TURCAS PETROL A.Ş. 2022 ORDINARY GENERAL MEETING DATED 20 JUNE 2023 – Q&A

Question 1 : I do not think the financial gains (in terms of profitability and return) achieved from SOCAR & Turcas joint venture has been achieved by RWE & Turcas. Can I get information on this matter?

Answer 1 : The total size of the STAR Refinery project developed by Socar & Turcas joint venture and Petkim acquisition was about 8-10 billion USD. In a period when the risks of long-term and foreign currency borrowing were significant, a high amount of equity contribution in addition to loan resources had to be kept ready until the completion of the relevant project. This meant an approximate 1.5 billion USD financial liability for Turcas. When evaluating our cash generation potential in the specified period, it has been evaluated that continuing on the project would risk our company by creating an equity contribution obligation above our business scale.

When looking at the natural gas combined cycle power plant project developed by RWE & Turcas joint venture, there is a project size of approximately 600 million EUR and our company's share was about 180 million EUR in this project. Compared to the SOCAR & Turcas partnership, this obligation has been undertaken, which is reasonable for the scale of our Company, and we can confirm this as our current loan balance within the scope of the relevant liability has nearly reached to ending. Thus, we think that RWE & Turcas natural gas combined cycle power plant project was a right investment. In the last two years we have started to obtain significant cash inflows from this investment, that is, we are collecting the benefits of our investment. However, since the sectors in which both Shell & Turcas (fuel, lubricants and retail) and RWE & Turcas (electricity generation) subsidiaries operate are highly regulated, return on investments are affected by market conditions.

Question 2 : Does Shell have oil exploration operations in Eastern Turkey?

Answer 2 : The oil exploration and production operations are not conducted by Shell & Turcas, which is our joint venture company with Shell, but by other companies that are 100% subsidiaries of Shell. We know that Shell had done explorations before but there is no such exploration in Turkey at the moment as far as we know. The evaluations and decisions on this matter are made by Shell, independent from us. At this point, giving opinions on behalf of Shell would not be a right approach for us.

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Question 3 : As Turcas, do you consider a capital increase by bonus issue or share buyback?

Answer 3 : Borrowing in foreign currency in Turkey has risks currently. Therefore, in accordance with our strategy of decreasing financial indebtedness, we have significantly reduced our debt. When we fully repay our debts, our priority will be dividend distribution and this will be evaluated in a capacity in line with our balance sheet and after our previous years' losses are fully eliminated. Likewise, free capital increase is a topic which will be evaluated as a result of the markets moving in positive direction and where our balance sheet allows (as in previous years).

Question 4: Between 2021 and 2022, your share in investments evaluated using the equity method has increased by 2.5 times, also it is seen that there is a 45% decrease in net debt. Considering that we last received dividends in 2013, what are the reasons for not distributing dividends? When do you plan to distribute?

Answer 4: Turcas has an agile and dynamic portfolio management. Just like it does not hesitate from investing at the right time, it also has exited from investments at the right time. Our Denizli investment had been commissioned in 2013, and the investment period lasted for 3 years. The EUR/TL parity which was below 2 at that time has increased to very high levels now. Thus, we were not able to realize the expected gains due to the increase in exchange rate (even though we decreased indebtedness approximately 20 mn EUR each year, the debt balance has increased in TL basis). In addition to the exchange rates, the fact that the sectors we operate in are regulated sectors prevents us from achieving the expected profit rates.

On the other hand, our exit from the geothermal investment has significantly strengthened our balance sheet. By realizing profit of approximately 318 million TL profit from this transaction, we have brought our Equity amount to a healthy level.

As Turcas, one of our priority goals is to distribute dividends. However, as per the relevant regulations, we first need to fully eliminate our previous years' losses, amounting to 349 million TL as of today. We aim to decrease this number to below 100 million TL level at the end of this year by the help of inflows from our subsidiaries. If the cash inflows from our subsidiaries exceeds our expectations, the previous years' losses will get close to 0. As a result, we expect our performance to be better in the second half of 2023 and aim to distribute dividends after we have fully eliminated our previous years' losses.

Question 5: Today Turcas stock is at lower levels compared to its price in 2013 in USD terms. How do you evaluate this situation?

Answer 5: As Turcas, the products we sell under our operations conducted jointly with RWE and Shell are in the category of commodities and the public authorities are the regulator in terms of determining sale prices. In the fuel distribution side, the fluctuations in the exchange rates impact our profitability and unfortunately the reflection of the increase in the exchange rate to the end customer is not simultaneous with the increase in the exchange rate. Therefore, a stability to be realized in the exchange rates would benefit our company. In addition, we expect our stock performance to increase in the following period due to the decreased indebtedness and the resulting decrease of the exchange rate risks for our company.

As we all know, our stock performance is related with the performances of our subsidiaries. We have seen a price hike of about %500 in our stock prices in 2022. There has been a decrease in our stock price since the beginning of 2023. We can state the effects of the economy on our subsidiaries' performances as the main reason of this decrease. In case the exchange rate shocks which happened in the last 1-2 years decrease in the upcoming periods, we would expect the our stock price to be positively affected.

Question 6: The operations of your company should not only depend on oil and natural gas and you have operated in geothermal energy before. I think change is necessary. What are your thoughts on this matter?

Answer 6: We agree that there should be changes. We are always reviewing our portfolio and taking care of making the most efficient investments. Our strategy on portfolio diversification is still in place and we are looking for new investments. We are following the new energy technologies and the companies operating in this sector globally. Thanks to our geothermal investment, our muscles in this sector have strengthened and we might use our knowledge in renewable energy again in the future. When the economy recovers on a macro-scale, we will continue to be open for new investments with agile portfolio management and consider such investments. We continue to work on these new investment opportunities not only in Turkey but also in a global scale also including the American continent.