



**Ulusoy Elektrik İmalat Taahhüt Ticaret A.Ş.**

*01.01.2018-30.09.2018*

*Interim Report*

PREPARED BY THE BOARD OF DIRECTORS IN ACCORDANCE WITH THE CMB COMMUNIQUE NO II.14.

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*01.01.2018-30.09.2018 Interim Report*

The financial statements pertaining to Ulusoy Electric ("the Company") activities within 9 months of 2018, have been prepared in accordance with the generally accepted accounting principles published by the Capital Markets Board, are presented to the information of our shareholders.

## SECTION 1: CORPORATE INFORMATION

### The Board of Directors and the Committees

The number of the board of directors is determined as 5 at the Company's Ordinary General Assembly held on 17.04.2018. The members of the Board are given below.

| BOARD OF DIRECTORS     | POSITION                     |
|------------------------|------------------------------|
| Kubilay Hakkı Ulusoy   | Chairman                     |
| Sait Ulusoy            | Vice Chairman                |
| Enis Ulusoy            | Board Member (Non-Executive) |
| Mustafa Cumhur Ersümer | Independent Board Member     |
| Hakkı Volkan Özsökmen  | Independent Board Member     |

### Positions Assumed by Directors outside the Company

| KUBİLAY HAKKI ULUSOY                                          |                   |                  |     |
|---------------------------------------------------------------|-------------------|------------------|-----|
| Company                                                       | Position          | Share in Capital | (%) |
| Enel Enerji A.Ş.                                              | Vice Chairman     | TL 140.000       | 20% |
| Bozat Elektrik Üretim A.Ş.                                    | Vice Chairman     | -                | -   |
| Ulusoy Elektrik Enerji Yat. A.Ş.                              | Chairman          | TL 8.400.000     | 35% |
| Jüpiter Gayrimenkul Yatırım Turizm İnşaat ve Enerji Ltd. Şti. | Manager / Partner | TL 5.000         | 50% |

| ENİS ULUSOY                                                   |               |                  |     |
|---------------------------------------------------------------|---------------|------------------|-----|
| Company                                                       | Position      | Share in Capital | (%) |
| Enel Enerji A.Ş.                                              | Board Member  | TL 140.000       | 20% |
| Bozat Elektrik Üretim A.Ş.                                    | Board Member  | -                | -   |
| PT Ulusoy Electric Indonesia                                  | Manager       | USD 50.000       | 10% |
| Ulusoy Elektrik Enerji Yat.A.Ş.                               | Vice Chairman | TL 8.400.000     | 35% |
| Jüpiter Gayrimenkul Yatırım Turizm İnşaat ve Enerji Ltd. Şti. | Partner       | TL 5.000         | 50% |
| PT Ulusoy Electric Industry                                   | Manager       | USD 5.000        | 1%  |

| SAİT ULUSOY                      |              |                  |     |
|----------------------------------|--------------|------------------|-----|
| Company                          | Position     | Share in Capital | (%) |
| Enel Enerji A.Ş.                 | Chairman     | TL 385.000       | 55% |
| Ulusoy Elektrik Enerji Yat. A.Ş. | Board Member | TL 7.200.000     | 30% |
| Bozat Elektrik Üretim A.Ş.       | Chairman     | -                | -   |

| MUSTAFA CUMHUR ERSÜMER |          |                  |     |
|------------------------|----------|------------------|-----|
| Company                | Position | Share in Capital | (%) |
| -                      | Lawyer   | -                | -   |

**HAKKI VOLKAN ÖZSÖKMEN**

| Company | Position          | Share in Capital | (%) |
|---------|-------------------|------------------|-----|
| -       | Executive Advisor | -                | -   |

In the Ordinary General Assembly held on 17.04.2018, the committees are established as given below in accordance with the provisions stated at the Capital Markets Board Corporate Governance Communique.

|                        | Audit Committee | Early Risk Identification Committee | Corporate Governance Committee |
|------------------------|-----------------|-------------------------------------|--------------------------------|
| Sait Ulusoy            |                 | Member                              |                                |
| Hakkı Volkan Özökmen   | Chairman        | Chairman                            | Chairman                       |
| Mustafa Cumhur Ersümer | Member          | Member                              | Member                         |
| İlkiz Karagüllü        |                 |                                     | Member                         |

Duties and Operating Principles of the committees are at the company's web site.

