



## TURCAS PETROL A.Ş. YE 2015 EARNINGS RELEASE

**Istanbul, Turkey, 10 March 2016 – Turcas Petrol A.Ş. (BIST: TRCAS ) (“Turcas”)**

Turkey's oil & energy focused investment company which owns subsidiaries in the “Fuel Distribution & Lubricants” as well as “Power Generation” sectors, announced IFRS consolidated financial results for the fiscal year 2015.

Turcas posted TL 36 mln net loss in YE15 (vs TL 15 mln net loss in YE14) due to loss from subsidiaries. The summary IFRS Financial Statements of Turcas have been provided in Annex-Table 1.

Operating profit (EBIT) of Turcas increased by 23% y/y and reached TL 18 mln in YE15 driven by USD denominated management fees received from Shell & Turcas Petrol A.Ş. (“STAŞ”).

Loss from subsidiaries was realized at TL – 57 mln (o/w TL-17 mln from STAŞ and TL -40 mln from RTG) in YE15 (vs TL -12 mln in YE14) due to:

- i) Negative impact of the Price Cap implementation by the Energy Market Regulation Authority (“EMRA”) applied in the Fuel Retail sector between 20 February and 20 April 2015
- ii) Inventory losses at STAŞ (TL 47 mln) impacted by continuous decline in global oil prices
- iii) Unfavorable operating environment in the Power sector mostly driven by lower spot prices and bilateral agreement prices

The breakdown of income/loss from subsidiaries is provided in Annex-Table 1.

Net sales of Turcas, which totally comprises of electricity sales through the consolidation of its wholly-owned subsidiary Turcas Power Trading (TPT), has decreased by 99% y/y in 2015 to 762 ths TL due to the downsizing of the retail end-customer portfolio.

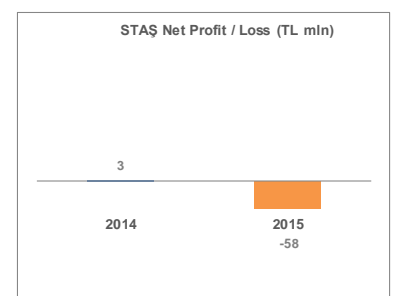
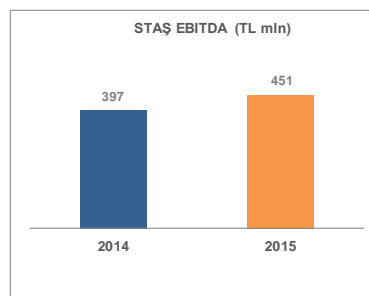
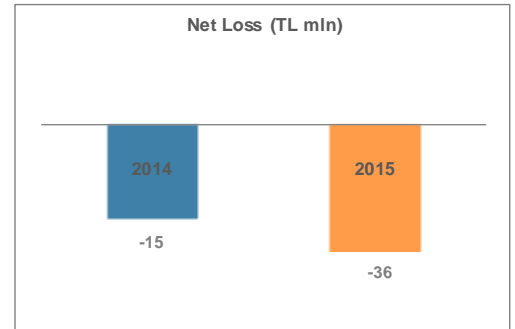
Net financial income was realized at TL 8 mln in YE15 (vs TL 53 mln net financial income in YE14) driven by interest income accrual (TL 45 mln from RTG regarding shareholder loan receivables, rest is interest income on time deposits) despite the negative impact of TL depreciation (TL 30 mln FX losses due to short EUR position on the balance sheet) and interest expenses (TL 14 mln).

### Fuel Distribution and Lubricants:

Turcas' flagship subsidiary in fuel retail and lubricants, STAŞ, has a retail network consisting of 1,034 nationwide Shell branded fuel stations as of YE15. STAŞ achieved above sector growth in gasoline sales volume with 10% y/y growth in YE15. Meanwhile, diesel sales volume increased by 5% y/y.

