

Aksa Enerji

The leading IPP in Turkey

Earnings Presentation

6 November 2014



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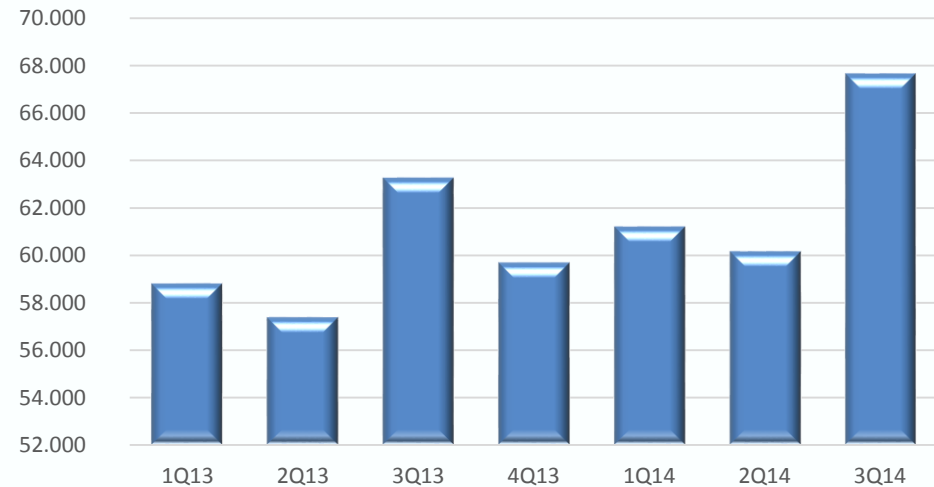
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Market Highlights- Generation & Consumption

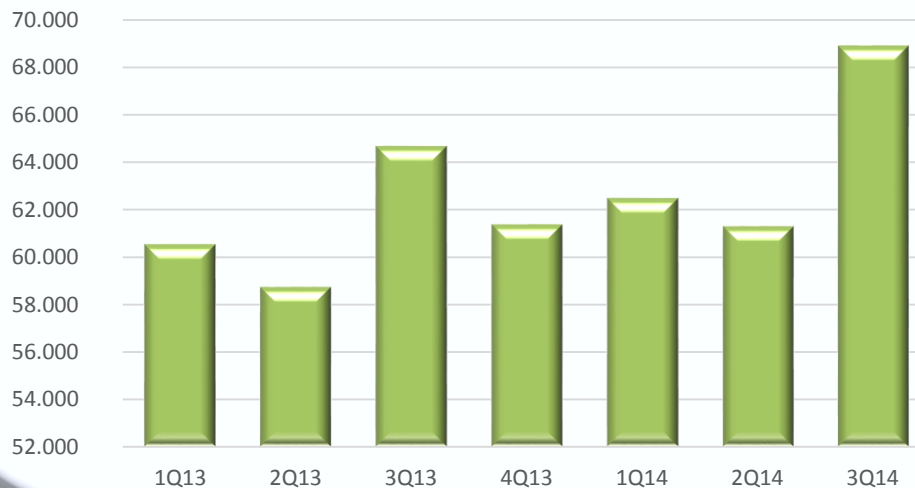
▶ **Electricity generation in 3Q14** increased by 6.9% YoY and by 12.4% QoQ.

▶ Ytd (9M), electricity generation was up by 5.3% YoY.

Generation (GWh)



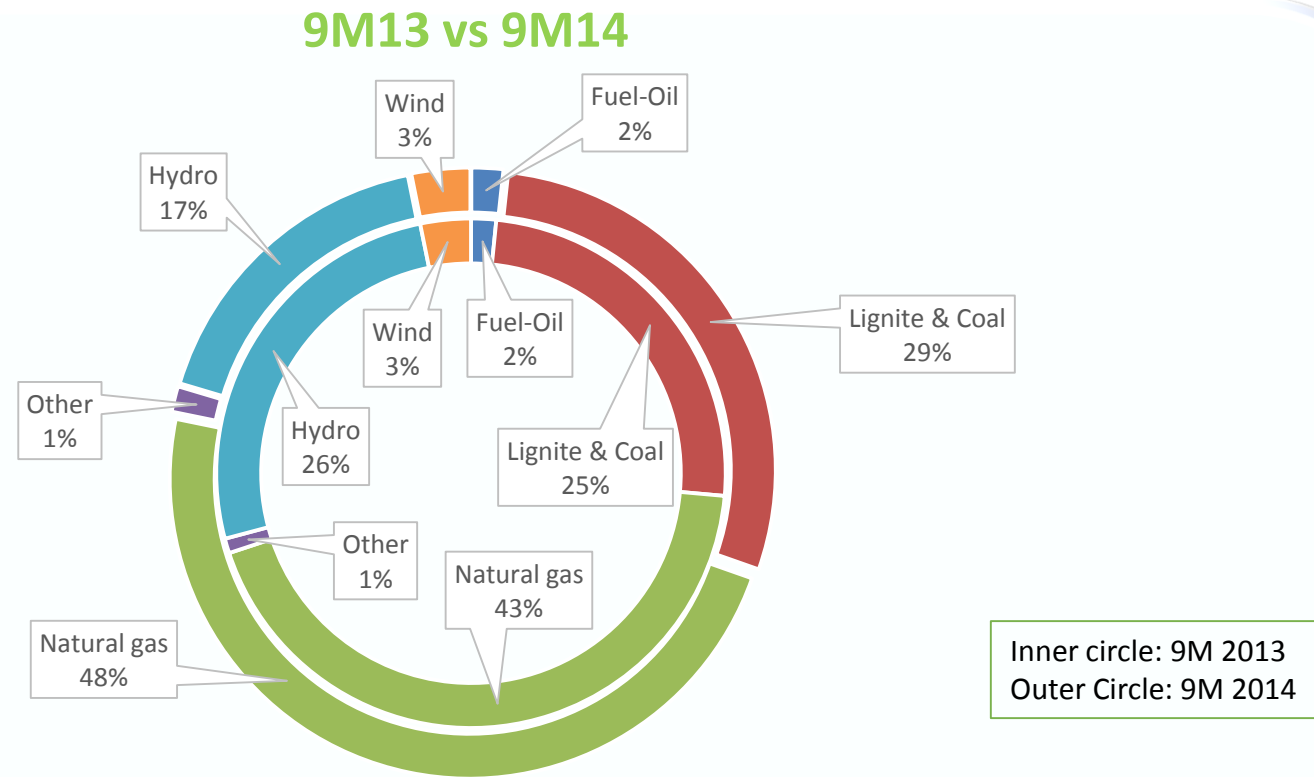
Consumption (GWh)



▶ **Electricity consumption in 3Q14** was up by 6.5% YoY and by 12.4% QoQ.

▶ Ytd (9M), electricity consumption increased by 4.7% YoY.

