

# TURCAS 1Q17 IFRS EARNINGS RELEASE



- 1Q17 net loss @ TL 2 mln (vs TL 15 mln net income in 1Q16)

mln TL	Net Income			Oil Segment (Shell & Turcas)		Energy Segment (RWE & Turcas)	
	Turcas	Shell & Turcas	RWE & Turcas	Revenues	EBITDA	Revenues	EBITDA
1Q17	-2	73	2	4,109	257	213	14
1Q16	15	12	-8	3,259	188	163	-4

## Key Highlights:

- Turcas posted a minimal loss of TL 2 mln in the absence of STAŞ Management Fees expected to be received early 2H17
- **Income from subsidiaries** (Turcas' share in the net profit of its subsidiaries) increased to TL 23 mln in 1Q17 (vs TL 1 mln income in 1Q16) driven by i) **STAŞ's contribution of TL 22 mln** (vs TL 4 mln in 1Q16), and ii) **RWE&Turcas JV («RTG»)'s contribution of TL 0.7 mln** (vs TL -3 mln in 1Q16), **representing a turnaround** following 4 consecutive quarters of negative contribution.
- **Net financial expenses** realized at **TL 18 mln** (vs TL 1 mln gain in 1Q16); consisting of **net FX losses of TL 19 mln** mainly arising from short **EUR position on balance sheet** and **net interest income of TL 1 mln** (o/w TL 3 mln interest income accrual from RTG regarding shareholder loan, TL 3 mln interest expense on project finance loans and TL 1 mln interest income on bank deposits).

First quarter of 2017 was marked by notable improvement in our conventional power generation subsidiary, RTG, driven by better operating conditions and sustained stellar performance in our fuel distribution subsidiary, STAŞ. Going forward, Turcas is committed to **diversifying its power generation portfolio** via renewable investments (with a focus on geothermal) and possible geographical expansion while at the same time maintaining its robust financial ratios.

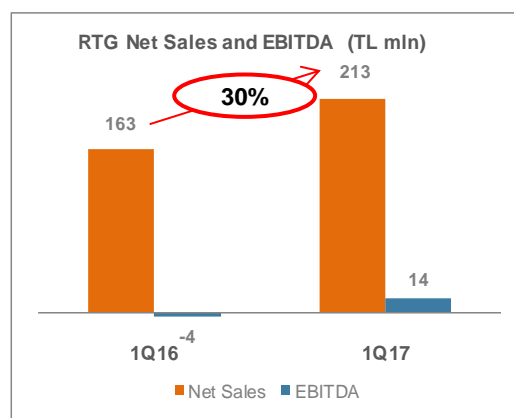
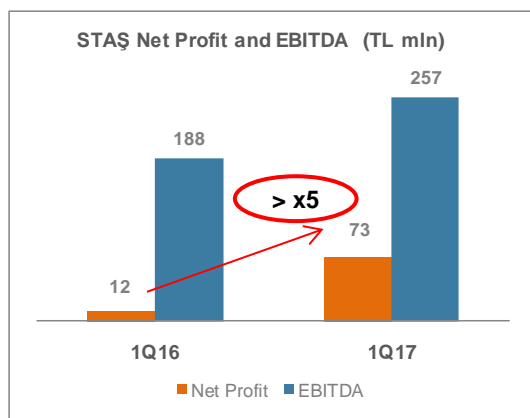
**Batu Aksoy,**  
CEO & Board Member

## Shell & Turcas JV - STAŞ (Turcas Share: 30%)

- **Turkey's leading fuel distributor** with a network of 1,024 fuel stations;
- **Volume growth** in Gasoline at 2% y/y, in line with the sector; Diesel at 3%/y/y, (sector: 4%); Lubricants at 8% y/y;
- **Maintained leadership in Gasoline and Lubricants with 26% and 25% market share respectively;**
- **1Q17 net income increased by more than 5 folds and reached TL 73 mln** (vs TL 12 mln in 1Q16) driven by strong gross profit (+26% y/y) and controlled operating expenses with below inflation growth (+7% y/y). **First quarter EBITDA reached TL 257 mln** (+37% y/y).