<http://www.ulusoyelektrik.com.tr/Uploads/Other/PageDocument/denetim-komitesi.pdf>

<http://www.ulusoyelektrik.com.tr/Uploads/Other/PageDocument/risk-erken-saptanmasi-komitesi.pdf>

<http://www.ulusoyelektrik.com.tr/Uploads/Other/PageDocument/kurumsal-yonetim-komitesi.pdf>

Within the reporting period, the Company paid TL 838.369 benefits to the key management and board of directors. (30 September 2017: TL 728.527).

**SHAREHOLDER STRUCTURE**

The shareholder structure of the Company as of 30 September 2018 is given below.

|                      | A GROUP<br>(PRIVILEGED) | B GROUP              | TOTAL                | SHARE IN<br>CAPITAL | VOTING<br>RATE |
|----------------------|-------------------------|----------------------|----------------------|---------------------|----------------|
| SAİT ULUSOY          | TL 3.265.142            | TL 28.680.718        | TL 31.945.860        | %39,93              | %40,32         |
| AKGÜL ULUSOY         | TL 2.106.286            | TL 12.637.714        | TL 14.744.000        | %18,43              | %21,94         |
| KUBİLAY HAKKI ULUSOY | TL 1.314.286            | TL 8.230.788         | TL 9.545.074         | %11,93              | %13,93         |
| ENİS ULUSOY          | TL 1.314.286            | TL 8.270.788         | TL 9.585.074         | %11,98              | %13,96         |
| HALKA AÇIK KISIM     | -                       | TL 14.179.992        | TL 14.179.992        | %17,73              | %9,85          |
| <b>TOPLAM</b>        | <b>TL 8.000.000</b>     | <b>TL 72.000.000</b> | <b>TL 80.000.000</b> | <b>%100,00</b>      | <b>%100,00</b> |

30% of the Company shares are trading on Borsa Istanbul with ULUSE ticker symbol.

The issued capital of the Company is divided A and B Group, of which A group is privileged. Total privileged shares are amounting to TL 8.000.000.

Having all A group privileged shares, Ulusoy Family has the management control of the Company,

Content of the privilege:

According to the 8<sup>th</sup> item of Articles of Association;

If the Board of Directors composed of 5 or 6 members maximum 2 members; composed of 7 or 8 members maximum 3 members and composed of 9 members maximum 4 members of the Board of Directors shall be elected from A group shareholders or among the nominees of the A Group shareholders.

According to the 17<sup>th</sup> item of Articles of Association;

Each A group shares have 9 (nine) and each B group share have 1 (one) voting right in the ordinary and extraordinary General Assembly meetings of the Company.

### Subsidiaries

| COMPANY                    | FIELD OF ACTIVITY                | SHARE RATIO<br>(%) |            |
|----------------------------|----------------------------------|--------------------|------------|
|                            |                                  | 30.09.2018         | 31.12.2017 |
| Sarl UE Algeria            | Marketing                        | 70                 | 70         |
| Bozat Elektrik Üretim A.Ş. | Electricity production and sales | 100                | 100        |
| PT Ulusoy Indonesia        | Marketing                        | 90                 | 90         |
| PT Ulusoy Industry         | Production                       | 99                 | 99         |

Sarl UE Algeria established in Algeria in 2009 to engage in sales and marketing activities of Ulusoy Electric products manufactured in Turkey.

Having 4,18 MW electricity generation license, Bozat Elektrik Üretim A.Ş. established in 2008. The provisional acceptance got in 17.10.2014 and from this date electricity generation and sales done at Bozat facilities.

Established in 2015, PT Ulusoy Electric Indonesia and PT Ulusoy Electric Industry engage in marketing and production has included to the consolidation as of 31 December 2016.

Being one of the long term financial investments Sarl Eldis has limited effect on financial statements thus it is not included to the consolidation; due to the uncertainty in its activities, provision for impairment has been allocated for the shares in Sarl Eldis started from 31 December 2016.

### GENERAL ASSEMBLY

The Minutes of the Meeting and The List of the Participants related to the Ordinary General Assembly dated 17.04.2018 have been announced through Public disclosure Platform - KAP and Company web site.

In the Ordinary General Assembly meeting dated 17.04.2018; Kubilay Hakkı Ulusoy, Sait Ulusoy, Enis Ulusoy, Mustafa Cumhur Ersümer and Hakkı Volkan Özsökmen have been selected as the board members for 3 years period. Kubilay Hakkı Ulusoy was appointed as the Chairman and Sait Ulusoy was appointed as the Vice Chairman through 12.07.2018 dated 16 numbered board resolution taken within the reporting period.