Market Highlights- Generation by type

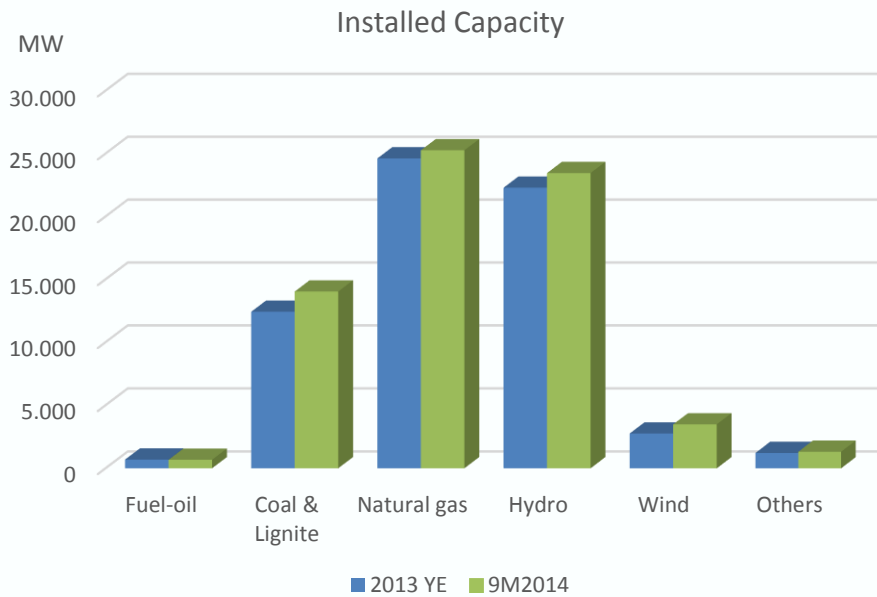


► **Source of electricity generation 9M14** changed due to drought, with hydros producing 17% of total generation as opposed to 26% in 9M13. The replacement for lost hydro production came from natural gas and lignite&coal, up by 5 pts and 4 pts, respectively.

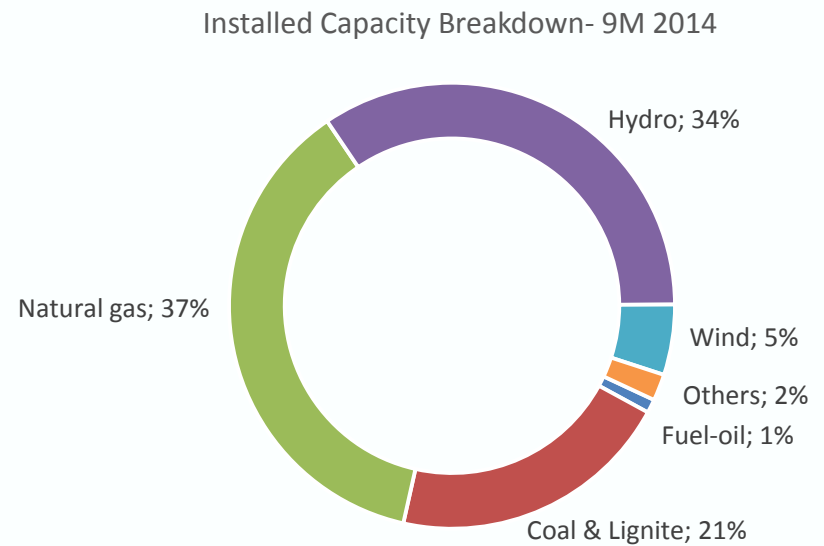
► Capacity Utilisation Rate (CUR) of hydros were 21% Ytd in 9M2014 vs 33% in 9M2013 and 47% in 9M2012.

Market Highlights- Installed Capacity

- ▶ Natural gas, followed by hydro capacities continue to dominate the market.
- ▶ The installed capacity has gone up by 7% in 2014 so far.



9M2014 Installed Capacity: 68,230 MW
 YE2013 Installed Capacity: 64,007 MW



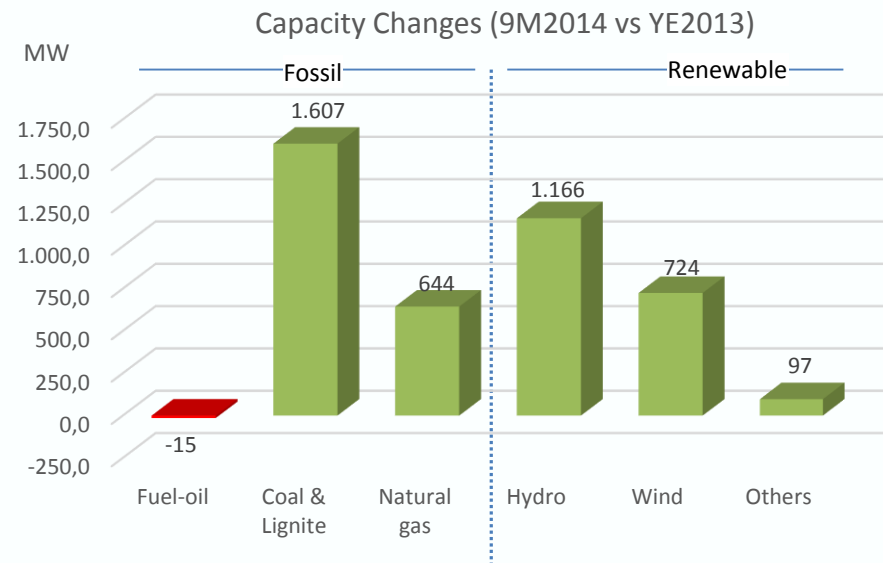
Market Highlights- Installed Capacity

▶ **Total installed capacity in Turkey** has increased by 4,223 MW in 9M14 to 68,230 MW, with the majority coming in from coal&lignite and hydro.

▶ QoQ, there was an increase of 1,206MW in coal&lignite capacity, 612MW in renewables, but a decrease of 271MW in natural gas capacity.

▶ A total of 1,597MW new capacity became operational in 3Q14, which is 38% of the total new capacity in 2014.

▶ A total of 5,000MW new capacity could be expected to become operational in 2014.



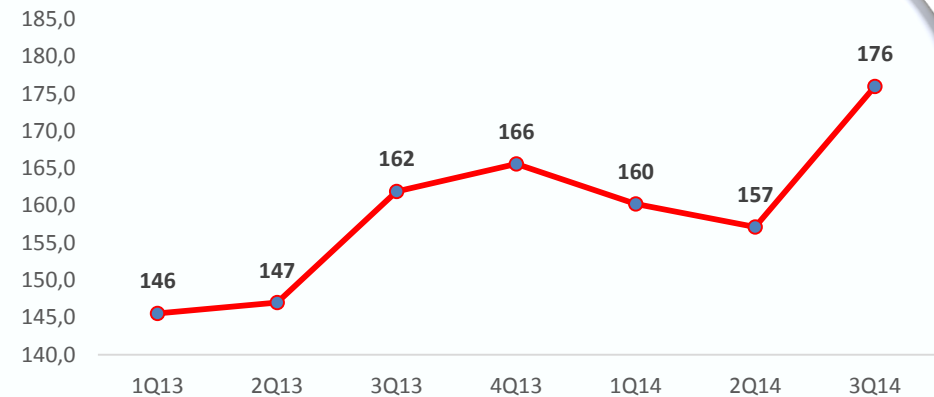
Market Highlights- Prices

► **Prices** – Weighted average prices have gone up by 9% YoY in 3Q14 due to the drought in Turkey preventing a significant contribution from the hydroelectric power plants and the increase in demand.