STAŞ has recorded net sales of c.a. TL 15 bln (USD 5.6 bln) in YE15 indicating 3% y/y decline

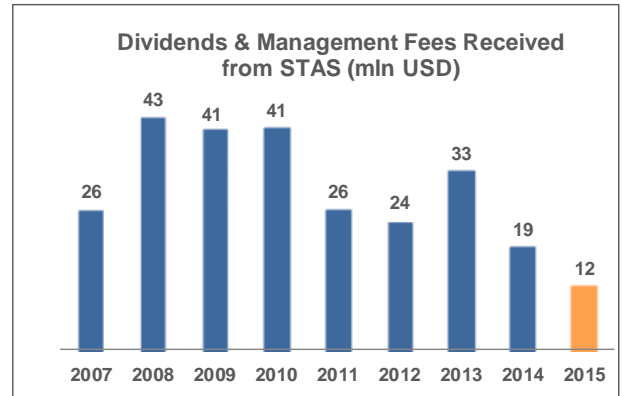
due to (i) fall in oil prices and (ii) price cap decision by EMRA. Recall that EMRA had introduced a temporary price cap for 2 months on fuel products and limited the distributor mark-ups (combined margin) at 0,34 TL/Liter for Gasoline and 0,37 TL/Liter for Diesel on February 20, 2015, with the condition of transferring at least 60% of the combined margin to the dealers. The price cap has been lifted as of April 20, 2015. Driven by the partial recovery in operating performance, EBITDA figure was recorded as TL 451 mln (USD 166 mln), up by 14% y/y. The summary financial statements of STAŞ have been provided in Annex-Table 2.





In terms of market share, STAŞ has maintained its leadership position in Gasoline (24%) and Lubricants sales (25%) and ranked 3<sup>rd</sup> in White Product sales (comprising of gasoline and diesel sales) (17%) as of YE15, according to PETDER data. STAŞ has also preserved its market leader position in throughput per station ratio which is a significant indicator of profitability & efficiency in the market.

In 2014, Turcas had received TL 23 mln (USD 11 mln) of management fees from STAŞ and TL 18 mln of dividends while in 2015, management fees amounting to TL 36 mln (USD 12 mln, net off value added tax) has been received from STAŞ in October 2015. No decision has yet been taken on dividend distribution.



## Power Generation:

### A) Conventional (Natural Gas):

Financial results of the JV company RWE & Turcas Güney Elektrik Üretim A.Ş. (RTG), which owns the 775 MW Denizli Combined Cycle Power Plant, are given in Annex-Table.3. RTG has recorded TL 793 mln of net sales and TL -134 mln of net loss in YE15. Loss is mainly due to the amortization expenses (TL 54 mln) and interest charges (TL 138 mln) on the shareholder loans owed to both shareholders; Turcas (30%) and RWE (70%).

**Historic Investment Information:** Total investment cost of the Denizli CCPP was realized at ca. EUR 600 mln. In order to finance its share of the investment (30% share corresponding to EUR 180 mln), Turcas had injected EUR 30 mln of equity into RTG in 2011. For the financing of its remaining investment stake; EUR 150 mln have been raised from Bayern LB and Portigon AG (former West LB) under ECA (Euler Hermes) coverage with 3+10 years of tenor and USD 55 mln has been raised from TSKB (Industrial Development Bank of Turkey) with 3+7 years of tenor. Utilizations of these loans were completed in 2013 and already 5 principal repayments have been realized in December 2013, June 2014, December 2014, June 2015 and December 2015 following the start of Denizli power plant's commercial operations in June 2013. These loans make up the whole financial liability figure in the consolidated balance sheet of Turcas.

Please recall that on 22 December 2015, RTG's paid-in capital was increased from TL 510 mln to TL 1,072 mln via conversion of approximately half of the remaining Shareholder Loans, i.e. TL 562 mln into Equity. Shareholders have contributed to this non-cash capital increase on pro rata basis (Turcas: 30%, RWE: 70%). This conversion will cut by half the interest costs and associated VAT to be incurred by RTG due to Shareholder Loans hence reduce the company's Financial Expenses by 50% leading to improved results in the following quarters.