In line with the related provisions of the Company's Articles of Association total TL 79.000 donation made in 2017.

**DIVIDEND DISTRIBUTED WITHIN LAST 3 YEARS**

|                    | 2016      | 2017       | 2018       |
|--------------------|-----------|------------|------------|
| Dividend Amount TL | 6.874.929 | 18.226.560 | 26.142.000 |
| Pay-out Ratio (%)  | 50,6      | 50,8       | 30,0       |

According to the financial statements for the fiscal period 1 January 2017 to 31 December 2017 that has been prepared under Capital Markets Board Communiqué no II.14.1 “Communique on Principles of Financial Reporting in Capital Markets” (“Communique”), the Turkish Accounting Standards/Turkish Financial Reporting Standards (“TMS/IFRS”) and the mandatory formats defined by Capital Market Board; the Company’s net income is TL 87.061.672. These financial statements were prepared under International Financial Reporting Standards, and audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member of Deloitte Touche Tohmatsu Limited). TL 26.142.000 dividend calculated by considering the profitability and cash situation paid on 31 July – 3 August 2018 in cash.

**SECTION 2: VISION, MISSION, CORPORATE TARGETS****Vision**

Being the only Turkish manufacturer after the global giants in the electrical T&D market.

**Mission**

The pioneering Ulusoy Electric is a leading company which provides sustainable energy by acknowledging the value of all people and institutions with whom it interacts, in conformity with national and international standards in the energy industry.

**Corporate Strategic Targets**

- To ensure unconditional customer satisfaction by providing high quality in right time together with proper price.
- Having high profitability and strong financial structure through effective and productive infrastructure.
- Expanding global markets through continuous improvement in quality and service model
- Increasing the brand power and awareness both in domestic and global markets.
- Institutionalization and sustainability.

**Growth Strategies**

- Increasing the current market share in domestic market.
- Increasing the current market share in export market and growing in line with the market expansion.
- Increasing exposure in targeted new export markets and then diversify export countries.

### SECTION 3: EVALUATION ON COMPANY'S ACTIVITIES

#### EXPORT

Export figures pertaining to 9 months of 2018 and same period of 2017 are comparatively given below.

| Export Units                                     | 1 Jan – 30 Sep<br>2018 | 1 Jan – 30 Sep<br>2017 |
|--------------------------------------------------|------------------------|------------------------|
| Distribution Transformers                        | 2.887                  | 827                    |
| Metal Enclosed Component (Circuit Breaker & LBS) | 689.894                | 42                     |
| Uring                                            | 1.313                  | 139                    |
| Metal Enclosed                                   | 1.391                  | 566                    |
| Metal Clad                                       | 676                    | 93                     |
| Connectors                                       | 2.597                  | 43                     |
| Transformer Substation                           | 34                     | 34                     |
| Railway Equipment                                | 4.342                  | 0                      |
| Others (included mobile S/S)                     | 10.212                 | 181                    |

#### SALES AND REVENUE

Sales figures in product basis pertaining to 9 months of 2018 and same period of 2017 are comparatively given below.

| Sales Units                                      | 1 Jan – 30 Sep<br>2018 | 1 Jan – 30 Sep<br>2017 |
|--------------------------------------------------|------------------------|------------------------|
| Distribution Transformers                        | 3.386                  | 1.481                  |
| Metal Enclosed Component (Circuit Breaker & LBS) | 690.298                | 104                    |
| Uring                                            | 2.477                  | 1.517                  |
| Metal Enclosed                                   | 11.652                 | 11.604                 |
| Metal Clad                                       | 801                    | 164                    |
| Connectors                                       | 59.631                 | 2.711                  |
| Transformer Substation                           | 2.268                  | 3.095                  |
| Railway Equipment                                | 82.039                 | 118                    |
| Others (included mobile S/S)                     | 773.648                | 7.967                  |

Total revenue increased by 42% as of 30.09.2018 comparing to the same period of 2017 and realized as TL 405,9 mn.

| Revenue (mn TL)              | 1 Jan – 30 Sep 2018 | 1 Jan – 30 Sep 2017 | Change % |
|------------------------------|---------------------|---------------------|----------|
| Domestic                     | 238.876.068         | 241.865.069         | -1%      |
| Export                       | 169.190.643         | 48.822.695          | 247%     |
| Total Revenue                | 408.066.711         | 290.687.764         | 40%      |
| Less : Discounts and Returns | -2.149.910          | -3.887.681          | -45%     |
| Net Revenue                  | 405.916.801         | 286.800.083         | 42%      |

#### PROFITABILITY

As of 30.09.2018 the net profit increased by %68 comparing to the same period of 2017 and realized as TL 93,9 mn.