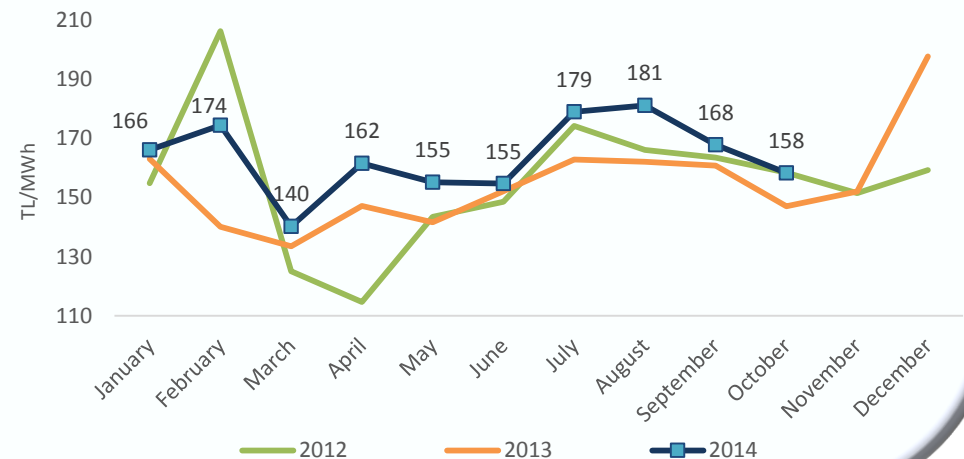
► As 3Q is a peak season in terms of electricity demand, the prices were 12% stronger compared to the previous quarter, despite the new 1,598 MW capacity, most of which was from coal, that became operational in 3Q14.

► Ytd (9M), weighted average price was 164 TL in 2014 vs 152 TL in 2013, indicating a 9% increase YoY.

Weighted Average Price (TL)



2013 FY Average: 155 TL 2014 3Q Average: 176 TL 2014 9M Average: 164 TL
 2012 FY Average: 156 TL 2013 3Q Average: 162 TL 2013 9M Average: 152 TL

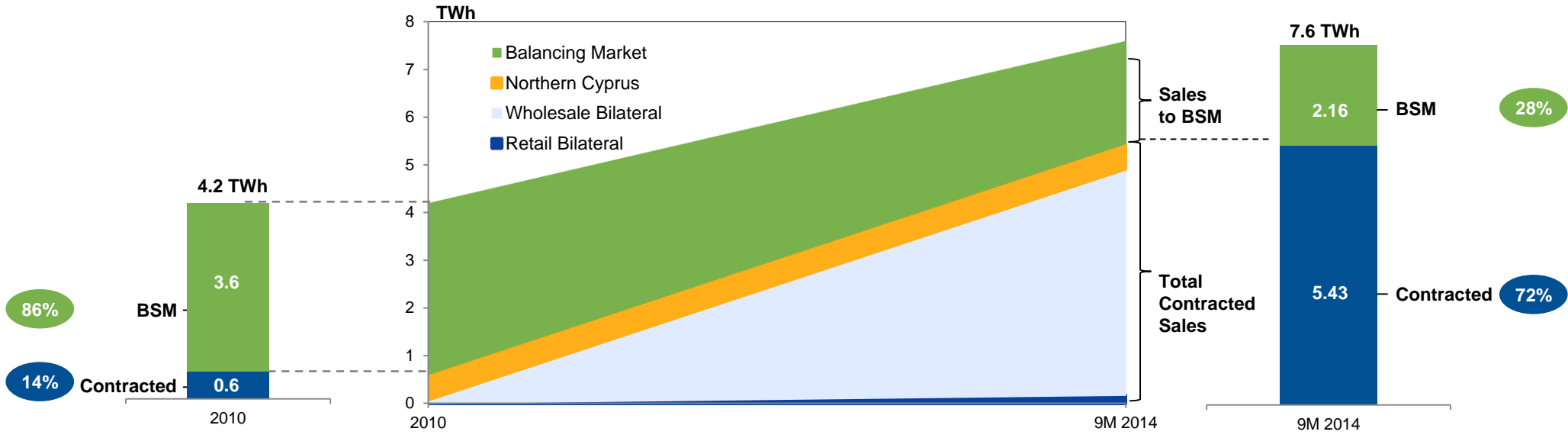
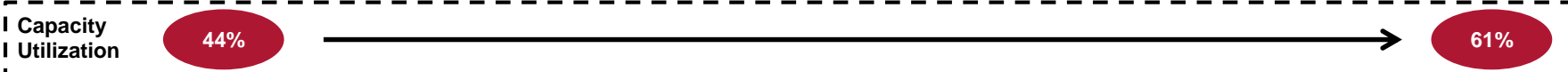


9M 2014 Results- Snap Shot

	2012	2013	YoY Change	Q2 2014	Q3 2014	QoQ Change	Q3 2013	Q3 2014	YoY Change	9M 2013	9M 2014	YoY Change
Installed Capacity (MW)	2.045	2.052	7 MW	2.066	2.127	61 MW	2.052	2.127	75 MW	2.052	2.127	75 MW
Sales Volume (GWh)	9.784	9.109	-7%	2.298	2.835	23%	2.570	2.835	10%	6.709	7.591	13%
Capacity Utilization Rate (CUR)	60%	56%	-4pp	56%	64%	+8pp	67%	64%	-3pp	55%	61%	+6pp
Net Sales (TL mn)	1.841	1.786	-3%	438	599	37%	537	599	12%	1.329	1.510	14%
Gross Profit (TL mn)	236	220	-7%	30	122	304%	88	122	39%	172	201	17%
Operating Inc. (TL mn)	218	196	-10%	25	115	360%	84	115	37%	158	183	16%
EBITDA (TL mn)	323	312	-3%	55	148	171%	112	148	32%	240	276	15%
Net Income (TL mn)	220	-133	nm	46	21	-56%	-13	21	nm	-69	57	nm
EBITDA Margin	17,6%	17,5%	-0.1pp	12,5%	24,7%	+12.2pp	20,9%	24,7%	+3.8pp	18,0%	18,3%	+0.3pp
Operating Profit Margin	12,0%	11,0%	-1pp	5,7%	19,1%	+13.4pp	15,6%	19,1%	+3.5pp	11,9%	12,1%	+0.2pp

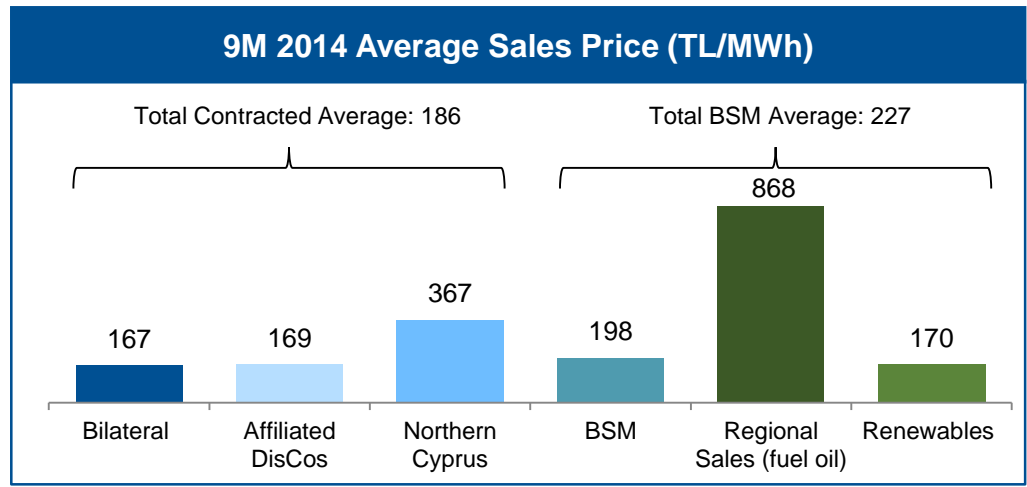
Source: IFRS financial statements

Our sales mix is getting more diversified and secure, increasing our capacity utilization



