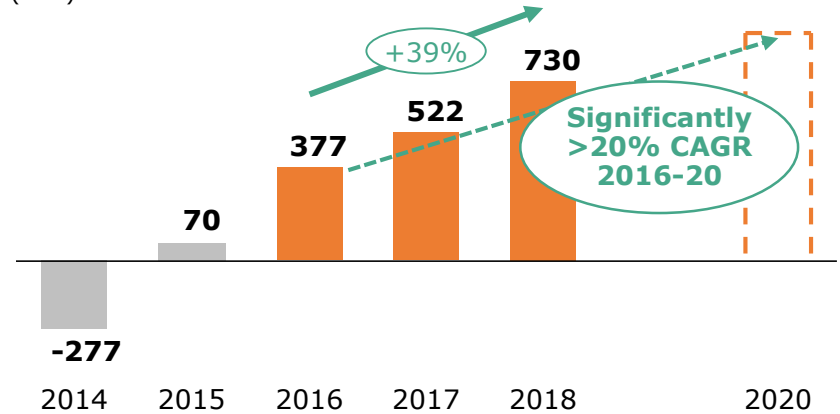
Operational earnings

(mTL)

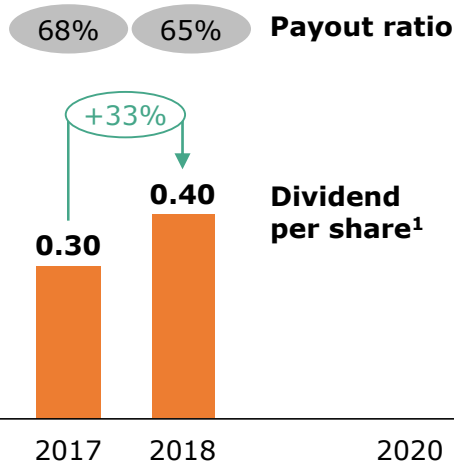


Underlying Net Income

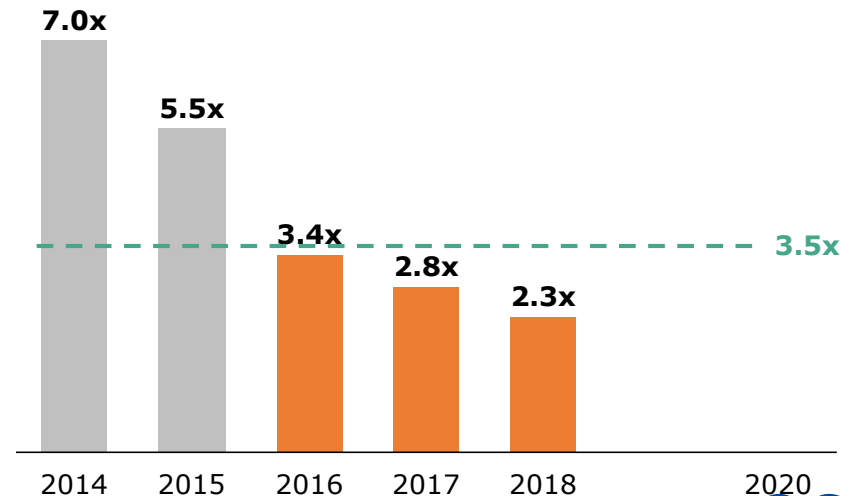
(mTL)



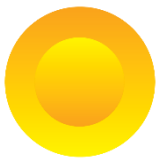
Dividend policy 60-70% of Underlying Net Income



Leverage <3.5x Net Debt/Operational earnings



¹ Dividend per 100 shares; total number of outstanding shares is 118,106,896,712.



