

# TURCAS 1H17 IFRS EARNINGS RELEASE



- 1H17 net loss @ TL 20 mln (vs TL 27 mln net income in 1H16)

| mln TL | Net Income |                |              | Oil Segment (Shell & Turcas) |        | Energy Segment (RWE & Turcas) |        |
|--------|------------|----------------|--------------|------------------------------|--------|-------------------------------|--------|
|        | Turcas     | Shell & Turcas | RWE & Turcas | Revenues                     | EBITDA | Revenues                      | EBITDA |
| 1H17   | -20        | 98             | -16          | 8.962                        | 451    | 440                           | 19     |
| 1H16   | 27         | 99             | -83          | 7.344                        | 468    | 383                           | -10    |
| 2Q17   | -18        | 25             | -18          | 4.853                        | 194    | 227                           | 5      |
| 2Q16   | 12         | 87             | -75          | 4.085                        | 280    | 220                           | -6     |

## Profit & Loss Perspective (Turcas Consolidated):

- Turcas posted a net loss of TL 20 mln due to delay in receipt of **STAŞ Management Fees** that are **expected to be received in 3Q17** and non-cash foreign exchange losses
- **Income from subsidiaries** (Turcas' share in the net profit of its subsidiaries) increased substantially to TL 25 mln in 1H17 (vs TL 4 mln income in 1H16) driven by i) **STAŞ's positive contribution of TL 30 mln** (stable vs 1H16) and ii) **RWE&Turcas JV («RTG»)'s notable bottomline improvement** (TL -5 mln in 1H17 vs TL -25 mln in 1H16)
- **Net financial expenses** realized at **TL 29 mln** (vs TL 5 mln gain in 1H16); consisting of **net FX losses of TL 29 mln** mainly arising from short **EUR position on balance sheet** and **null net interest income** (o/w TL 5 mln interest income accrual from RTG regarding shareholder loan, TL 2 mln interest income on bank deposits and TL 7 mln interest expense on project finance loans)
- **Turcas expects to turn back to positive P&L bottomline in 3Q17 with the collection of STAŞ Management Fees** and continued improved performance of its fuel retail and power generation subsidiaries
- Turcas fully consolidates Kuyucak Geothermal Power Plant Co. Therefore, the net sales and EBITDA figures will become visible after the start of commercial operations in 4Q17

First half of 2017 was marked by notable bottomline improvement in our conventional power generation subsidiary, RTG, driven by better operating conditions and sound performance in our fuel distribution subsidiary, STAŞ. Following a loss of TL 20 mln in 1H17 due to delay in receipt of STAŞ management fees, we expect to **turn back to profitability in 3Q17** driven by **collection of management fees** and **continuous improvement in our subsidiaries' performance**

**Batu Aksoy,**  
CEO & Board Member

## Balance Sheet Perspective (Turcas Consolidated):

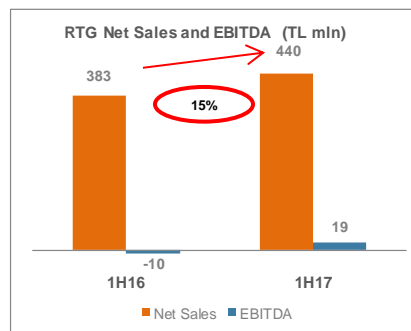
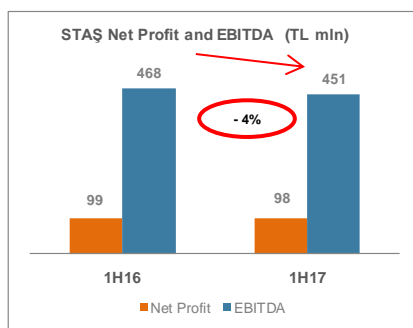
- **Turcas' asset growth continued** with the ongoing 18 MW geothermal power plant investment in Aydin, Kuyucak and **reached TL 1.2 billion as of 1H17**
- Total consolidated Financial Indebtedness of Turcas stands at USD 150 mln (TL 529 mln) as of 1H17. USD 126 mln (84%) of this is the long-term project finance loans utilized for Denizli CCGT and USD 13 mln (9%) of this is the project finance loans utilized for Kuyucak Geothermal PP. The Rest, USD 11 mln (7%) is short term financial working capital finances
- Total original amount of project finance loans utilized for Denizli Power Plant decreased from EUR 91 mln and USD 31 mln as of 2016 YE to EUR 85 mln and USD 29 mln as of 1H17. However, due to depreciation of the local currency, total TL denominated indebtedness increased from TL 503 mln to TL 529 mln in TL terms. The remaining maturity of these project finance loans are 6-8 years
- Since Kuyucak Power Plant is in the construction period, the loan utilizations will continue to increase until YE17 but since the Plant will become operational in 4Q17, we expect the outstanding loan balance to start gradually decreasing in the upcoming periods
- EUR 9 mln of working capital facility financing will be repaid at 30 Sep'17. Therefore, we expect a further decrease in FX denominated financial indebtedness in YE17 figures