2010 - Contracted Sales

- 245 bilateral customers⁽¹⁾
- 592 GWh contracted sales
 - out of which 186 GWh is bilateral
- 14% of total sales



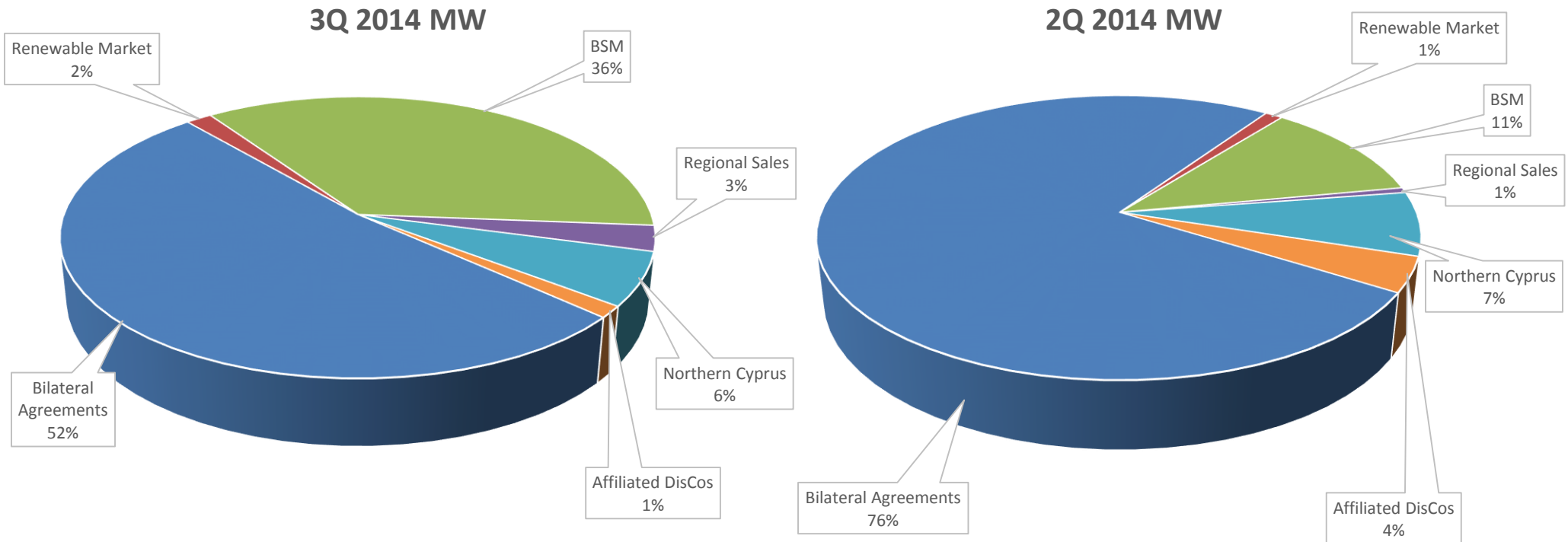
9M 2014 - Contracted Sales

- 81,158 bilateral customers⁽¹⁾
- 5.43 TWh contracted sales
- 72% of total sales

(1) Bilateral customers are contracted by the affiliates of Kazancı Group. Aksa Enerji has contracts with the affiliates of Kazancı Group.

Sales breakdown (MWh)

3Q 2014 vs 2Q 2014



-Bilateral sales has decreased from 76% to 52% QoQ in 3Q2014

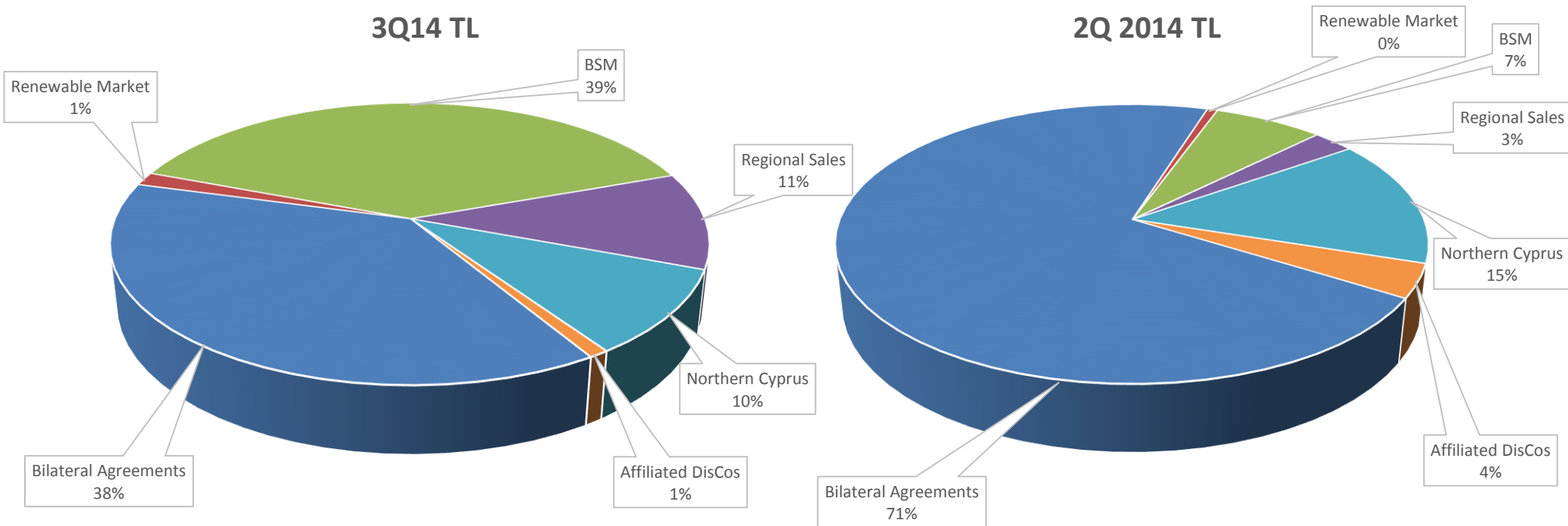
- BSM sales has increased to 36% from 11% QoQ in 3Q 2014

- Regional sales (fuel) has increased to 3% from 1% QoQ in 3Q 2014

The fuel oil power plants excluding N. Cyprus are located in isolated regions where there is a significant shortage of electricity supply and transmission lines capacity, which inhibits supply from other regions. As there are very few generation facilities available in isolated regions, TEIAS, the government body, accepts higher prices. Such sales are shown as regional sales in this presentation.