**RELATED PARTY TRANSACTIONS**

The explanations regarding the related party transactions done within 9 months of 2018 are presented in the 3<sup>rd</sup> footnote of the condensed financial statements.

Generally, domestic trade receivables from related parties are coming from sales operations with average 45-60 days payment terms. The receivables are unsecured by its nature and interest accrued. The interest rate accrued for the mentioned receivables is 9,75% as of 30 September 2018 (31 December 2017 : %9,75).

Generally, trade payables to related parties are coming from purchasing operations with average 45-60 days payment terms and interest accrued. The interest rate accrued for the mentioned payables is 9,75% as of 30 September 2018 (31 December 2017 : %9,75).

There is not any specific payment term for the domestic non-trade receivables and payables from / to related parties and interest accrued for the non-trade receivables. The interest rate accrued for the mentioned receivables is 9,75% as of 30 September 2018 (31 December 2017 : %9,75).

**ISSUES RELATED TO THE EMPLOYEES**

The Company has 708 employee as of 30 September 2018 (31 December 2017:706). No disagreement or worker movement observed during the period in terms of activities.

Within the legal regulations the employee's social rights are regularly and periodically provided.

**SUBSEQUENT EVENT AFTER BALANCE SHEET DATE**

None

## SUMMARY FINANCIAL RESULTS

| TL million                            | 2014         | 2015         | 2016         | 2017         | 9M 2017      | 9M 2018      |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>REVENUE</b>                        |              |              |              |              |              |              |
| (net revenue, exc. electricity sales) | 177,2        | 144,5        | 227,8        | 434,7        | 286,8        | 405,9        |
| Domestic                              | 108,1        | 120,6        | 188,0        | 374,1        | 241,0        | 237,7        |
| Export                                | 70,2         | 22,6         | 42,4         | 60,7         | 45,8         | 168,2        |
| Gross Profit                          | 73,4         | 29,5         | 63,1         | 128,6        | 84,2         | 124,9        |
| <b>EBITDA</b>                         | <b>62,0</b>  | <b>17,7</b>  | <b>49,9</b>  | <b>111,3</b> | <b>72,3</b>  | <b>109,0</b> |
| Net Profit                            | 45,2         | 13,6         | 35,9         | 87,0         | 55,9         | 93,9         |
| Gross Profit Margin                   | %41,4        | %20,4        | %27,7        | %29,6        | %29,3        | %30,8        |
| <b>EBITDA Margin</b>                  | <b>%35,0</b> | <b>%12,2</b> | <b>%21,9</b> | <b>%25,5</b> | <b>%25,2</b> | <b>%26,8</b> |
| Net Profit Margin                     | %25,5        | %9,4         | %15,8        | %19,9        | %19,5        | %23,1        |
| <b>CURRENT ASSETS</b>                 | <b>107,4</b> | <b>79,8</b>  | <b>117,8</b> | <b>211,6</b> | <b>170,0</b> | <b>300,7</b> |
| Cash and Cash Equivalents             | 17,7         | 14,0         | 13,8         | 30,3         | 19,2         | 68,1         |
| <b>NON-CURRENT ASSETS</b>             | <b>37,6</b>  | <b>71,2</b>  | <b>72,2</b>  | <b>73,0</b>  | <b>72,1</b>  | <b>75,0</b>  |
| Property, Plant and Equipment         | 32,9         | 66,6         | 67,7         | 68,3         | 68,0         | 71,7         |
| <b>TOTAL ASSETS</b>                   | <b>145,6</b> | <b>151,0</b> | <b>190,0</b> | <b>284,6</b> | <b>242,1</b> | <b>375,7</b> |
| <b>TOTAL LIABILITIES</b>              | <b>28,3</b>  | <b>44,2</b>  | <b>55,1</b>  | <b>80,7</b>  | <b>69,2</b>  | <b>104,8</b> |
| Short Term Liabilities                | 27,2         | 42,5         | 52,6         | 78,1         | 66,2         | 102,1        |
| Long Term Liabilities                 | 1,1          | 1,7          | 2,5          | 2,6          | 3,0          | 2,7          |
| <b>EQUITY</b>                         | <b>116,8</b> | <b>106,8</b> | <b>134,9</b> | <b>203,9</b> | <b>172,9</b> | <b>270,9</b> |
| <b>RoE</b>                            | <b>%38,9</b> | <b>%12,8</b> | <b>%26,6</b> | <b>%42,7</b> | <b>%32,3</b> | <b>%34,7</b> |
| Depreciation                          | 1,9          | 3,1          | 4,6          | 5,2          | 3,7          | 4,6          |
| <b>Net Debt Position</b>              | <b>-17,2</b> | <b>-7,2</b>  | <b>-6,2</b>  | <b>-25,7</b> | <b>-15,0</b> | <b>-65,2</b> |
| Capital Expenditures                  | 12,6         | 17,0         | 5,2          | 6,3          | 4,2          | 7,4          |