Changes in IFRS accounting standards

IFRS15 – Revenue recognition

Retrospective application as of 1.1.2018

Since Retail collects the Distribution component of the tariff on behalf of the Distribution entities without providing a service, it has to be viewed as an agent of Distribution. Therefore, related pass-through revenue needs to be netted from IFRS Profit & Loss statement

Before (in mTL) as of 31.12.2018	Retail	Distribution	Consolidated	Elimination
Revenue	15.518	6.985	18.379	-4.124
Cost of sales	-14.847	-1.690	-12.413	4.124
Op. Earnings	389	3.490	3.845	

After (in mTL) as of 31.12.2018	Retail	Distribution	Consolidated	Elimination
Revenue	11.361	6.986	18.347	0
Cost of sales	-10.690	-1.690	-12.380	0
Op. Earnings	389	3.490	3.845	

Impacts:

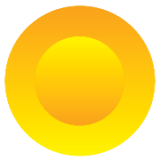
- No consolidated revenue impact except for small amount of Distribution-related revenue of non-Enerjisa Distribution companies
- Segment revenues and cost of sales now add up to consolidated figures without eliminations
- More economic view on Retail EBITDA margin

IFRS16 – Leasing

Application as of 1.1.2019

The new standard requires all companies to capitalize all lease/rent contracts beyond 1 year maturity. In the case of Enerjisa this mainly refers to land, office and car fleet expenses.

	Before	After
Rent expenses	X	↑
Operational Earnings		↑
Depreciation		X
Interest expense		X
Underlying Net Income		→
Rent payments	X	↑
Operating Cash Flow		↑
Principal payments		X
Net cash flow		→
Lease liabilities		X
Net Debt		↑



Appendix



Summary Financial Statements

Consolidated Income Statement

	1 January 31 December	1 January 31 December		1 January 31 December	1 January 31 December
(TLm)	2017	2018	(TLm)	2017	2018
Sales Revenue	12.345	18.347	Operating profit before finance income/(expense)	2.241	2.811
Cost of Sales	-8.412	-12.380	Adjustment of depreciation and amortization	235	258
Gross Profit	3.933	5.967	Adjustment of impairment on goodwill	0	753
OPEX	-1.519	-1.849	Adjustments related to operational fx gains and losses	0	44
Other Income/(Expense)	-173	-1.307	Adjustments related to fair value difference arising from deposits	79	243
Operating profit before finance income/(expense)	2.241	2.811	Interest income related to revenue cap regulation	0	-44
Financial Income/(Expense)	-957	-1.489	EBITDA	2.555	4.065
Profit before tax	1.284	1.322	CAPEX Reimbursements	592	798
Taxation	-296	-574	EBITDA+CAPEX Reimbursements	3.147	4.864
Net Income	988	748	Fair value changes of financial assets	-467	-984
			Competition Authority penalty provision	0	107
			Non-recurring income related to previous years	-115	-142
			Operational earnings	2.565	3.845
			Net Income	988	748
			Fair value changes of financial assets	-374	-768
			Competition Authority penalty provision	0	107
			Impairment provision on goodwill	0	753
			Non-recurring income related to previous years	-92	-110
			Underlying Net Income	522	730

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	31 December 2018
Cash and Cash Equivalents	173	562
Financial Assets	692	791
Trade Receivables	2.382	3.512
Derivative financial instruments	20	313
Other Current Assets	810	1.226
Current Assets	4.077	6.404
Financial Assets	5.747	8.504
Tangible and Intangible Assets	7.841	7.104
Derivative financial instruments	24	0
Other Non-Current Assets	897	1.113
Non-Current Assets	14.509	16.721
TOTAL ASSETS	18.586	23.125
Short-Term Financial Liabilities	1.939	3.434
Other Financial Liabilities	30	44
Trade Payables	1.512	2.481
Derivative financial instruments	2	4
Other Current Liabilities	1.349	1.581
Current Liabilities	4.832	7.544
Long-Term Financial Liabilities	5.269	5.765
Other Financial Liabilities	280	322
Derivative financial instruments	0	8
Other Non-current Liabilities	2.325	3.187
Long-Term Liabilities	7.874	9.282
Total Share Capital	4.017	3.966
Other Equity Items	184	241
Retained Earnings	1.679	2.092
Equity	5.880	6.299
TOTAL LIABILITIES AND EQUITY	18.586	23.125

