

Aksa Enerji

The leading IPP in Turkey

Earnings Presentation

9 March 2015



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The Sector



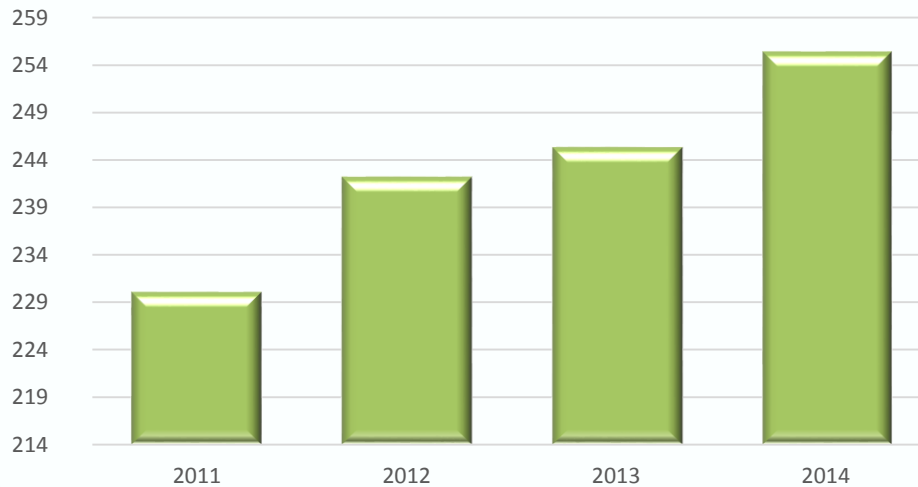
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Market Highlights - Generation & Consumption

▶ On a yearly basis, **electricity generation** was up by 4.6% YoY.

▶ Electricity generation in 4Q14 increased by 2.5% YoY.

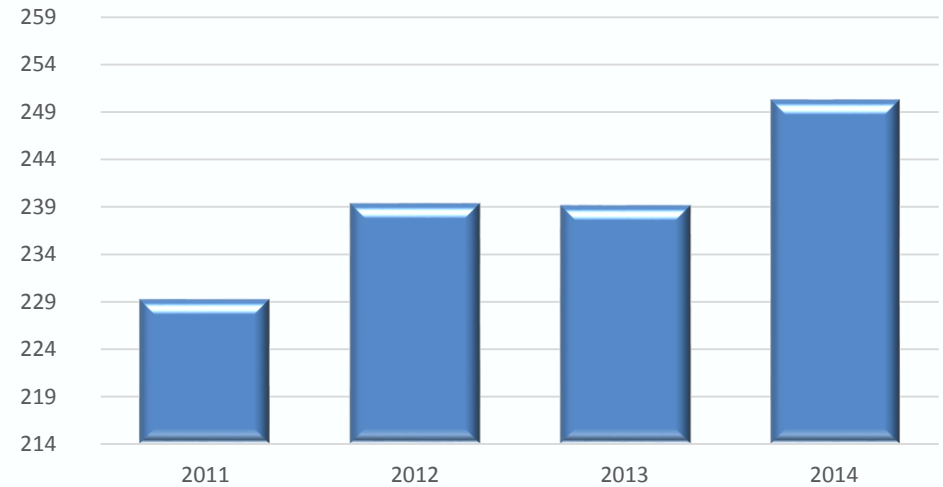
Consumption (TWh)