## COMPANY ACTIVITIES

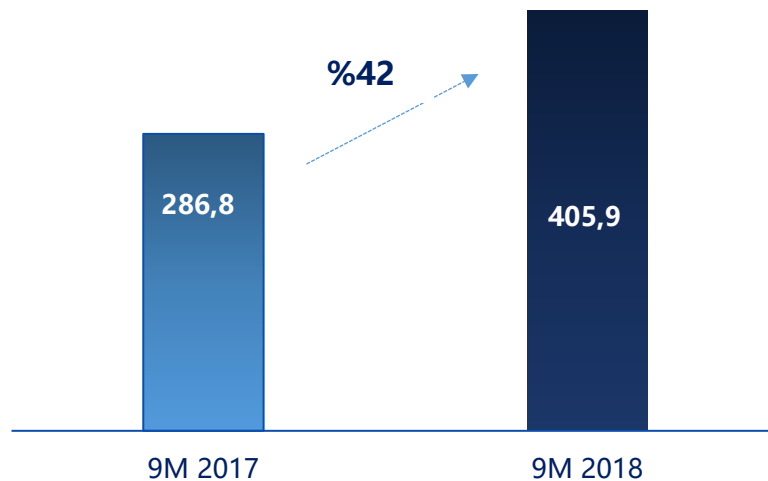
Ulusoy Electric has an outstanding performance not only in Turkey and Algeria markets but also performs well in Iraq, Russia, Turkmenistan, Indonesia, North & West Africa, Middle East and South America export markets. Thanks to the sales office opened in Germany, sales to Europe is recovering.

Along with the studies to accredit the products in the targeted markets, the R&D activities are continued to develop proper products for the new markets.

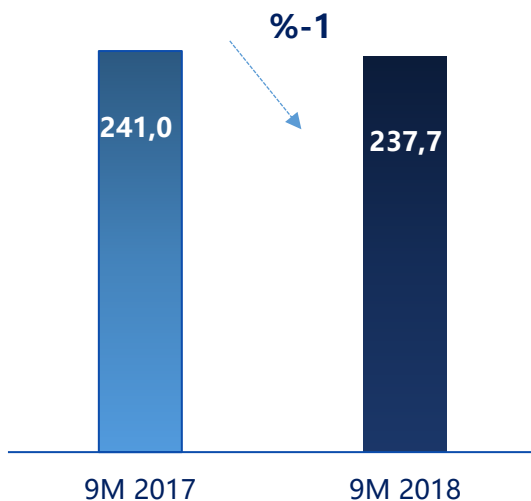
Despite the slowdown in the investments of electricity distribution companies, power generator plants, industry, housing and infrastructure; in 9 months of 2018 domestic revenue decreased limited by 1% comparing to the same period of 2017.

As a result of the business development activities, on top of global export markets, sales in Dubai, Tunisia, Iraq, Kazakhstan and Latin America are starting to increase. In 9 months of 2018 export revenue increased by 267% comparing to the same period of 2017.