Sales breakdown (TL)

3Q 2014 vs 2Q 2014

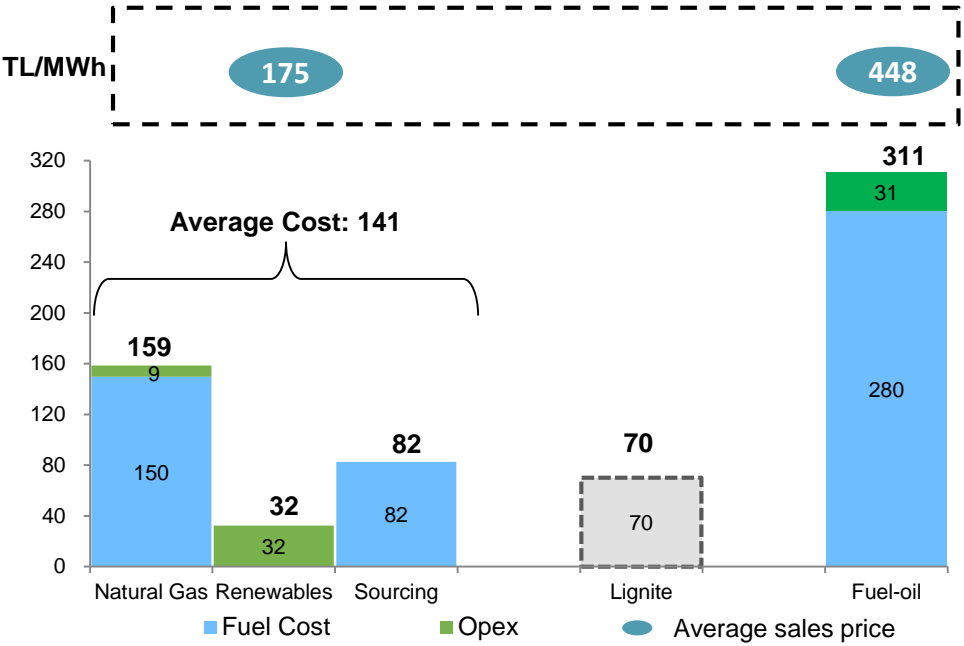


- Bilateral sales has decreased from 71% to 38% QoQ in 3Q2014
- BSM sales has increased to 39% from 7% QoQ in 3Q 2014
- Regional sales (fuel) has increased to 11% from 3% QoQ in 3Q 2014

The fuel oil power plants excluding N. Cyprus are located in isolated regions where there is a significant shortage of electricity supply and transmission lines capacity, which inhibits supply from other regions. As there are very few generation facilities available in isolated regions, TEIAS, the government body, accepts higher prices. Such sales are shown as regional sales in this presentation.

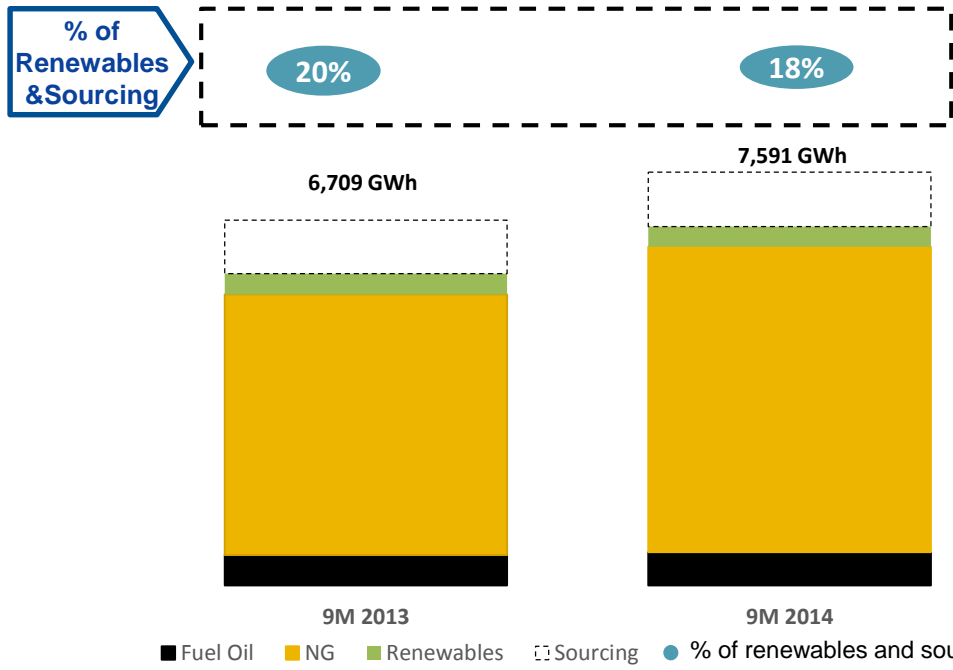
We are utilizing our own generation as well as sourcing capabilities to supply our customers

Cost Structure vs. Sales Price (9M 2014)



- Blending of more cost-effective renewables and sourcing activities to supply our customers provides us a better cost base.
- The total «local and renewable resources» pipeline of 626 MW from YE2013 until YE2017 will further decrease our cost base.
- 270 MW Bolu/Göynük lignite-fired PP fully operational in 2015 at c.70TL cost will significantly decrease the cost base.
- Despite their high cost base, our fuel-oil fired PPs provide significant profitability as they can achieve high prices in restricted regions.
- Fuel oil based electricity sales have an average sales price of 868 TL/MWh in the isolated regions in 9M2014, as opposed to blended sales price of 448TL /MWh, which includes N.Cyprus sales versus blended cost of 311 TL/MWh.

Improving Lower Cost Output



- 13% increase in total sales YoY
- Share of renewables & sourcing has decreased by 2 ppts mainly due to the increase in production from natural gas because of the increase in demand during when renewables were comparatively less productive due to drought and also because of higher spot prices preventing us from increasing the share of sourcing.
- Total of 383 MW of local and renewable pipeline to become operational between YE2013 & YE2015
- We are decreasing our generation costs via increasing the share of renewables in generation and sourcing from the BSM at off-peak prices.
- Our off-peak sourcing abilities and purchase amounts further increase as the contracted sales volume increases

Company Highlights- 9M 2014 Production & Sales

- ▶ In 9M14, net sales of the Company has increased by 13% YoY from 6,709 GWh to 7,591 GWh due to the increase in electricity demand, which is coming from a low base and the increase in bilateral agreements.
- ▶ 5.43GWh of electricity was sold on a contracted basis and 2.16GWh was sold in the spot market in 9M14.
- ▶ Share of spot sales increased to 28% in 9M2014 vs 21% in H2014 to benefit from the higher spot market prices (9M14 BSM avg: 227 TL vs 1H14 BSM avg: 171 TL).
- ▶ Fuel oil based sales had a good contribution to our EBITDA, due both to the decrease in fuel prices and significantly higher margins in isolated region sales' pricing. The share of N. Cyprus and regional sales both increased by 5 pts each YoY in TL sales breakdown.
- ▶ Fuel oil based electricity sales have an average sales price of 868 TL/MWh in the isolated regions in 9M2014, as opposed to blended 448TL /MWh, which includes N. Cyprus sales versus blended cost of 311 TL/MWh.

Company Highlights- 9M 2014 Production & Sales

- ▶ Capacity utilisation rate has increased by 6 ppts to 61% in 9M14 YoY and by 5ppts compared to YE2013, as the increase in bilateral sales enables the Company to better project future production need and hence help increase the CUR.
- ▶ Strong operating performance in 3Q14
 - √ decreasing COGS margin due to price increases
 - √ higher demand due to seasonality
 - √ higher spot prices due to drought and seasonality
 - √ increase in margins of regional fuel oil based sales due to high demand and low input prices

were the main reasons behind the operational profit margin rise in 3Q14 to 19.1% from 15.6% YoY and the EBITDA margin increase from 20.9% in 3Q13 to 24.7% in 3Q14 .

- ▶ In 1H2014, EBITDA margin was 14%. However, we have increased our EBITDA margin to 18.3% from 18.0% YoY in 9M2014 with the help of higher prices and better sales mix.

