

Corporate Credit & Issue Rating

New Update

Sector: Energy

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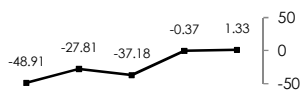
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RATINGS

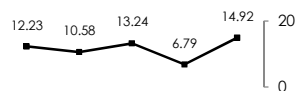
		Long Term	Short Term	
International	Foreign Currency	BBB-	A-3	
	Local Currency	BBB-	A-3	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
Issue Rating	-	-		
National	Local Rating	BBB (Trk)	A-3 (Trk)	
	Outlook	Positive	Stable	
	Issue Rating	BBB (Trk)	A-3 (Trk)	
Sponsor Support		2	-	
Stand-Alone		B	-	
Sovereign*	Foreign Currency	BBB-	-	
	Local Currency	BBB-	-	
	Outlook	FC	Stable	-
LC		Stable	-	

*Affirmed by JCR on November 10, 2017

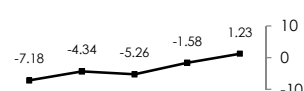
Net Profit Margin (%)



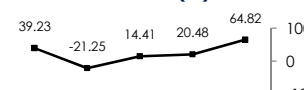
Equity / Total Assets (%)



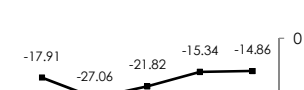
ROAA (%)



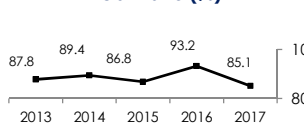
Asset Growth (%)



NWC / T. Assets (%)



Debt Ratio (%)



Zorlu Enerji Elektrik Üretim A.Ş.

Company Overview

Financial Data	1Q2018	2017*	2016*	2015*	2014*
Total Assets (mn USD)	3,436	2,989	1,944	1,953	2,140
Total Assets (mn TRY)	13,570	11,276	6,841	5,678	4,963
Equity (mn TRY)	2,738	1,682	465	752	525
Sales (mn TRY)	935	3,871	1,224	709	807
EBITDA (mn TRY)	304	879	433	290	203
Net Profit (mn TRY)	25	52	-5	-264	-224
Net Profit Margin (%)	2.67	1.33	-0.37	-37.18	-27.81
ROAA (%)	n.a.	1.23	-1.58	-5.26	-4.34
Equity / Total Assets (%)	20.18	14.92	6.79	13.24	10.58
Net Work.Cap./ T. Assets (%)	-14.77	-14.86	-15.34	-21.82	-27.06
Debt Ratio (%)	79.82	85.08	93.21	86.76	89.42
Asset Growth Rate (%)	20.34	64.82	20.48	14.41	-21.25

*End of year

Zorlu Enerji Elektrik Üretim A.Ş. ("Zorlu Enerji" or "the Company") commenced operations in 1993 as the first company of the Zorlu Energy Group and is today one of the leading players in the Turkish energy sector. Zorlu's balanced generation portfolio offers resource and geographical diversity, integrated business structure involving electricity generation, distribution, trade and sales activities, vast experience in the sector, and strong market position. With the acquisition of OEDAŞ and OEPSAŞ, Zorlu Enerji has taken an important step towards becoming an integrated player in 2017. OEDAŞ undertakes the electricity distribution activities in the region while OEPSAŞ is responsible for retail sales as the assigned supplier for the region, serving close to 1.7 million subscribers in the provinces of Eskişehir, Bilecik, Kütahya, Afyonkarahisar, and Uşak.

As of the end of June 2018, Zorlu Enerji's production portfolio comprised 7 hydroelectric power plants, 4 geothermal power plants, 3 wind power plants, and 3 natural gas power plants in Turkey and 1 wind farm in Pakistan and 3 natural gas power plants in Israel. The active power plants reached a total installed capacity of **1,162 MW**, adjusted for its stakes in the power plants of Israel. The Company holds licenses both in renewable energy sources and natural gas power plants and aims to increase its total capacity. International operations currently include a wind farm in Pakistan and three power plant investments in Israel.

The Company, headquartered in Istanbul, employed a staff force of 1,792 as of FYE2017. The Company is registered to the Capital Markets Board and shares have been publicly traded on the Borsa Istanbul since 2000.

Strengths

- Notable surge in total revenues in 2017 mainly derived from the acquisition of OEDAŞ and OEPSAŞ in February 2017, the increase in YEKDEM sales and the contribution from new power plants for the first time
- Focus on higher margin renewable energy and sustainable and favorable EBITDA growth as renewable energy projects become operational and outputs are sold at guaranteed tariffs
- Increased visibility for future revenues arising from the Company's FX linked YEKDEM sales and stable cash flows the Osmangazi Electricity Distribution region
- Well-diversified investment portfolio in terms of energy business lines and geographic location
- Asset quality strengthened by the large share of tangible assets, low collection risks, and negligible credit risk exposure
- Successive realized bond issues in the past and current financial year extending the maturity of the debt and relieving liquidity management
- Shareholder structure inspiring confidence in investors and providing convenience of accession to funds

Constraints

- Leveraged balance sheet due to long-term financing facilities used for acquisitions and investments with negative effects on profitability by financial expenses despite an improvement through capital increase as 1Q2017
- Volatility in net profit figures and profitability ratios throughout the reviewed period
- Low level in return on assets and equity ratios resulting from the utilization of USD denominated financial liabilities despite the notable improvement in gross profit margins and EBITDA
- Foreign currency risk exposure through financial liabilities with past negative effects on profitability along with future volatility potential, requiring close monitoring despite FX linked revenues providing natural hedge
- Stretched net negative working capital levels despite the amelioration by increasing long term loans and bond issuances
- Persistent geopolitical and economic concerns along with regional tensions hosting uncertainties and wielding pressure on business prospects