

TURCAS YE17 IFRS EARNINGS RELEASE



- YE17 net income @ 65 mm TL (vs 18 mm TL in YE16)

mm TL	Net Income			Oil Segment (Shell & Turcas)		Energy Segment (RWE & Turcas)	
	Turcas	Shell & Turcas	RWE & Turcas	Revenues	EBITDA	Revenues	EBITDA
YE17	65	321	-25	19.567	961	822	39
YE16	18	242	-118	16.795	987	801	14

Key Highlights:

Profit & Loss (Turcas Consolidated):

- **Turcas posted 65 mm TL Net Income in YE17 mainly driven by:**
 - Outstanding performance of its fuel distribution subsidiary Shell & Turcas Petrol (“STAŞ”), and
 - Strong bottom-line improvement at RWE & Turcas (“RTG”) (800 MW Denizli CCGT).
- **Income from Subsidiaries** (Turcas’ share in the Net Profit of its Subsidiaries) **increased to 94 mm TL in YE17** (vs 37 mm TL in YE16) driven by:
 - **STAŞ’s strong bottom line contribution of 98 mm TL** (vs 73 mm TL in YE16) and
 - **RTG’s significant bottom-line improvement** (-25 mm TL in YE17 vs -118 mm TL in YE16).
- **Net Financial Expenses** realized at **86 mm TL** (vs 34 mm TL Net Financial Expenses in YE16) consisting of:
 - **Net FX losses of 79 mm TL** mainly arising from short EUR position on Balance Sheet and
 - **Net Interest Expense of 7 mm TL** (11 mm TL interest income accrual from RTG regarding Shareholder Loans provided, 5 mm TL Interest Income on bank deposits and 23 mm TL interest expense on Project Finance Loans)
- 18 MW Kuyucak Geothermal Power Plant has become operational in December 2017. Therefore, Net Sales and EBITDA figures will become visible in 2018 Financial Statements as Turcas fully consolidates its Turcas Kuyucak Geothermal Power Plant Subsidiary.

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 Billion TL as of YE17**
- Total consolidated **Financial Indebtedness of Turcas stands at 160 MM USD** (600 MM TL) as of YE17.
 - 118 MM USD (74%) of this is the long-term Project Finance Loans utilized for the 800 MW Denizli CCGT and
 - 42 MM USD (26%) of this is the Project Finance Loans utilized for the 18 MW Kuyucak Geothermal PP.
- Balance of the **Project Finance Loans utilized for the 800 MW Denizli Power Plant** decreased from 91 MM EUR and 31 MM USD as of YE2016 to 79 MM EUR and 26 MM USD as of YE17. Remaining maturity of these loans are 5 and 7 years for USD and EUR tranches, respectively.
- Although 18 MW Kuyucak Power Plant became operational, some portion of the CAPEX payments related with the investment period will be paid in 2018 where loan utilizations will continue. We expect the outstanding loan balance to start gradually decreasing as of 1H2018. 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 1.011 Shell branded fuel stations
- **Maintained leadership in Gasoline and Lubricants with app. 25% market share**
- **YE17 Net Income realized at 321 MM TL** (vs 242 MM TL in YE16, +33% y/y) driven by strong increase in sales (+17% y/y). **YE17 EBITDA realised at 960 MM TL** (-3% y/y).

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

- **RTG owns the 800 MW Denizli Combined Cycle Gas Fired Power Plant;**
- **Net sales up to 822 MM TL** (+28% y/y) in YE17;
- **Significant improvement in bottom line; -25 MM TL in YE17 vs -118 MM TL in YE16** driven by:
 - Better operational performance also leading to strong recovery in EBITDA in YE17 (39 MM TL vs 14 MM TL in YE16) and
 - Lower Net Financial Losses (-29 MM TL vs -84 MM TL in YE16) on the back of Partial Shareholder Loan Conversion to Equity in YE16.
- **Turcas collected 20 MM TL Shareholder Loan Repayments in 2017.**

Turcas Kuyucak Geothermal Power Plant - TKJ (Turcas Share: %92):

- In December 2017, Provisional Acceptance of TKJ has been completed for 18 MW installed capacity and the Plant has become operational in January 2018. TKJ has started benefiting from Renewable Energy Sources Support Mechanism (“RESSM” or “YEKDEM” in Turkish) starting from January 2018.
- Thanks to RESSM, TKJ will be 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 (1st of Jan’18). **TKJ is expected to generate annually 8.5-9 MM USD of new EBITDA for Turcas which will be fully consolidated.**

Project Pipeline (Development Phase):

Kuyucak Extension Project:

- Turcas plans to do new drillings at the existing TKJ site (Aydin Kuyucak) in 2018 following Magneto Telluric (MT) studies recently completed in 4Q17. Our ultimate goal is to increase our installed base or add new modular power plants, taking advantage of the attractive Feed-In Tariff (FIT) (avg.111 USD/MWH) for geothermal power.