### B) Renewables:

In geothermal energy, our 46% jointly-controlled indirect subsidiary Turcas & BM Kuyucak Jeotermal Elektrik Üretim A.Ş ("TBK") owns an electricity generation preliminary license awarded by EMRA for 18 MW GEPP in Aydın Province, Kuyucak-Pamukören region. Till date, TBK has drilled 4 successful production wells and 1 re-injection well. The Company anticipates to have secured approximately 11 MW of power generation from the 4 successful wells and plans to further drill 2 more production wells and 1+1 re-injection well within 2016-2017 period to secure the targeted 18 MW installed capacity which shall generate an EBITDA of 9.5 Million USD per annum thanks to the feed-in tariff mechanism.

On 1 March 2016, TBK secured the financing of the project via project finance loan agreement signed with Türkiye Sınai Kalkınma Bankası A.Ş. amounting to EUR 15 mln and USD 40.5 mln in cash and TL 10 mln in non-cash with a maximum grace period of 30 months and a total maturity of 14 years. Total project cost amounts to USD 71.2 million (including financing costs) implying Debt/Equity ratio of 80%. The mentioned geothermal power plant investment's first phase (8 MW) and second phase (8 MW) are planned to start commercial operations in the third quarter of 2017 and third quarter of 2018 respectively.

Turcas developed its exploration license to operation license in Denizli Karakova Hacıyüpler concession in 2015, which will be further developed via conventional production well drilling to a new geothermal source based power generation unit. As a separate project in geothermal energy, Turcas acquired a geothermal exploration license in Manisa Province, Gölarmara-Hacıveliler region (site area: 4,959 ha) in March 2014 for a period of 3 years and to be valid from the date of 20 March 2014. Geology and geophysics exploration works are planned in the mentioned region with the aim of exploring geothermal energy sources leading to a new power generation investment.

In wind energy, Turcas Renewable Energy, a wholly-owned subsidiary of Turcas, has developed and submitted pre-license applications to EMRA on 27 April 2015 regarding 4 Wind Power Plant projects. Mentioned 4 projects are in Balıkesir (35 MW), Çanakkale (40 MW), İzmir (21 MW) and Tekirdağ (20 MW). These projects will be tendered by EMRA and the timing for the tenders has not yet been set.

Furthermore, Turcas actively evaluates investment opportunities in hydro, local coal, imported coal and wind projects which may be realized either through acquisitions or greenfield developments. In that respect, Turcas and Azalternatıvenerji Limited Company operating under Azerbaijan Republic Alternative and Renewable Energy Sources Government Agency (ABEMDA) has signed a MoU on 21.07.2015 with an aim to collaborate in new solar, wind and geothermal power plant projects in Turkey, Iran and Azerbaijan.

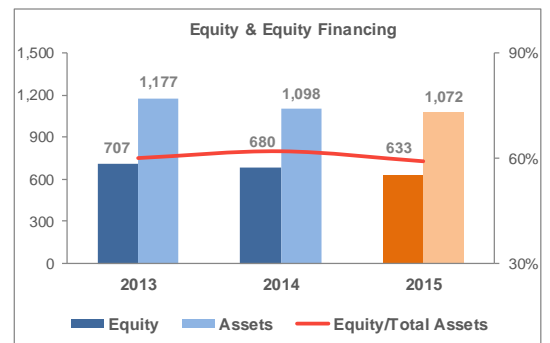
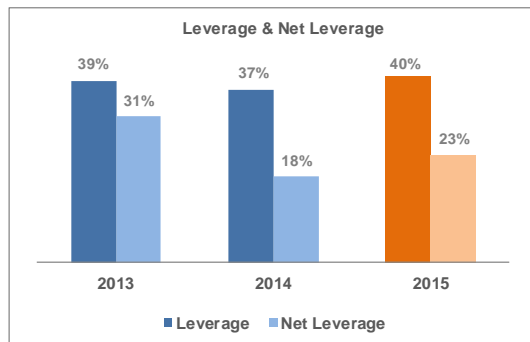
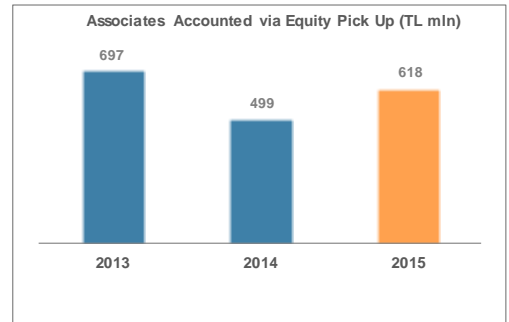
### Financing and Balance Sheet:

Major components among total assets of the Company amounting to TL 1.1 bln are Cash & Cash Equivalents amounting to TL 169 mln, Associates accounted via equity pick up consolidation method amounting to TL 618 mln and shareholder loan receivables from related parties, namely RWE & Turcas Güney Elektrik Üretim A.Ş. (RTG), amounting to TL 230 mln.

All of Company's financial liabilities are the long-term project finance loans utilized for the financing of Turcas share in the Denizli CCPP (Turcas: 30%, RWE: 70%).

As detailed in the Power Generation section, loans utilized from the Banks had been transferred to RTG as shareholder loans (SHL) and Equity. Repayment of the project finance loans is being made back-to-back by the repayments of the SHL from RTG. SHL balances can be traced from the Short & Long Term Receivables from Related Parties figure in our Balance Sheet.

Despite mostly non-cash FX losses on the project finance loans utilized for financing our share in RTG, the Shareholder Equity/Total Assets ratio is at a healthy level of 59% as of YE15. Taking into account the Cash and Cash Equivalents (TL 169 mln), ratio of Net Financial Debt (TL 246 mln) to Total Assets is at a sustainable level (23%).





**Table.1 - Turcas Petrol A.Ş. – IFRS Financials 31.12.2015**

<b>P&amp;L (Thousand TL)</b>	<b>2015</b>	<b>2014</b>	<b>Y/Y (%)</b>
<b>Net Sales</b>	<b>762</b>	<b>59,896</b>	<b>-99%</b>
<b>Gross Profit</b>	<b>120</b>	<b>1,035</b>	<b>-88%</b>
Operating Expenses	21,071	15,551	35%
Other Operational Income (Net)	38,492	28,747	34%
<b>Operating Profit</b>	<b>17,540</b>	<b>14,231</b>	<b>23%</b>
<b>Income / Loss from Subsidiaries</b>	<b>-57,485</b>	<b>-11,865</b>	<b>n.m.</b>
<i>STAS</i>	-17,450	755	n.m.
<i>RWE &amp; Turcas</i>	-40,211	-28,290	n.m.
<i>STYAS (STAR &amp; Turcas)</i>	0	15,693	n.m.
<i>BM Kuyucak</i>	176	-23	n.m.
<b>Adjusted EBITDA</b>	<b>-39,945</b>	<b>2,366</b>	<b>n.m.</b>
<b>Sale Proceeds from Investments</b>	<b>434</b>	<b>-54,732</b>	<b>n.m.</b>
Net Financial Income	7,735	52,867	-85%
Profit Before Tax	-31,776	501	n.m.
Tax	-4,645	-15,280	n.m.
<b>Net Income / Loss</b>	<b>-36,421</b>	<b>-14,779</b>	<b>n.m.</b>
<b>Earnings Per Share (TL)</b>	<b>-0.13</b>	<b>-0.07</b>	<b>n.m.</b>

	<b>2015</b>	<b>2014</b>
ROA	n.m.	n.m.
ROE	n.m.	n.m.