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

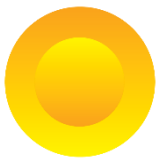


Summary Financial Statements

Consolidated Cash Flow

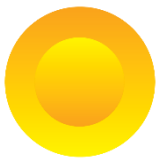
	1 January 31 December	1 January 31 December		1 January 31 December	1 January 31 December
(TLm)	2017	2018	(TLm)	2017	2018
Profit for the period	988	748	Cash Flows from Operating Activities (before interest and tax)	1.923	2.122
Adjustments to reconcile net profit for the period	970	2.395	CAPEX	-1.747	-1.602
Changes in operating assets and liabilities	-988	-2.417	Free cash flow (before interest and tax)	176	520
Other inflows (incl. Capex reimbursements)	953	1.396	Tax payments	-65	-35
Cash Flows from Operating Activities (before interest and tax)	1.923	2.122	Interest received	65	96
Tax payments	-65	-35	Interest paid	-951	-1.143
Cash Flows from Operating Activities (before interest, after tax)	1.858	2.087	Free cash flow (after interest and tax)	-775	-562
CAPEX	-1.747	-1.602			
Interest received	65	96			
Cash Flows from Investing Activities	-1.682	-1.506			
Cash in-flows and out-flows from borrowings	873	1.305			
Interest paid	-951	-1.143			
Dividend paid	0	-354			
Cash Flows from Financing Activities	-78	-192			
Increase in cash and cash equivalents	98	389			
Cash and cash equivalents at the beginning of the period	75	173			
Cash and cash equivalents at the end of the period	173	562			

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



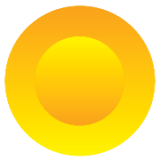
Retail: Income statement

(TLm)	1 January	1 January
	31 December	31 December
	2017	2018
Sales Revenue (net)	10.520	11.361
<i>Regulated</i>	5.075	10.301
<i>Liberalised</i>	2.256	1.044
<i>Pass-through grid revenue</i>	3.189	0
<i>Customer solutions</i>	0	16
Cost of Sales (-)	-10.109	-10.690
<i>Regulated</i>	-4.740	-9.679
<i>Liberalised</i>	-2.180	-1.003
<i>Pass-through grid cost</i>	-3.189	0
<i>Customer solutions</i>	0	-8
Gross Profit	411	671
OPEX	-253	-341
Other Income/(Expense)	4	-306
Operating profit before finance income/(expense)	161	24
Adjustment of depreciation and amortization	8	23
Adjustments related to fair value difference arising from deposits	79	243
EBITDA	247	290
Competition Authority penalty provision	-	99
Operational earnings	247	389



Distribution: Income statement

	1 January 31 December	1 January 31 December
(TLm)	2017	2018
Sales Revenue	4.934	6.986
<i>Financial income</i>	1.014	1.717
<i>Distribution revenue</i>	3.147	4.281
<i>Pass-through transmission revenue</i>	597	760
<i>Lighting sales revenue</i>	176	228
Cost of Sales	-1.402	-1.690
<i>Energy purchases (Lighting, T&L)</i>	-795	-930
<i>Pass-through transmission cost</i>	-597	-760
<i>Other</i>	-10	0
Gross Profit	3.532	5.296
OPEX	-1.072	-1.272
Other Income/(Expense)	-143	-240
Operating profit before finance income/(expense)	2.317	3.784
Adjustment of depreciation and amortization	16	26
Adjustments related to operational fx gains and losses	0	44
Interest income related to revenue cap regulation	1	-44
EBITDA	2.334	3.810
CAPEX Reimbursements	592	798
EBITDA+CAPEX Reimbursements	2.926	4.608
Fair value changes of financial assets	-467	-984
Competition Authority penalty provision	0	8
Non-recurring income related to previous years	-115	-142
Operational earnings	2.344	3.490



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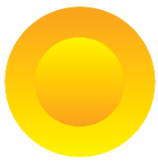
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Financial calendar 1H 2019



21.-22.03.19	Ak Yatırım Turkey Conference, Istanbul
28.03.19	2018 General Assembly Meeting, Istanbul
2-4.04.19	BAML Energy & Utility Conference, London
10.04.19	Non-deal Roadshow in Boston
11-12.04.19	Ak Yatırım & Rosenblatt Securities Conference, NYC
7.05.19	1Q 2019 Earnings Release Call
10-11.06.19	HSBC GEMS Conference, NYC
12-14.06.19	Non-deal Roadshow in Boston, Chicago, Toronto



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