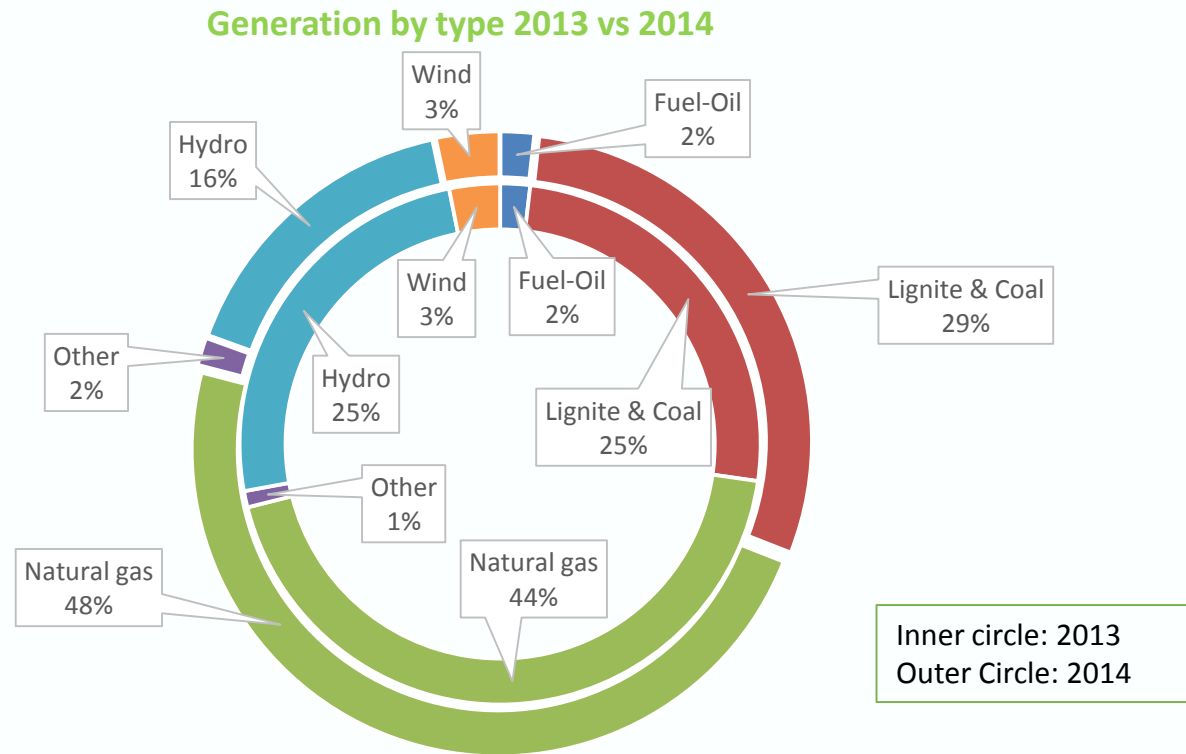
▶ **Electricity consumption** increased by 4.1% YoY.

▶ Electricity consumption in 4Q14 was up by 2% YoY.

Generation (TWh)



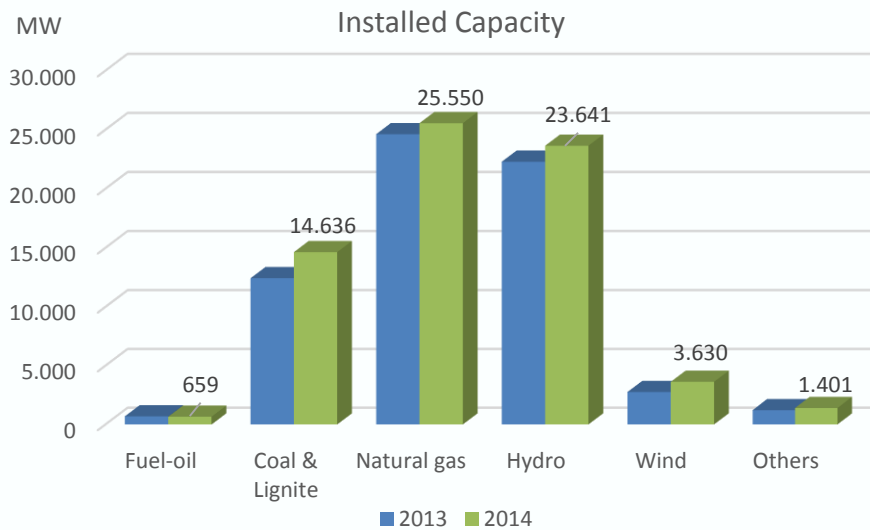
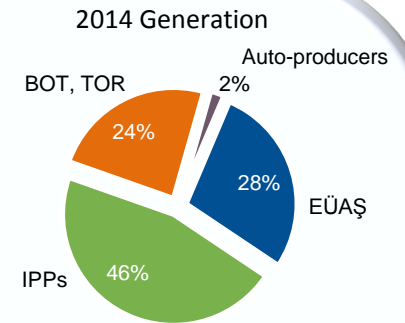
Market Highlights - Generation by type