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

- **Turkey's leading fuel distributor** with a network of 1,021 fuel stations;
- **Volume growth** in Gasoline at 2% y/y (sector: 3%); Diesel at 1%/y/y, (sector: 4%); Lubricants at 4% y/y (in line with sector);
- **Maintained leadership in Gasoline and Lubricants with 25% and 24% market shares respectively;**
- **1H17 net income realized at TL 98 mln** (vs TL 99 mln in 1H16) due to almost stable (+1% y/y) gross profit despite strong increase in sales (+22% y/y). **First half EBITDA realized at TL 451 mln** (-4% y/y). We foresee TL 925 mln EBITDA in YE17

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

- **Owner of the 800 MW Denizli Combined Cycle Gas Fired Power Plant;**
- Net sales up to TL 440 mln (+15% y/y) in 1H17;
- **Significant improvement in bottom line** (TL -16 mln vs TL -83 mln in 1H16) driven by i) better operational performance also leading to strong recovery in EBITDA in 1H17 (TL 19 mln vs TL -10 mln in 1H16) and ii) lower net financial losses (TL -13 mln vs TL -45 mln in 1H16) on the back of partial shareholder loan conversion to equity in 2016 year end. **Non-cash amortization expenses of TL 28 mln and interest expenses of TL 17 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
- **Turcas collected TL 12 mln shareholder loan repayments in 1H17 and TL 20 mln as of today.** We foresee TL 25 mln EBITDA in YE17



## 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; The Physical Completion of the Plant stands at 85% as of end of July.**
- **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 wellhead 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 the exploration period
- 2) An exploratory shallow-depth production well is planned to be drilled in Manisa Gölarmara within 2H17.



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

- 3) Licensing tenders initiated in 2Q17. Turcas participated in the tender with an aim to realize the wind power plant project in Tekirdağ province with an installed capacity of 20 MW. The mentioned tender has not resulted in favor of Turcas. However, licensing tenders are expected to continue in 2H17 for the pre-license application of 96 MW in 3 sites.



**Table.1 - Turcas Petrol A.Ş. – IFRS Financials 30.06.2017**

| <b>P&amp;L (Thousand TL)</b>            | <b>1H17</b>    | <b>1H16</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                      | 11,676         | 10,702        | 9%             |
| STAŞ Management Fees Received           | 0              | 24,010        | n.m.           |
| Other Operational Income (Net)          | 834            | 295           | 183%           |
| <b>Operating Profit</b>                 | <b>-10,842</b> | <b>13,603</b> | <b>n.m.</b>    |
| <b>Income / Loss from Subsidiaries</b>  | <b>24,770</b>  | <b>4,355</b>  | <b>469%</b>    |
| <i>Shell &amp; Turcas</i>               | 29,536         | 29,662        | 0%             |
| <i>RWE &amp; Turcas</i>                 | -4,765         | -24,890       | n.m.           |
| <i>Turcas Kuyucak Geothermal</i>        | 0              | -417          | n.m.           |
| <b>Adjusted EBITDA</b>                  | <b>13,928</b>  | <b>17,958</b> | <b>-22%</b>    |
| <b>Valuation Gains from Investments</b> | <b>273</b>     | <b>12,439</b> | <b>-98%</b>    |
| Net Financial Income                    | -28,526        | 5,226         | n.m.           |
| Profit Before Tax                       | -14,324        | 35,623        | n.m.           |
| Tax                                     | -5,819         | -8,283        | n.m.           |
| <b>Net Income / Loss</b>                | <b>-20,143</b> | <b>27,340</b> | <b>n.m.</b>    |
| <b>Earnings Per Share (TL)</b>          | <b>-0.07</b>   | <b>0.10</b>   | <b>n.m.</b>    |

|     | <b>1H17</b> | <b>1H16</b> |
|-----|-------------|-------------|
| ROA | n.m.        | 5.0%        |
| ROE | n.m.        | 8.5%        |