Company Highlights- Power plants

- ▶ Kıyıköy WPP's provisional ministry acceptance was completed on 12 August 2014, whereby 24MW was added to the generation portfolio.
- ▶ Akköy HPP's (13MW) transfer to Aksa Enerji from Kazancı Holding was approved by EMRA at the end of August.
- ▶ With the additions of Kıyıköy and Akköy, the installed capacity of our renewables portfolio increased to 254MW.
- ▶ Furthermore, construction of Sebenoba WPP (30 MW) continues as planned and will be operational this year.
- ▶ The transfer of Siirt fuel-oil power plant, which has an installed capacity of 24MW, from Kazancı Holding to Aksa Enerji was also approved by the EMRA at the end of August.
- ▶ EMRA approved the increase in Balıkesir Şamlı WPP's installed capacity from 114 MW to 126,5MW and extension is expected to become operational in 4Q2015.

Company Highlights- Bolu lignite power plant to be fully operational in 2015

- ▶ The construction of Bolu/Göynük lignite fired power plant, which started on 13 July 2012, continues as planned. This plant will have an installed capacity of 270MW and the first phase, 135MW, will be ready for first fire in mid-December 2014 and it is expected to be operational in January 2015.
- ▶ The second phase, 135MW, is planned to become operational by the end of April 2015. As this plant will have an annual production volume of 2bn kwh and an EBITDA margin of 55-60% (due to tariff price increases in October), it will make a significant contribution to our EBITDA in 2015.

Company Strategy Going Forward

- ▶ The company's strategy is to increase its local and renewable resources within its production portfolio to decrease its cost base.
- ▶ To this end, we are more focused on creating new greenfield lignite fired power plant projects. We are in discussions for 3 new lignite mines/projects, which we forecast to be similar to Bolu Göynük in terms of business model.
- ▶ We have started to re evaluate our existing projects portfolio. The re evaluation metrics include feasibility results, required environmental & other permits and construction period limitations set by EMRA for each project.

Catalysts and Key Events- Bolu Göynük Lignite PP

1st Phase Near Completion

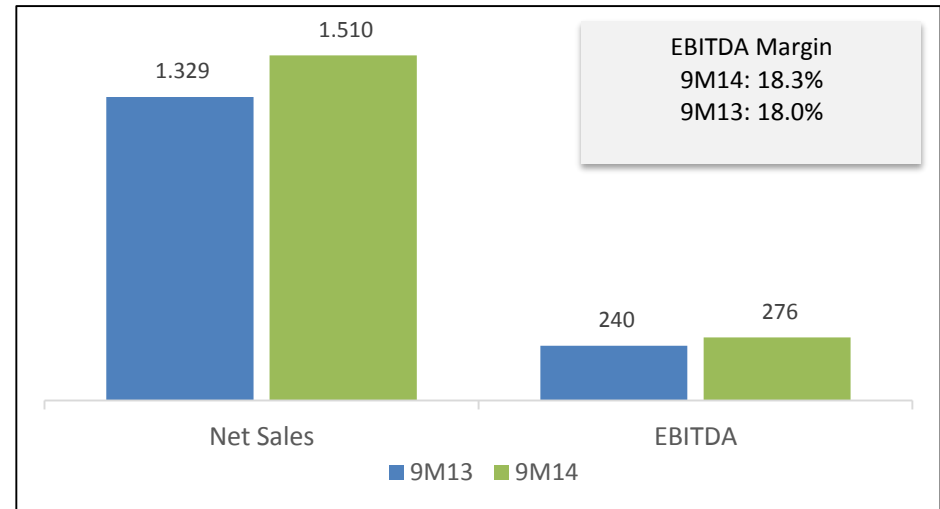
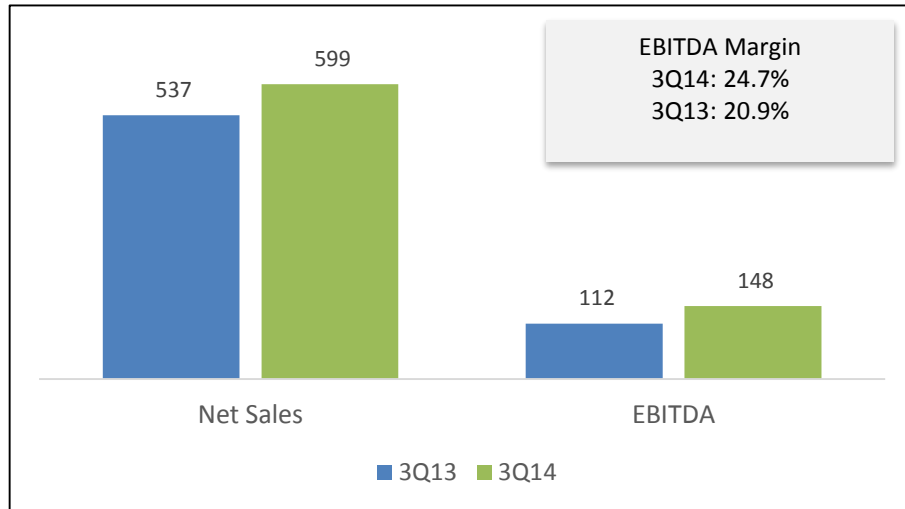


- ▶ An installed capacity of 270MW
- ▶ SES CFB boilers & Skoda turbines
- ▶ 1st phase, 135MW, to be operational at the beginning of 1Q 2015.
- ▶ 2nd phase, 135MW, to be operational at the end of 1Q 2015.
- ▶ CAPEX: \$350mn
- ▶ Annual production volume of 2bn KWh
- ▶ Cost of production: TRY 70
- ▶ EBITDA margin of 55-60%
- ▶ Significant contributor to our EBITDA in 2015 & full contribution in 2016.

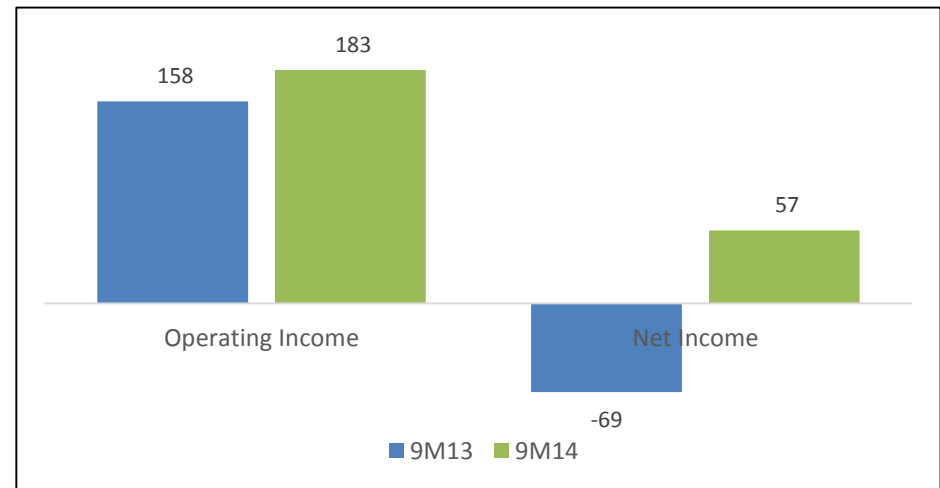
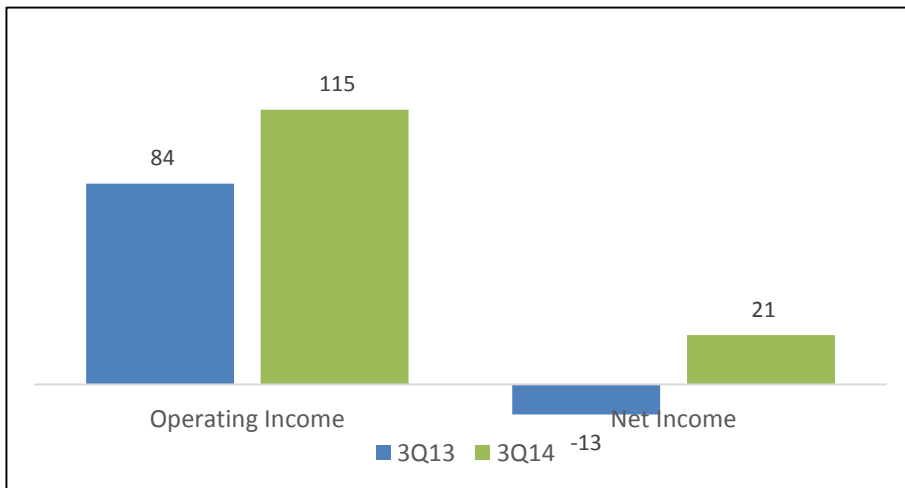
Financial highlights 9M 2014