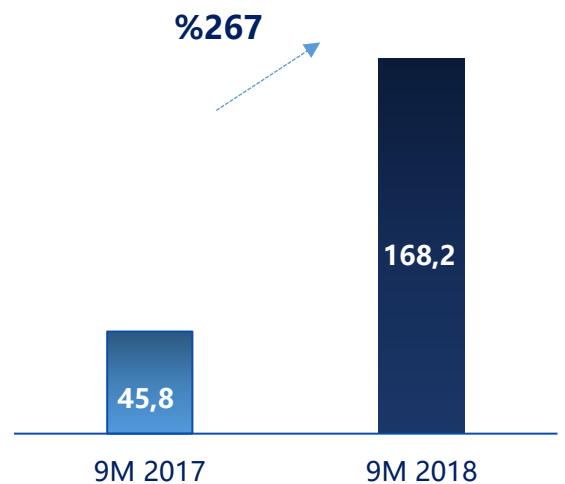
### REVENUE (mn TL)

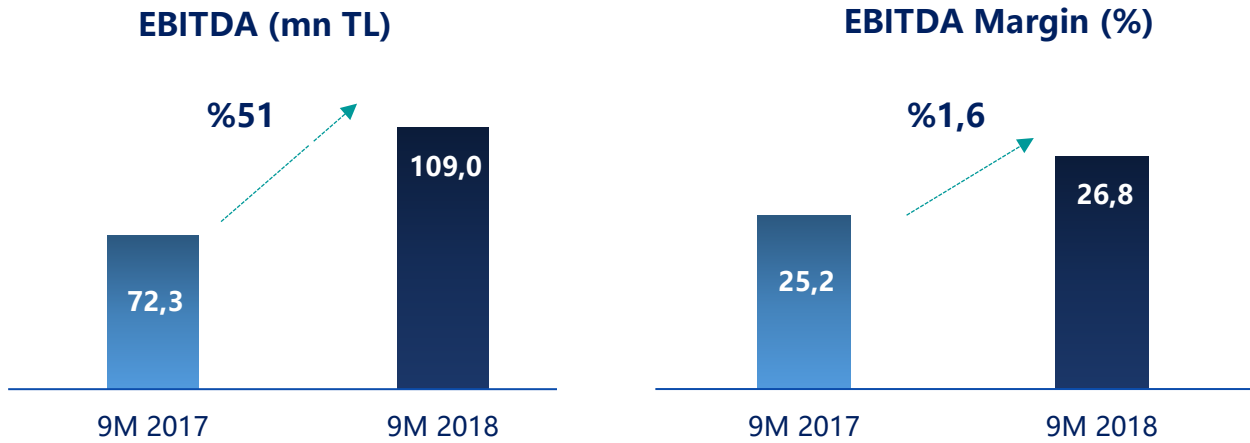


### DOMESTIC REVENUE (mn TL)



### EXPORT REVENUE (mn TL)





#### SECTION 4: RISK MANAGEMENT POLICY

The risk management policy is based on protecting the values of our assets in line with strategic objectives, operational efficiency and productivity, institutionalization and sustainability.

The risk is defined as the uncertainty on the company's targets and it is aimed to proactively evaluate these risks considered as a part of the processes, and also manage effectively.

Within the content of the internal audit processes, it is aimed to increase the responsibility of all employees to eliminate negative risks, to consider positive risks as an opportunity and then turn into an advantage.

By preparing annual activity plan, continuous improvement model is used to predict, manage and monitor all operational and processual potential risks.

Risk appetite is determined to ensure optimum balance between the risk and return with full awareness of duly comply with the laws and the fulfilment of responsibilities towards all interacted stakeholders.

Early Risk Identification Committee ensures the sustainability of the policy by reviewing periodically.

Within the context of the company internal audit system, the Audit Committee and the Early Risk Identification Committee carry out the studies related to proceeding the activities in an efficient and productive way and also in line with the company targets; having accurate, clear and trustworthy accounting records; reaching data easily; duly complying with the current legislation and protecting the assets.

## SECTION 5: OTHER ISSUES

- As of the reporting period, there are not any loss of capital and insolvency according to the 37-377th articles of Turkish Commercial Code. In addition, there are not any decision on bankruptcy, suspension of bankruptcy and liquidation. Since the company's financial structure is enough to proceed and complete the investments, there is not any precaution planned to be taken to strengthen the financial situation.
- There are not any administrative sanctions or penalties for the Company and Board Members due to practices, which are contrary to the provisions.
- Within the reporting period the company was not subjected to private and public audits.
- There is not any significant sue against the Company which could affect our Company's financial situation and activities.
- The investment consulting and corporate governance rating services are not taken.
- There is not any amendment of the legislation, which could significantly affect activities of the Company

### **Communication**

Ulusoy Elektrik İmalat Taahhüt ve Ticaret A.Ş.

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