| <b>BALANCE SHEET (Thousand TL)</b>    | <b>1H17</b>      | <b>2016</b>      | <b>YTD (%)</b> |
|---------------------------------------|------------------|------------------|----------------|
| <b>Cash &amp; Cash Equivalents</b>    | <b>94,957</b>    | <b>143,319</b>   | <b>-34%</b>    |
| Trade Receivables                     | 436              | 494              | -12%           |
| Receivables from Related Parties (ST) | 23,163           | 17,445           | 33%            |
| Receivables from Related Parties (LT) | 58,372           | 73,536           | -21%           |
| Investments / Associates              | 807,868          | 782,692          | 3%             |
| <b>Total Assets</b>                   | <b>1,205,751</b> | <b>1,154,666</b> | <b>4%</b>      |
| Short Term Financial Liabilities      | 107,029          | 99,507           | 8%             |
| Long Term Financial Liabilities       | 421,536          | 403,988          | 4%             |
| <b>Total Financial Liabilities</b>    | <b>528,565</b>   | <b>503,495</b>   | <b>5%</b>      |
| <b>Total Equity</b>                   | <b>605,204</b>   | <b>640,567</b>   | <b>-6%</b>     |
| <b>Total Equity and Liabilities</b>   | <b>1,205,751</b> | <b>1,154,666</b> | <b>4%</b>      |

|                               | <b>1H17</b> | <b>2016</b> |
|-------------------------------|-------------|-------------|
| Equity / Assets               | 50%         | 55%         |
| Net Debt / Assets             | 36%         | 31%         |
| Net Debt / Equity             | 72%         | 56%         |
| Net Debt /Adjusted EBITDA (x) | 15.6        | 8.9         |

**Table.2 - Shell & Turcas Petrol A.Ş. – IFRS Financials 30.06.2017**

| <b>OPERATIONAL DATA</b> | <b>1H17</b> | <b>1H16</b> | <b>Y/Y (%)</b> |
|-------------------------|-------------|-------------|----------------|
| Gasoline Sales (m3)     | 352,459     | 344,865     | 2%             |
| Diesel Sales (m3)       | 1,946,623   | 1,928,959   | 1%             |
| Lubricants Sales (ton)  | 41,603      | 40,075      | 4%             |

Source: PETDER

| <b>P&amp;L (Million TL)</b>    | <b>1H17</b>  | <b>1H16</b>  | <b>Y/Y (%)</b> |
|--------------------------------|--------------|--------------|----------------|
| Net Sales                      | 8,962        | 7,344        | 22%            |
| Gross Profit                   | 704          | 694          | 1%             |
| <b>Gross Margin</b>            | <b>7.86%</b> | <b>9.46%</b> |                |
| Operating Expenses             | 579          | 516          | 12%            |
| Other Operational Income (Net) | 58           | 27           | 117%           |
| <b>EBIT</b>                    | <b>184</b>   | <b>205</b>   | <b>-11%</b>    |
| Financial Gain / Loss          | -56          | -74          | n.m.           |
| <b>Net Income</b>              | <b>98</b>    | <b>99</b>    | <b>0%</b>      |
| <b>EBITDA</b>                  | <b>451</b>   | <b>468</b>   | <b>-4%</b>     |
| <b>EBITDA Margin</b>           | <b>5.03%</b> | <b>6.37%</b> |                |

| <b>BALANCE SHEET (Million TL)</b> | <b>1H17</b>  | <b>2016</b>  | <b>YTD (%)</b> |
|-----------------------------------|--------------|--------------|----------------|
| <b>Current Assets</b>             | <b>3,108</b> | <b>3,262</b> | <b>-5%</b>     |
| Financial Liabilities             | 1,091        | 1,112        | -2%            |
| <b>Total Equity</b>               | <b>1,636</b> | <b>1,538</b> | <b>6%</b>      |
| <b>Total Assets</b>               | <b>4,665</b> | <b>4,855</b> | <b>-4%</b>     |

**Table.3 -RWE & Turcas Güney Elektrik Üretim A.Ş. – IFRS Summary Financial Data 30.06.2017**

| <b>OPERATIONAL DATA</b> | <b>1H17</b> | <b>1H16</b> | <b>Y/Y (%)</b> |
|-------------------------|-------------|-------------|----------------|
| Sales (Gw hours)        | 2,088       | 1,518       | 38%            |

| <b>P&amp;L (Million TL)</b> | <b>1H17</b> | <b>1H16</b> | <b>Y/Y (%)</b> |
|-----------------------------|-------------|-------------|----------------|
| Sales                       | 440         | 383         | 15%            |
| EBITDA                      | 19          | -10         | n.m.           |
| Net Income / (Loss)         | -16         | -83         | n.m.           |

| <b>BALANCE SHEET (Million TL)</b> | <b>1H17</b> | <b>2016</b> | <b>YTD (%)</b> |
|-----------------------------------|-------------|-------------|----------------|
| Total Assets                      | 1,444       | 1,556       | -7%            |
| Total Liabilities <sup>(1)</sup>  | 356         | 451         | -21%           |
| Total Equity                      | 1,088       | 1,104       | -1%            |

(1) TL 265 mln (as of 1H17) of which are Shareholder Loans owed to RWE (70%) and Turcas (30%).