- ▶ **Source of electricity generation in 2014** changed due to drought, with hydros producing 16% of total generation as opposed to 25% in 2013. The replacement for lost hydro production came from natural gas and lignite&coal, both up by 4 ppts.
- ▶ Capacity Utilisation Rate (CUR) of hydros were 20% in 2014 vs 32% in 2013 and 37% in 2012.

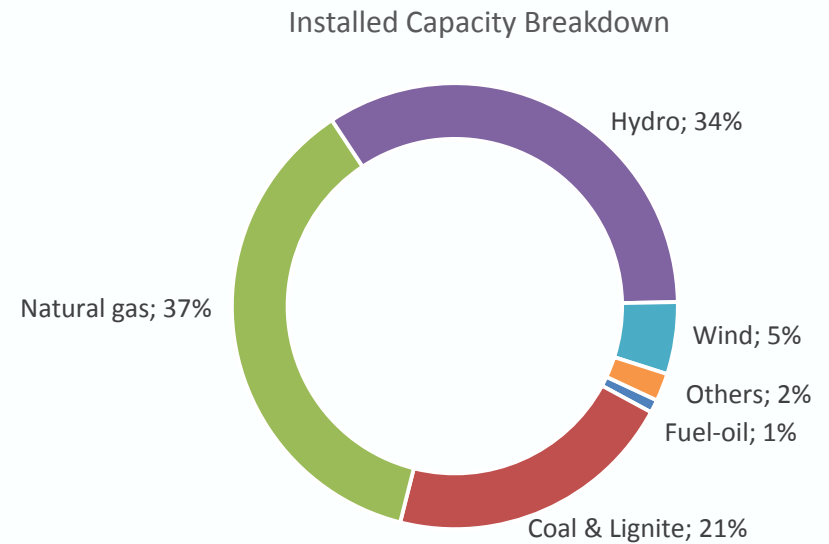
Market Highlights - Installed Capacity

- ▶ IPPs generated 46% of the production despite the domination of state owned entities in installed capacity (45%).
- ▶ Natural gas, followed by hydro capacities continue to dominate the market.
- ▶ The installed capacity has gone up by 9% YoY in 2014.



