

TURCAS 9M17 IFRS EARNINGS RELEASE



- 9M17 net income @ 24 mm TL (vs 30 mm TL net income in 9M16)
- 3Q17 net income @ 44 mm TL (highest quarterly income over the last 5 yrs)

mm TL	Net Income			Oil Segment (Shell & Turcas)		Energy Segment (RWE & Turcas)	
	Turcas	Shell & Turcas	RWE & Turcas	Revenues	EBITDA	Revenues	EBITDA
9M17	24	282	-0.3	14.415	852	725	48
9M16	30	177	-112	11.932	731	567	2
3Q17	44	184	16	5.453	401	286	30
3Q16	3	78	-29	4.589	263	184	13

Profit & Loss (Turcas Consolidated):

- Turcas posted 24 mm TL net income in 9M17 mainly driven by outstanding performance of its fuel distribution subsidiary, Shell & Turcas Petrol A.Ş. ("STAŞ") and strong bottom-line improvement at RWE & Turcas ("RTG")
- **Income from subsidiaries** (Turcas' share in the net profit of its subsidiaries) increased more than 4x to 85 mm TL in 9M17 (vs 19 mm TL in 9M16) driven by i) **STAŞ's strong contribution of 85 mm TL (+59% y/y)** and ii) **RTG's significant bottom-line improvement** (almost null in 9M17 vs -34 mm TL in 9M16)
- **Net financial expenses** realized at **46 mm TL** (vs 3 mm TL net financial expenses in 9M16); consisting of **net FX losses of 46 mm TL** mainly arising from short **EUR position on balance sheet** and **null net interest income** (o/w 7 mm TL interest income accrual from RTG regarding shareholder loan, 4 mm TL interest income on bank deposits and 11 mm TL interest expense on project finance loans)
- **Turcas expects further improvement in P&L bottom-line by the end of 2017 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 2017 Year end.

9M17 was marked by outstanding performance of STAŞ and the highest (over the last 5 years) quarterly Turcas net income of 44 mm TL at 3Q17. This performance was accompanied by strong bottom-line improvement at RTG, driven by better operating conditions.

Going forward, we expect further improvement in bottom-line by YE17 driven by (one-time delayed) collection of management fees from STAS and continuous improvement in our subsidiaries' performance

Batu Aksoy,
CEO & Board Member

Balance Sheet (Turcas Consolidated):

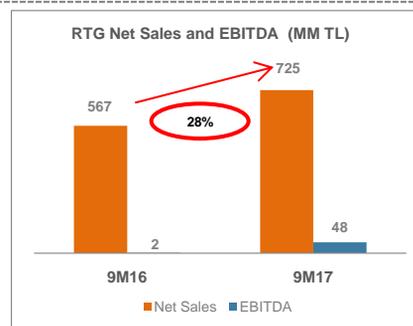
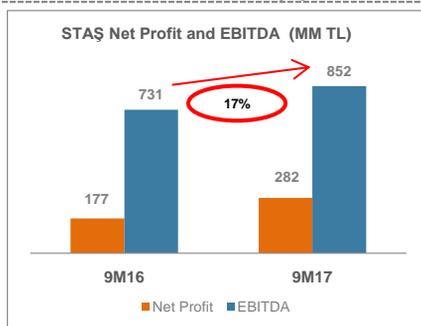
- **Asset growth continued** with the ongoing investments at fully consolidated 18 MW geothermal power plant investment in Aydın, Kuyucak and reached **1.3 BN TL as of 9M17**
- Total consolidated Financial Indebtedness of Turcas stands at 172 MM USD (611 MM TL) as of 9M17. 125 MM USD (73%) of this is the long-term project finance loans utilized for Denizli CCGT and 36 MM USD (21%) of this is the project finance loans utilized for Kuyucak Geothermal PP. The Rest, 11 MM USD (6%) is short term working capital finances which has been closed as of October.
- Total original amount of project finance loans utilized for Denizli Power Plant decreased from 91 MM EUR and 31 MM USD as of 2016 YE to 81 MM EUR and 29 MM USD as of 9M17. The remaining maturity of these project finance loans are 5-7 years for USD and EUR tranches respectively.
- Since Kuyucak Power Plant is in the construction period, the loan utilizations will continue to increase until YE17. Since the Plant will become operational in YE17, we expect the outstanding loan balance to start gradually decrease starting from 2017 YE. The repayments will start in 2018 and will be made in 11 years.