## RWE & Turcas JV - RTG (Turcas Share: 30%)

- **Owner of the 800 MW Denizli Combined Cycle Gas Fired Power Plant;**
- Net sales up to TL 213 mln (+30% y/y) in 1Q17;
- **Significant improvement in bottom line** (TL 2 mln vs TL-8 mln in 1Q16) driven by better operational performance accompanied by strong recovery in EBITDA in 1Q17 (TL 14 mln vs TL -4 mln in 1Q16). **Non-cash amortization expenses of TL 14 mln and interest expenses of TL 8 mln** (related to Shareholder Loans owed to both shareholders; RWE and Turcas) continuing to weigh on financial results. Mentioned interest expenses are interest income to respective shareholders; and hence to Turcas.



## Project Pipeline (Investment Phase):

### Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş («TKJ») (Turcas Share: 92%):

- **18 MW Geothermal Power Plant** (under construction) in Aydın Province Kuyucak region; **Commercial operations planned to start in 4Q17**;
- **Total Investment Cost expected @ USD 71.2 million** (including IDC).
- **Financing secured through Project Finance loan by TSKB (Türkiye Sınai Kalkınma Bankası A.Ş.) amounting to ~USD 57 mln** with a maximum grace period of 30 months & a total maturity of 14 years. Debt/Equity ratio is 80%-20%;
- **Average EBITDA of USD 9.5 Million per annum expected** thanks to the feed-in tariff (FIT) mechanism (USc 10.5/kWh) for the first 10 years of operation and local manufacturing support mechanism for the first 5 years of operation; an additional FIT of USc 1.3/kWh;
- «Investment Incentive Certificate», covering TL 144,463,075 of the investment, valid until 08.04.2019. Incentives granted include VAT (Value Added Tax) and Customs Tax exemptions.



## Project Pipeline (Development Phase):

### **Denizli Hacıyüplü & Manisa Gölarmara Geothermal PP Projects:**

- 1) A wildcat / exploratory production well was drilled (down to 2,675 m) in Denizli Hacıyüplü between Feb-April'17. Results yielded good quality reservoir and pressure but initially lower temperatures than expected. Turcas' Project Development teams are evaluating strategic options to utilize the resource efficiently and alternative ways to create value out of the 1.65 mln USD invested for this well.
- 2) An exploratory shallow-depth production well is planned to be drilled in Manisa Gölarmara within 2H17.



### **4 x Wind Power Application**

- 3) EMRA evaluation pending for a total portfolio of 116 MW at 4 different project sites. Licensing tenders may be initiated in 3Q17.



**Table.1 - Turcas Petrol A.Ş. – IFRS Financials 31.03.2017**

<b>P&amp;L (Thousand TL)</b>	<b>1Q17</b>	<b>1Q16</b>	<b>Y/Y (%)</b>
<b>Net Sales</b>	<b>0</b>	<b>0</b>	<b>n.m.</b>
<b>Gross Profit</b>	<b>0</b>	<b>0</b>	<b>n.m.</b>
Operating Expenses	6,752	4,953	36%
STAŞ Management Fees Received	0	24,010	n.m.
Other Operational Income (Net)	449	92	386%
<b>Operating Profit</b>	<b>-6,303</b>	<b>19,150</b>	<b>n.m.</b>
<b>Income / Loss from Subsidiaries</b>	<b>22,729</b>	<b>758</b>	<b>2900%</b>
<i>Shell &amp; Turcas</i>	22,019	3,573	516%
<i>RWE &amp; Turcas</i>	709	-2,510	n.m.
<i>Turcas Kuyucak Geothermal</i>	0	-305	n.m.
<b>Adjusted EBITDA</b>	<b>16,426</b>	<b>19,907</b>	<b>-17%</b>
<b>Valuation Gains from Investments</b>	<b>0</b>	<b>0</b>	<b>n.m.</b>
Net Financial Income	-18,209	1,180	n.m.
Profit Before Tax	-1,783	21,087	n.m.
Tax	-361	-5,736	n.m.
<b>Net Income / Loss</b>	<b>-2,144</b>	<b>15,351</b>	<b>n.m.</b>
<b>Earnings Per Share (TL)</b>	<b>-0.01</b>	<b>0.06</b>	<b>n.m.</b>