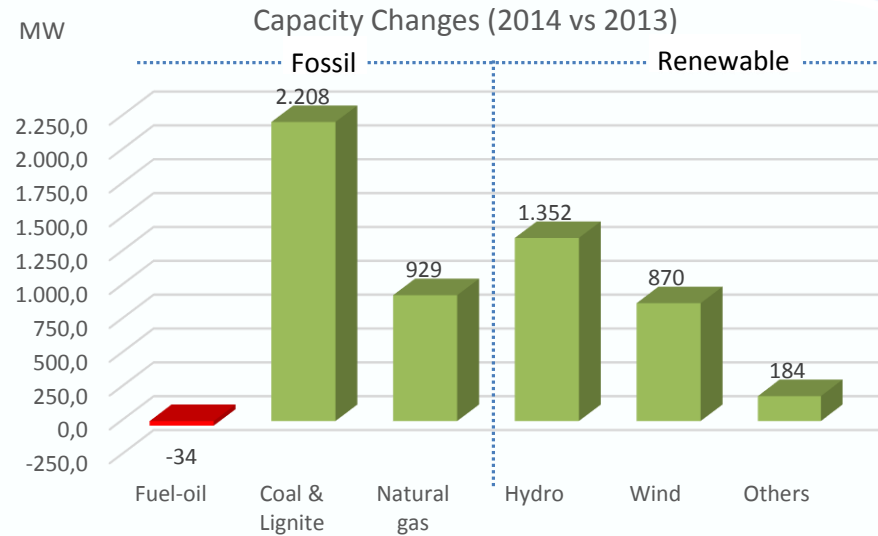
2014 Installed Capacity: 69,516 MW

2013 Installed Capacity: 64,007 MW



Market Highlights - Installed Capacity

- ▶ **Total installed capacity in Turkey** has increased by 5,000 MW YoY to 69,516 MW, with the majority coming in from coal&lignite and hydro.
- ▶ YoY, there was an increase of 2,208 MW in coal&lignite capacity, 1,352 MW in hydro, 929 MW in natural gas and 870 MW in wind capacity.
- ▶ A total of 5,000 MW new capacity became operational in 2014, representing a 9% increase YoY.
- ▶ At the same time more than 630 MW mostly inefficient gas fired PPs have been decommissioned in 2014
- ▶ A total of 4,000-4,500MW new capacity could be expected to become operational in 2015.



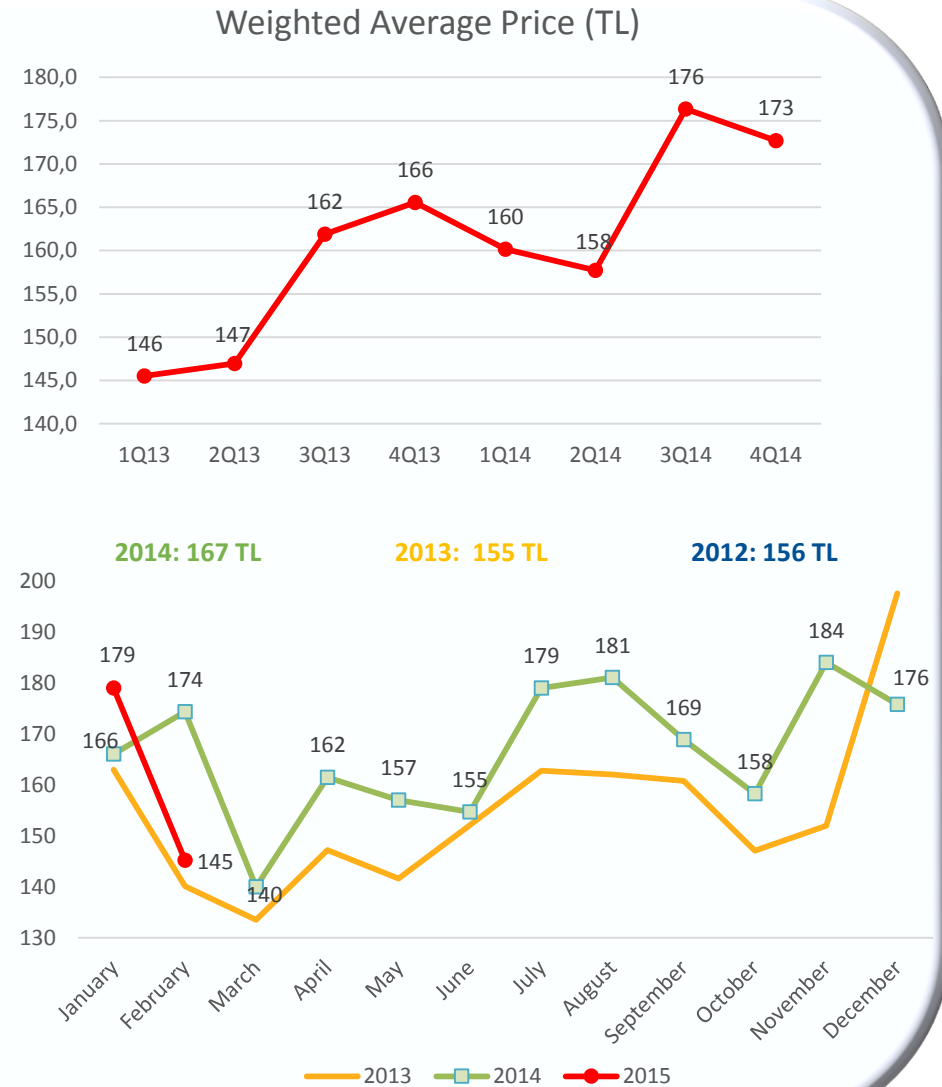
<i>Investor Name</i>	<i>Decomm. Date</i>	<i>Installed Capacity (MWe)</i>
Akenerji	30-09-14	132.00
Enerjisa	31-12-14	131.00
Akenerji	30-09-14	127.00
Enerjisa	31-12-14	66.00
Enerjisa	31-12-14	65.00
Zorlu Enerji	30-09-14	50.00
Sönmez Elektrik	31-12-14	34.92
Debi Enerji	10-12-14	8.77
Yurtbay Elektrik	31-12-14	6.92
Ay Elektrik	25-12-14	3.72
Else Tekstil	04-12-14	3.16
Ozşah Orme	18-12-14	1.58
Günöz Tekstil	18-12-14	1.40
Erpiliç	30-12-14	1.38
TOTAL		632.85