Consolidated income statement

Net sales & EBITDA (TL mn)



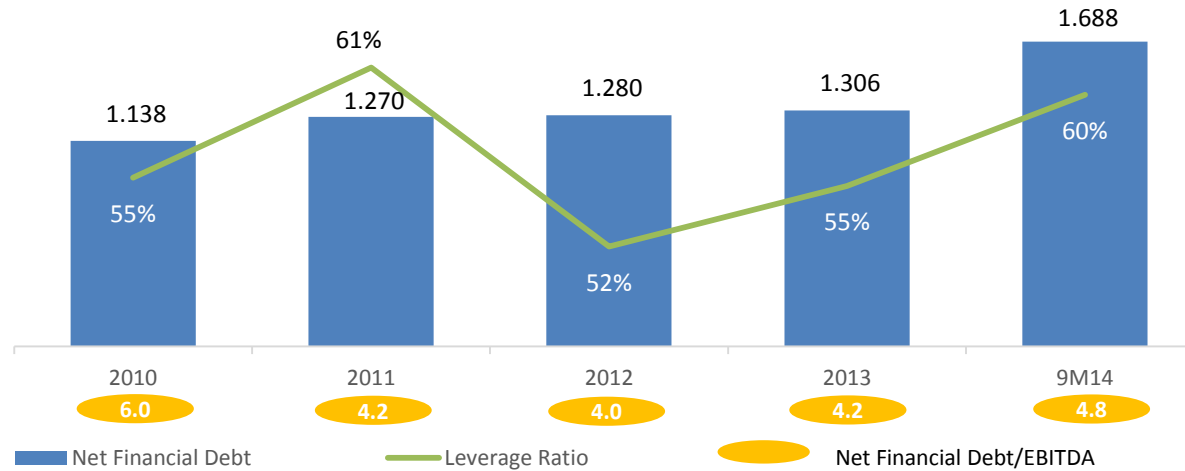
Operating income & Net income (TL mn)



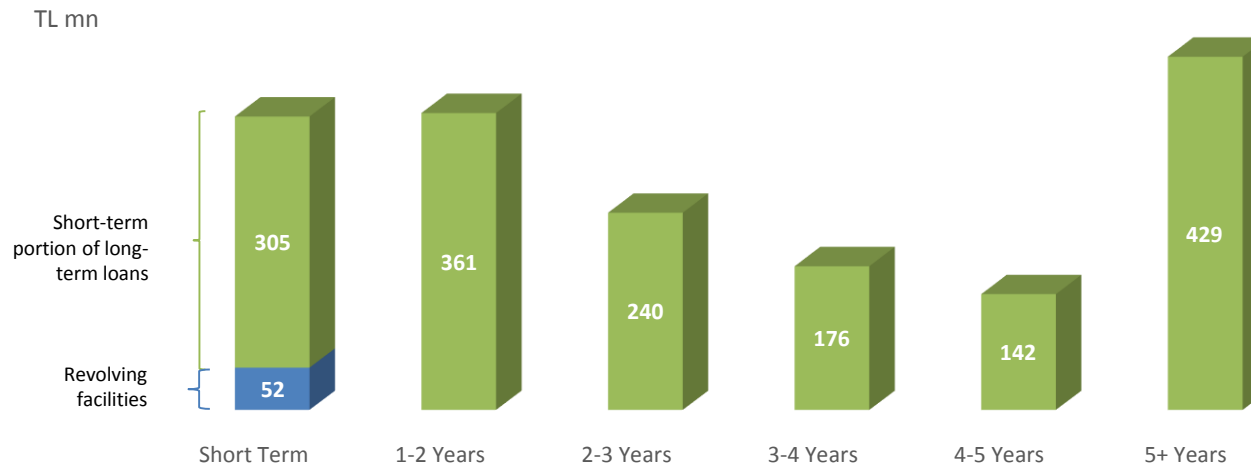
Financial highlights 9M 2014

Net financial debt and repayment schedule

Net financial debt (TL mn)



Repayment schedule of short and long term notes (TL mn)



Part of the short term portion of the long term loans are being hedged against major currency moves.

In 2Q14, a total of \$11mn & €1mn, in 3Q14 \$36.3mn & €3.7mn, in 4Q14 \$41mn have been hedged.

Financial Highlights

9M 2014



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Consolidated income statement

<i>(TLm)</i>	2010	2011	2012	2013	9M 2013	9M 2014	3Q 2013	3Q 2014
Net sales	911,9	1315,4	1840,6	1786,0	1328,6	1509,8	536,7	599,4
Cost of sales	-775,5	-1088,0	-1604,0	-1565,9	-1156,6	-1308,6	-448,5	-477,1
Gross profit	136,4	227,4	236,6	220,1	172,0	201,2	88,2	122,3
<i>Gross profit margin</i>	15%	17%	13%	12%	13%	13%	16%	20%
General & administrative costs	-17,8	-16,0	-16,7	-18,0	-12,7	-13,7	-4,4	-4,4
Sales and marketing costs	-1,8	-3,0	-2,1	-2,0	-0,9	-0,9	-0,2	-0,1
Research & development costs	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Operating income	116,7	208,3	203,0	196,3	158,4	186,5	83,7	117,8
<i>Operating income margin</i>	12,8%	15,8%	11,0%	11,0%	11,9%	12,4%	15,6%	19,7%
Goodwill income/(expense)	7,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other income/(expense)	4,6	-51,3	0,0	0,0	-4,5	0,0	-1,9	0,0
Financing income/(expense)	-43,5	-273,5	23,2	351,6	-214,5	-127,9	-90,6	-271,0
Earnings before income tax	84,7	-116,5	226,5	-156,1	-60,6	56,8	-8,9	19,2
<i>EBT margin</i>	9,3%	-8,9%	12,3%	-8,7%	-4,6%	3,8%	-1,7%	3,2%
Tax	-14,1	-5,5	-6,6	22,8	-8,8	0,4	-3,7	1,4
Net income	69,4	-122,0	219,9	-133,3	-69,4	57,2	-12,6	20,6
<i>Net income margin</i>	7,6%	-9,3%	11,9%	-7,5%	-5,2%	3,8%	-2,3%	3,4%
EBITDA	188,3	300,8	323,1	311,8	239,7	276,2	112,3	148,3
<i>EBITDA margin</i>	20,7%	22,9%	17,6%	17,5%	18,0%	18,3%	20,9%	24,7%

Source: IFRS financial statements

Consolidated balance sheet

(TL mn)