	<b>1Q17</b>	<b>1Q16</b>
ROA	-0.7%	5.6%
ROE	-1.3%	9.5%

<b>BALANCE SHEET (Thousand TL)</b>	<b>1Q17</b>	<b>2016</b>	<b>YTD (%)</b>
<b>Cash &amp; Cash Equivalents</b>	<b>154,840</b>	<b>143,319</b>	<b>8%</b>
Trade Receivables	488	494	-1%
Receivables from Related Parties (ST)	18,443	17,445	6%
Receivables from Related Parties (LT)	61,440	73,536	-16%
Investments / Associates	805,613	782,692	3%
<b>Total Assets</b>	<b>1,203,264</b>	<b>1,154,666</b>	<b>4%</b>
Short Term Financial Liabilities	106,331	99,507	7%
Long Term Financial Liabilities	442,594	403,988	10%
<b>Total Financial Liabilities</b>	<b>548,925</b>	<b>503,495</b>	<b>9%</b>
<b>Total Equity</b>	<b>638,528</b>	<b>640,567</b>	<b>0%</b>
<b>Total Equity and Liabilities</b>	<b>1,203,264</b>	<b>1,154,666</b>	<b>4%</b>

	<b>1Q17</b>	<b>2016</b>
Equity / Assets	53%	55%
Net Debt / Assets	33%	31%
Net Debt / Equity	62%	56%
Net Debt /Adjusted EBITDA (x)	6.0	8.9

**Table.2 - Shell & Turcas Petrol A.Ş. – IFRS Financials 31.03.2017**

<b>OPERATIONAL DATA</b>	<b>1Q17</b>	<b>1Q16</b>	<b>Y/Y (%)</b>
Gasoline Sales (m3)	160,142	157,012	2%
Diesel Sales (m3)	905,805	880,102	3%
Lubricants Sales (ton)	21,683	20,117	8%

Source: PETDER

<b>P&amp;L (Million TL)</b>	<b>1Q17</b>	<b>1Q16</b>	<b>Y/Y (%)</b>
Net Sales	4,109	3,259	26%
Gross Profit	392	288	36%
<b>Gross Margin</b>	<b>9.54%</b>	<b>8.84%</b>	
Operating Expenses	275	257	7%
Other Operational Income (Net)	13	18	-30%
<b>EBIT</b>	<b>129</b>	<b>49</b>	<b>163%</b>
Financial Gain / Loss	-34	-36	n.m.
<b>Net Income</b>	<b>73</b>	<b>12</b>	<b>516%</b>
<b>EBITDA</b>	<b>257</b>	<b>188</b>	<b>37%</b>
<b>EBITDA Margin</b>	<b>6.27%</b>	<b>5.77%</b>	

<b>BALANCE SHEET (Million TL)</b>	<b>1Q17</b>	<b>2016</b>	<b>YTD (%)</b>
<b>Current Assets</b>	<b>3,183</b>	<b>3,262</b>	<b>-2%</b>
Financial Liabilities	1,151	1,112	4%
<b>Total Equity</b>	<b>1,611</b>	<b>1,538</b>	<b>5%</b>
<b>Total Assets</b>	<b>4,768</b>	<b>4,855</b>	<b>-2%</b>

**Table.3 -RWE & Turcas Güney Elektrik Üretim A.Ş. – IFRS Summary Financial Data 31.03.2017**

<b>OPERATIONAL DATA</b>	<b>1Q17</b>	<b>1Q16</b>	<b>Y/Y (%)</b>
Sales (Gw hours)	1,000	628	59%

<b>P&amp;L (Million TL)</b>	<b>1Q17</b>	<b>1Q16</b>	<b>Y/Y (%)</b>
Sales	213	163	30%
EBITDA	14	-4	n.m.
Net Income / (Loss)	2	-8	n.m.

<b>BALANCE SHEET (Million TL)</b>	<b>1Q17</b>	<b>2016</b>	<b>YTD (%)</b>
Total Assets	1,469	1,486	-1%
Total Liabilities <sup>(1)</sup>	362	381	-5%
Total Equity	1,107	1,104	0%

(1) TL 257 mln (as of 1Q17) of which are Shareholder Loans owed to RWE (70%) and Turcas Elektrik Üretim A.Ş. (30%).