<b>BALANCE SHEET (Thousand TL)</b>	<b>2015</b>	<b>2014</b>	<b>YTD (%)</b>
<b>Cash &amp; Cash Equivalents</b>	<b>178,931</b>	<b>201,495</b>	<b>-11%</b>
Trade Receivables	512	5,562	-91%
Receivables from Related Parties (ST)	46,555	44,214	5%
Receivables from Related Parties (LT)	183,305	302,110	-39%
Investments / Associates	617,944	498,514	24%
<b>Total Assets</b>	<b>1,071,736</b>	<b>1,097,632</b>	<b>-2%</b>
Short Term Financial Liabilities	78,299	52,912	48%
Long Term Financial Liabilities	346,508	350,567	-1%
<b>Total Financial Liabilities</b>	<b>424,807</b>	<b>403,479</b>	<b>5%</b>
<b>Total Equity</b>	<b>633,422</b>	<b>680,030</b>	<b>-7%</b>
<b>Total Equity and Liabilities</b>	<b>1,071,736</b>	<b>1,097,632</b>	<b>-2%</b>

	<b>2015</b>	<b>2014</b>
Equity / Assets	59%	62%
Net Debt / Assets	23%	18%
Net Debt / Equity	39%	30%
Net Debt /Adjusted EBITDA (x)	n.m.	85.4



**Table.2 – Shell & Turcas Petrol A.Ş. (STAŞ) – IFRS Financials 31.12.2015**

<b>OPERATIONAL DATA</b>	<b>2015</b>	<b>2014</b>	<b>Y/Y (%)</b>
Gasoline Sales (m3)	679,361	618,183	10%
Diesel Sales (m3)	3,790,197	3,616,347	5%
Lubricants Sales (ton)	75,811	76,503	-1%

Source: PETDER

<b>P&amp;L (Million TL)</b>	<b>2015</b>	<b>2014</b>	<b>Y/Y (%)</b>
Net Sales	15,355	15,824	-3%
Gross Profit	956	734	30%
<b>Gross Margin</b>	<b>6.22%</b>	<b>4.64%</b>	
Operating Expenses	964	784	23%
Other Operational Income (Net)	69	144	-52%
<b>EBIT</b>	<b>60</b>	<b>94</b>	<b>-36%</b>
Financial Gain / Loss	-123	-82	n.m.
<b>Net Income</b>	<b>-58</b>	<b>3</b>	<b>n.m.</b>
<b>EBITDA</b>	<b>451</b>	<b>397</b>	<b>14%</b>
<b>EBITDA Margin</b>	<b>2.94%</b>	<b>2.51%</b>	

<b>BALANCE SHEET (Million TL)</b>	<b>2015</b>	<b>2014</b>	<b>YTD (%)</b>
<b>Current Assets</b>	<b>2,322</b>	<b>2,196</b>	<b>6%</b>
Financial Liabilities	1,366	861	59%
<b>Total Equity</b>	<b>1,297</b>	<b>1,348</b>	<b>-4%</b>
<b>Total Assets</b>	<b>3,959</b>	<b>3,339</b>	<b>19%</b>

**Table.3 – RWE & Turcas Güney Elektrik Üretim A.Ş. (RTG) –Financial Summary 31.12.2015**

<b>OPERATIONAL DATA</b>	<b>2015</b>	<b>2014</b>	<b>Y/Y (%)</b>
Sales (Gw hours)	3,410	3,596	-5%

<b>P&amp;L (Million TL)</b>	<b>2015</b>	<b>2014</b>	<b>Y/Y (%)</b>
Sales	793	773	3%
Net Income / (Loss)	-134	-94	n.m.
Turcas Share on Net Income / Loss	-40	-28	n.m.

<b>BALANCE SHEET (Million TL)</b>	<b>2015</b>	<b>2014</b>	<b>YTD (%)</b>
Total Assets	1,542	1,559	-1%
Total Liabilities <sup>(1)</sup>	774	1,219	-36%
Net Assets	768	340	126%
Turcas Share on Net Assets	230	102	126%

(1) TL 689 mln of which is shareholder loans owed to RWE (70%) and Turcas Elektrik Üretim A.Ş. (30%).