Assets	2010	2011	2012	2013	9M 2013	9M 2014
Cash and cash equivalents	78,3	110,5	40,6	22,3	24,2	19,5
Trade receivables net	113,0	261,5	245,9	142,3	253,5	27,8
Due from related parties and shareholders	607,9	360,0	593,9	0,0	0,0	0,5
Inventory	81,3	121,5	135,5	250,0	188,6	297,2
Derivative Financial Instruments	–	–	–	2,7	1,9	2,4
Other current assets	71,5	90,7	84,6	77,4	70,6	106,0
Total current assets	939,1	930,8	1100,8	494,7	538,8	453,5
Trade receivables	–	–	–	1,3	253,5	27,8
Investments	1,6	1,6	1,6	1,5	1,5	1,5
PP&E	1375,7	1613,0	1627,3	2109,7	2012,3	2684,8
Goodwill	6,0	9,5	9,5	9,5	9,5	7,1
Intangibles	0,7	1,1	1,7	1,9	1,8	1,8
Other non-current assets	20,3	43,4	87,0	113,2	170,0	65,7
Deferred tax assets	4,1	4,1	4,1	36,7	4,1	41,1
Total non-current assets	1408,4	1672,7	1731,2	2273,8	2201,6	2802,1
Total assets	2347,6	2603,6	2832,0	2768,5	2740,4	3255,5
Liabilities	2010	2011	2012	2013	9M 2013	9M 2014
Financial liabilities	413,2	489,5	564,3	265,6	256,8	359,0
Trade payables, net	197,6	359,5	284,7	326,1	330,1	380,8
Due to Related Parties and Shareholders	–	–	–	10,3	7,4	0,0
Taxation payable on income	13,5	4,4	6,6	7,5	6,4	8,8
Other payables and accrued liabilities	9,9	70,4	11,7	14,8	18,0	22,5
Total current liabilities	634,2	923,8	867,3	624,3	618,8	771,1
Long-term financial liabilities	803,4	891,5	756,4	1062,7	977,6	1348,0
Retirement pay provision	1,3	1,8	2,2	3,0	3,2	5,1
Other liabilities	–	–	–	1,3	2,5	0,0
Deferred tax liability	2,9	2,9	2,9	3,5	2,9	3,1
Long Term Liabilities	807,7	896,2	761,5	1070,5	986,2	1356,2
Paid in capital	579,5	579,5	615,2	615,2	615,2	615,2
General reserves	173,7	242,9	121,0	342,7	340,4	207,0
Share premium	96,0	96,5	247,4	247,4	247,4	247,4
Cash Flow Hedge Reserve	–	–	–	2,1	1,9	1,9
Net profit for the year	69,4	-122,0	219,9	-133,3	-69,4	57,2
Shareholder's equity	918,6	797,0	1203,2	1073,8	1135,4	1128,2
Total liabilities and equity	2360,5	2617,0	2832,0	2768,5	2740,4	3255,5

Source: IFRS financial statements

Consolidated statement of cash flows

<i>(TLmn)</i>	2010	2011	2012	2013	9M 2013	9M 2014
Net income (loss) before tax	84,7	-116,5	226,5	-156,1	-60,6	56,8
Depreciation and amortisation	71,7	92,5	105,3	111,8	81,2	89,7
Other adjustments	14,7	231,2	-53,1	193,9	173,5	43,0
Change in working capital	18,64	-20,3	-189,5	7,5	-84,2	141,0
Operating cash flows	189,8	187,0	89,2	157,1	109,9	330,5
Purchased of PP&E	-400,9	-330,2	-130,4	-395,7	-297,8	-599,7
Investing cash flows	-419,7	-334,6	-116,9	-395,4	-297,5	-599,7
Financing cash flows	291,9	179,5	-41,9	220,0	0,0	266,3
Net cash flows	62,0	31,8	-69,6	-18,2	-187,6	-2,9

Source: IFRS financial statements

Appendix



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Operating (Current)

Power Plant	License Owner	Fuel Type	Installed Capacity (MW)	
Mardin-1	Aksa Energy	Fuel-oil	32	
Mardin-2	Rasa Elektrik	Fuel-oil	33	
Northern Cyprus	Aksa Cyprus	Fuel-oil	120	
İdil (Şırnak)	İdil İki Energy	Fuel-oil	24	
Siirt	Siirt Akköy	Fuel-oil	24	
Total Fuel-Oil fired power plants			233	11%
Antalya NGCC	Aksa Energy	Natural Gas	1.150	
Manisa NGCC	Aksa Energy	Natural Gas	115	
Van	Rasa Energy	Natural Gas	115	
Samsun	Aksa Energy	Natural Gas	131	
Şanlı Urfa	Rasa Energy	Natural Gas	129	
Total Natural Gas fired power plants			1.640	77%
Balıkesir Şanlı	Baki	Wind	114	
Hatay Sebenoba	Deniz	Wind	30	
Manisa Karakurt	Deniz	Wind	11	
Ayvack	Ayres	Wind	5	
Kapıdağ	Kapıdağ	Wind	24	
Belen / Atik	Aksa	Wind	18	
Kıyıköy	Alenka	Wind	24	
Total Wind power plants			226	11%
Çorum İncesu	Aksa Energy	Hydro	15	
Akköy	Siirt Akköy	Hydro	13	
Total Hydro power plants			28	1%
Total Power Plants			2.127	

Ongoing Investments and Revised Licence Portfolio

Planned Acquisitions from Kazancı Holding

Power Plant	Investment	License Owner	Fuel Type	Additional Capacity (MW)	Completion Year
Datça	Licensed	Kazancı Holding	Wind	12	2015
Total				12	

Under Construction

Bolu Göynük	Greenfield	Aksa	Lignite	270	2014-15
Kıyıköy	Greenfield	Alenka	Wind	3	2014
Kapıdağ	Extension	Kapıdağ	Wind	4	2014
Sebenoba	Extension	Deniz	Wind	30	2014
Şanlı	Extension	Baki	Wind	13	2015
Kozbükü	Greenfield	Idil Iki	Hydro	62	2016
Sansa	Greenfield	Aksa	Hydro	85	2017
Total				467	

Licensed

Şanlı Urfa	Şanlı Urfa	Rasa	Natural Gas	141	2016
Antalya	Antalya	Aksa	Natural Gas	900	2017
Indere	Kayseri	Aksa	Hydro	30	2017
Efrenk	Mersin	Aksa	Hydro	20	2017
Yamanlı	Adana	Aksa	Hydro	24	2017
Kor	Bitlis	Aksa	Hydro	26	2017
Total				1.141	

Exclusive Negotiations to Obtain Licence

Şahinkaya	Ordu	Aksa	Hydro	85	Post 2017
Tatlar	Kayseri	Rasa	Hydro	59	Post 2017
Avluca	Giresun	Idil Iki	Hydro	40	Post 2017
Kazan	Bingöl	Deniz	Hydro	20	Post 2017
Tor	Kastamonu	Aksa	Hydro	120	Post 2017
Narlı	Bitlis	Aksa	Hydro	89	Post 2017
Akçay 1	Denizli	Gesa	Hydro	15	Post 2017
Akçay 2	Denizli	Gesa	Hydro	10	Post 2017
Total				438	

- Planned acquisition from Kazancı Holding:
 - Datça 12 MW wind farm licence
- Construction work is in progress for one lignite fired PP and six renewable projects:
 - 270 MW local lignite fired PP
 - 50 MW wind farm
 - 147 MW hydroelectrical PP
- 1,141 MW of licensed projects:
 - 1,041 MW natural gas fired PP
 - 100 MW hydroelectrical PP
- 438 MW of renewable projects in exclusive negotiations to obtain licence post 2017

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