PRESS RELEASE

Istanbul – December 7, 2017

JCR Eurasia Rating

has evaluated **Yeşilırmak Elektrik Dağıtım A.Ş.** and the **Planned Bond Issuance** in an investment grade category and assigned the Long Term National Rating and outlook as **'A(Trk)/Stable'** and assigned ratings of **'BBB-/Stable'** on the Long Term International Foreign and Local Currency Scales.

JCR Eurasia Rating, evaluated **" Yeşilırmak Elektrik Dağıtım A.Ş." (YEDAŞ)** and the **"Planned Bond Issuance"** within an investment grade category and assigned ratings of **'A (Trk)'** on the Long Term National Scale along with a **'Stable'** outlook. On the other hand, the Long Term International Foreign and Local Currency ratings were assigned as **'BBB-'** along with **'Stable'** outlooks. Other notes and details of the ratings are given in the table below:

Long Term International Foreign Currency	:	**BBB-** /(Stable Outlook)
Long Term International Local Currency	:	**BBB-** /(Stable Outlook)
Long Term National Local Rating	:	**A (Trk)** /(Stable Outlook)
Long Term Issue Rating	:	**A (Trk)**
Short Term International Foreign Currency	:	**A-3** /(Stable Outlook)
Short Term International Local Currency	:	**A-3** /(Stable Outlook)
Short Term National Local Rating	:	**A-1 (Trk)**/(Stable Outlook)
Short Term Issue Rating	:	**A-1 (Trk)**
Sponsor Support	:	**2**
Stand Alone	:	**B**

In line with the liberalization in the Turkish energy market, Türkiye Elektrik Dağıtım A.Ş. (TEDAŞ) was placed in the state privatization program in 2004, subsequently the distribution regions were re-determined and 21 separate companies were established in this regard. Following the winning of the tender organized in 2009 for a value of USD 441.5 million by Çalık Enerji, the privatization process of YEDAŞ was completed. The Company which resumed its activities under the name of Çalık YEDAŞ was entitled with electricity distribution services within the scope of the distribution license issued by the Energy Markets Regulatory Authority in the provinces of Samsun (in which it's headquartered) along with Çorum, Ordu, Amasya and Sinop valid until 2036. Following the changes in EMRA regulations which require the separation of retail sales and generation functions from distribution companies along with the removal of trade names that is associated with the shareholding entity, the Company has been conducting its activities under the name of YEDAŞ from February, 2013 onwards and is providing services to approximately 2 million subscribers in the mid-Blacksea region with a total distributed electricity of 5.2bn kWh (kilowatt hours).

In accordance with the revenue cap methodology implemented by EMRA, the Turkish electricity distribution entered its third regulatory period covering the years 2016-2020 following the completion of the first tariff period in 2006-11 and the second tariff period in 2011-15. The monopolistic status of distribution companies in their respective licensed regions and supportive tariff methodology which promises sustainable real reasonable returns taking into account their regulatory asset base, required capital expenditure and operational expenses over a pay-back period of 10 years provide the sustainability and predictability of cash flow streams. Subsequently, the management of resources along with strategic and operational risks gain importance across the sector. In line with the completion of required investments, growing subscriber numbers and asset base, the Company's asset size, sales revenues and operating profit maintained a stable upward trend. Despite the capex/maintenance costs of networks across the sector which exhibited an improving trend for YEDAŞ in the completed financial year and the contribution of related party debt to financing expenses, the Company has generated an operating profitability that remains well above financing expense and conserved its capability to maintain a high internal equity generation capacity. The currently low level of financial leverage, presence of a balance sheet structure that is free from the high foreign exchange risk following the TRY based re-structuring completed in the beginning of the current fiscal year, inherent across the sector stemming primarily from the utilization of privatization and capex loans and the depreciation in the Turkish Lira associated with the ongoing volatility in local and global markets and the high share of equity among total resources provide a suitable base for the completion of required investments in the present tariff period. Despite the progress recorded in the current financial year, the net working capital level which remained in the negative territory in the examined period is planned to be improved via the long-term TRY based bond issuance planned in the near future.

The regulative revenue structure and sustainable asset returns unaffected by the changes in market prices and economic cycles within the scope of the tariff methodology currently in place, the robust growth recorded in the operating volume in the past, the anticipated expansion in asset base in line with the geographical structure of the licensed region and its growth potential, a theft-loss ratio with a downward trend that currently remains below the national average, a balance sheet structure characterized by high level of equity and low financial leverage, low level of collection risks inherent across the sector, balanced customer portfolio dispersed across different segments, the investments made into the technological infrastructure of the distribution network, company policies focusing on customer satisfaction along with the know-how attained by the main shareholders of **Çalık Elektrik Dağıtım A.Ş. (ÇEDAŞ)** and **Çalık Enerji Sanayi ve Ticaret A.Ş. (Çalık Enerji)** are the principle factors underlying the assignment of the Company's Long Term National Rating and attached outlook as **"A (Trk)"** and **"Stable"**. The contribution that will be made by the planned bond issuance to the Company's resource composition and financing expenses, revenue and EBITDA development trends, the extent of progress that will be recorded principally in the theft/loss ratio along with other operational efficiency indicators in comparison to the national average, the impact of rate rises along with balance sheet tapering expected to be realized principally by the FED along with other central banks in developed economies on the value of the Turkish Lira and borrowing costs and the degree of compliance with Corporate Governance Practices are the major factors that will be kept under review in the upcoming period. No separate issue rating report has been prepared as the resources obtained via the debt issue will be carried in the Company's balance sheet and issue rating analysis has been carried out in the credit rating report. The issue has no difference in comparison to the Company's other liabilities with respect to legal status and collateralization structure as such the Company's corporate credit ratings also reflect the issue rating.

It is considered that the major controlling shareholder, **ÇEDAŞ** and ultimately **Çalık Enerji**, have the willigness and capability to ensure long term liquidity and equity as well as providing efficient operational support to YEDAŞ within its financial capability if required when taking into consideration their know-how in the energy contracting, generation, sales and distribution sectors, sound financial structure and capability to access external resources along with the contribution made by YEDAŞ to the Group's consolidated revenues and EBITDA, completed investments in the licensed region and generated employment opportunities. In this regard, the Company's Sponsor Support grade has been determined as **(2)** on JCR Eurasia Rating's notation scale, denoting an adequate level.

On the other hand, we, as JCR Eurasia Rating, believe that **YEDAŞ** has the sufficient experience and facilities to manage the obligations regardless of any assistance from its shareholders taking into consideration its revenue structure supported by EMRA regulations and protected from external competition, current operational volume, equity structure containing a high level of paid-in capital and size, profitability levels, asset quality, company policies focusing on operational productivity along with the presence of a skilled management team, provided that it maintains its efficiency in the market. Within this context, the Stand Alone note of the Company has been determined as **(B)** in the JCR Eurasia Rating notation system, indicating an adequate level.

For more information related to the rating results you may visit our internet site **http://www.jcrer.com.tr** or contact our Group Head **Mr. Şevket GÜLEÇ** and analyst **Mr. Dinçer SEMERCILER.**

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