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

- **Turkey's leading fuel distributor** with a network of 1,010 fuel stations;
- **Volume growth** in Gasoline at 2% y/y (sector: 3%); Diesel at 2%/y/y, (sector: 8%); Lubricants at 9% y/y (sector: +7%);
- **Maintained leadership in Gasoline and Lubricants with 25% market share;**
- **9M17 net income realized at 282 MM TL** (vs 177 MM TL in 9M16, +59% y/y) driven by strong increase in sales (+21% y/y). **9M17 EBITDA reached 852 MM TL (+17% 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 725 MM TL (+28% y/y) in 9M17, thanks to **high capacity utilization rate of 70%;**
- **Significant improvement in bottom line** (-0.3 MM TL vs -112 MM TL in 9M16) driven by i) better operational performance also leading to strong recovery in EBITDA in 9M17 (48 MM TL vs 2 MM TL in 9M16) and ii) lower net financial losses (-21 MM TL vs -64 MM TL in 9M16) on the back of partial shareholder loan conversion to equity in YE16. **Non-cash amortization expenses of 42 MM TL and interest expenses of 24 MM TL (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 20 MM TL shareholder loan repayments in 9M17**



Project Pipeline (Investment Phase):

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

- In Oct'17, Provisional Acceptance of TKJ has been completed for 10 MW installed capacity. TKJ is expected to benefit from Renewable Energy Sources Support Mechanism ("RESSM") with 18 MW installed capacity starting from 2018.
- Thanks to RESSM, TKJ will be eligible for selling its electricity production at a price of 11.8 USDc/kWh for the first 5 years together with the local equipment utilization incentives, and 10.5 USDc/kWh for the following 5 years starting from the Commercial Operation Date (beginning of 2018). The project is expected to generate an Annual Average EBITDA of 9.5 MM USD for the first 10 years of its operation period (to be fully consolidated under Turcas Petrol financials)
- In March 2016, TKJ signed a Project Finance Loan Agreement with TSKB amounting to EUR 15 mln and USD 40.5 mln in cash and/or non-cash and TL 10 mln in non-cash under the following terms:
 - Grace Period: Maximum 30 months; Total Maturity: 14 yrs.
- Total Capex (including IDC) of the project is USD 71 mln, Debt/Equity: 80%



Kuyucak Extension Project:

- Turcas plans to do new drillings at the existing TKJ site (Aydin Kuyucak) in 2018 following Magneto Telluric studies planned in 4Q-17. Our ultimate goal is to increase our installed base or add new modular power plants, taking advantage of the attractive Feed-In Tariff (ca.111 USD/MWH) for geo power

Project Pipeline (Development Phase):

Denizli Hacıyüplü & Manisa Gölarmara Geothermal PP Projects:

- 1) Since our 2,600m geothermal well (drilled 1Q-2017) in Denizli Hacıyüplü yielded not enough thermal heat for power generation, we plan to drill a new (shallow) well here for oil exploration in 2018 following Seismic and other detailed studies following regulatory approvals
- 2) Turcas is developing another geothermal energy project on a 4,537 hectare concession zone in Manisa Gölarmara in Western Turkey. We are planning to drill an exploratory shallow well here in late 2017 or early 2018 following Magneto Telluric studies
- 3) Turcas is also evaluating offers from the market to buy other (proven and/or unproven) concession zones for further geothermal energy growth



3 x Wind Power Application

- 4) We are developing 3 wind farm projects at different sites of Turkey (Balıkesir, Çanakkale, İzmir) with a total capacity of 96 MW. Licensing tenders for these projects are expected to take place in 4Q-2017 and in 2018