Denizli Hacıyüplü & Manisa Gölarmara Geothermal PP Projects:

- 1) Since our 2,600 meter geothermal well (drilled 1Q2017) in Denizli Hacıyüplü yielded not enough thermal heat for power generation, we plan to pursue further utilization of the geothermal resource for other possibly feasible prospects (such as dried fruit business,etc.).
- 2) Turcas is developing another geothermal energy project on a an app. 5,000 hectare concession zone in Manisa Gölarmara in Western Turkey. We are planning to drill an exploratory shallow well here at the end of 1Q18.
- 3) Turcas is also evaluating secondary market opportunities (proven and/or unproven) concession zones for further geothermal energy growth.



Table.1 - Turcas Petrol A.S. – IFRS Financials 31.12.2017

P&L (Thousand TL)	2017	2016	Y/Y (%)
Net Sales	0	0	n.m.
Gross Profit	0	0	n.m.
Operating Expenses	27,034	22,417	21%
STAŞ Management Fees Received	26,844	24,010	n.m.
Other Operational Income (Net)	57,047	2,286	2395%
Operating Profit	56,857	3,880	n.m.
Income / Loss from Subsidiaries	93,618	36,763	155%
<i>Shell & Turcas</i>	97,504	72,710	34%
<i>RWE & Turcas</i>	-3,886	-35,528	n.m.
<i>Turcas Kuyucak Geothermal</i>	0	-419	n.m.
Adjusted EBITDA	150,475	40,643	270%
Valuation Gains from Investments	22,597	12,141	86%
Net Financial Income	-86,187	-33,713	n.m.
Profit Before Tax	86,886	19,071	356%
Tax	-22,062	-1,471	n.m.
Net Income / Loss	64,823	17,600	268%
Earnings Per Share (TL)	0.24	0.07	268%

	2017	2016
ROA	4.8%	1.5%
ROE	9.4%	2.7%

BALANCE SHEET (Thousand TL)	2017	2016	Y/Y (%)
Cash & Cash Equivalents	126,364	143,319	-12%
Trade Receivables	435	494	-12%
Receivables from Related Parties (ST)	19,062	17,445	9%
Receivables from Related Parties (LT)	61,112	73,536	-17%
Investments / Associates	792,589	782,692	1%
Fixed Assets	193,788	46,508	317%
Total Assets	1,348,149	1,154,666	17%
Short Term Financial Liabilities	90,541	99,507	-9%
Long Term Financial Liabilities	510,370	403,988	26%
Total Financial Liabilities	600,911	503,495	19%
Total Equity	688,951	640,567	8%
Total Equity and Liabilities	1,348,149	1,154,666	17%

	2017	2016
Equity / Assets	51%	55%
Net Debt / Assets	35%	31%
Net Debt / Equity	69%	56%
Net Debt / Adjusted EBITDA (x)	3.2	8.9

Table.2 - Shell & Turcas Petrol A.Ş. – IFRS Financials 31.12.2017

OPERATIONAL DATA	2017	2016	Y/Y (%)
Gasoline Sales (m3)	757,407	744,365	2%
Diesel Sales (m3)	4,170,115	4,125,845	1%
Lubricants Sales (ton)	87,977	78,939	11%

Source: PETDER

P&L (Million TL)	2017	2016	Y/Y (%)
Net Sales	19,568	16,795	17%
Gross Profit	1,639	1,497	9%
Gross Margin	8.38%	8.91%	
Operating Expenses	1272	1111	15%
Other Operational Income (Net)	172	68	154%
EBIT	539	454	19%
Financial Gain / Loss	-127	-152	n.m.
Net Income	321	242	32%
EBITDA	961	987	-3%
EBITDA Margin	4.91%	5.88%	

BALANCE SHEET (Million TL)	2017	2016	Y/Y (%)
Current Assets	3,538	3,262	8%
Financial Liabilities	1,013	1,112	-9%
Total Equity	1,581	1,538	3%
Total Assets	5,008	4,855	3%

Table.3 -RWE & Turcas Güney Elektrik Üretim A.Ş. – IFRS Summary Financial Data 31.12.2017

OPERATIONAL DATA	2017	2016	Y/Y (%)
Sales (Gw hours)	3,806	3,227	18%

P&L (Million TL)	2017	2016	Y/Y (%)
Sales	822	801	3%
EBITDA	39	14	186%
Net Income / (Loss)	-25	-118	-79%

BALANCE SHEET (Million TL)	2017	2016	Y/Y (%)
Total Assets	1,436	1,486	-3%
Total Liabilities ⁽¹⁾	361	381	-5%
Total Equity	1,049	1,104	-5%

(1) TL 256 mln (as of YE17) of which are Shareholder Loans owed to RWE (70%) and Turcas (30%).