Table.1 - Turcas Petrol A.Ş. – IFRS Financials 30.09.2017

P&L (Thousand TL)	9M17	9M16	Y/Y (%)
Net Sales	0	0	n.m.
Gross Profit	0	0	n.m.
Operating Expenses	19,055	16,443	16%
STAŞ Management Fees Received	0	24,010	n.m.
Other Operational Income (Net)	2,372	570	316%
Operating Profit	-16,683	8,137	n.m.
Income / Loss from Subsidiaries	84,588	19,098	343%
<i>Shell & Turcas</i>	84,684	53,120	59%
<i>RWE & Turcas</i>	-96	-33,605	n.m.
<i>Turcas Kuyucak Geothermal</i>	0	-417	n.m.
Adjusted EBITDA	67,905	27,235	149%
Valuation Gains from Investments	273	12,439	-98%
Net Financial Income	-45,768	-3,314	n.m.
Profit Before Tax	22,411	36,361	-38%
Tax	1,661	-6,375	n.m.
Net Income / Loss	24,072	29,986	-20%
Earnings Per Share (TL)	0.09	0.11	-20%

	9M17	9M16
ROA	2.4%	3.6%
ROE	4.9%	6.2%

BALANCE SHEET (Thousand TL)	9M17	2016	YTD (%)
Cash & Cash Equivalents	117,288	143,319	-18%
Trade Receivables	455	494	-8%
Receivables from Related Parties (ST)	2,528	17,445	-86%
Receivables from Related Parties (LT)	73,887	73,536	0%
Investments / Associates	867,838	782,692	11%
Total Assets	1,323,154	1,154,666	15%
Short Term Financial Liabilities	120,610	99,507	21%
Long Term Financial Liabilities	490,111	403,988	21%
Total Financial Liabilities	610,721	503,495	21%
Total Equity	649,369	640,567	1%
Total Equity and Liabilities	1,323,154	1,154,666	15%

	9M17	2016
Equity / Assets	49%	55%
Net Debt / Assets	37%	31%
Net Debt / Equity	76%	56%
Net Debt /Adjusted EBITDA (x)	5.4	8.9

Table.2 - Shell & Turcas Petrol A.Ş. – IFRS Financials 30.09.2017

OPERATIONAL DATA	9M17	9M16	Y/Y (%)
Gasoline Sales (m3)	575,694	563,400	2%
Diesel Sales (m3)	3,116,973	3,054,710	2%
Lubricants Sales (ton)	62,984	58,006	9%

Source: PETDER

P&L (Million TL)	9M17	9M16	Y/Y (%)
Net Sales	14,415	11,932	21%
Gross Profit	1,206	1,076	12%
Gross Margin	8.37%	9.02%	
Operating Expenses	867	774	12%
Other Operational Income (Net)	103	37	178%
EBIT	442	339	30%
Financial Gain / Loss	-85	-112	n.m.
Net Income	282	177	59%
EBITDA	852	731	17%
EBITDA Margin	5.91%	6.13%	

BALANCE SHEET (Million TL)	9M17	2016	YTD (%)
Current Assets	3,394	3,262	4%
Financial Liabilities	878	1,112	-21%
Total Equity	1,820	1,538	18%
Total Assets	4,896	4,855	1%

Table.3 -RWE & Turcas Güney Elektrik Üretim A.Ş. – IFRS Summary Financial Data 30.09.2017

OPERATIONAL DATA	9M17	9M16	Y/Y (%)
Sales (Gw hours)	3,329	2,282	46%

P&L (Million TL)	9M17	9M16	Y/Y (%)
Sales	725	567	28%
EBITDA	48	2	n.m.
Net Income / (Loss)	0	-112	n.m.

BALANCE SHEET (Million TL)	9M17	2016	YTD (%)
Total Assets	1,478	1,486	-1%
Total Liabilities ⁽¹⁾	373	381	-2%
Total Equity	1,104	1,104	0%

(1) TL 264 mln (as of 9M17) of which are Shareholder Loans owed to RWE (70%) and Turcas (30%).