Market Highlights - Prices

► **Prices** – Weighted average prices were strong in 2014, due to the drought preventing a significant contribution from the hydroelectric power plants and the increase in demand.

► As 3Q was a peak season in terms of electricity demand, 4Q prices were 2% softer compared to the previous quarter, but 4% stronger compared to 4Q2013.

► The weighted average price was 167 TL in 2014 vs 155 TL in 2013, indicating an 8% increase YoY.



FY 2014

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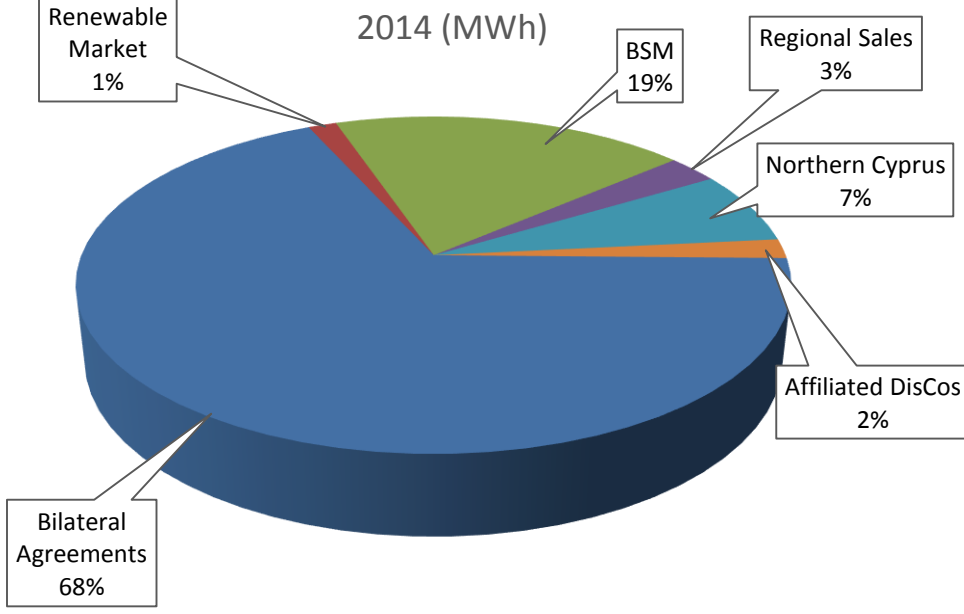
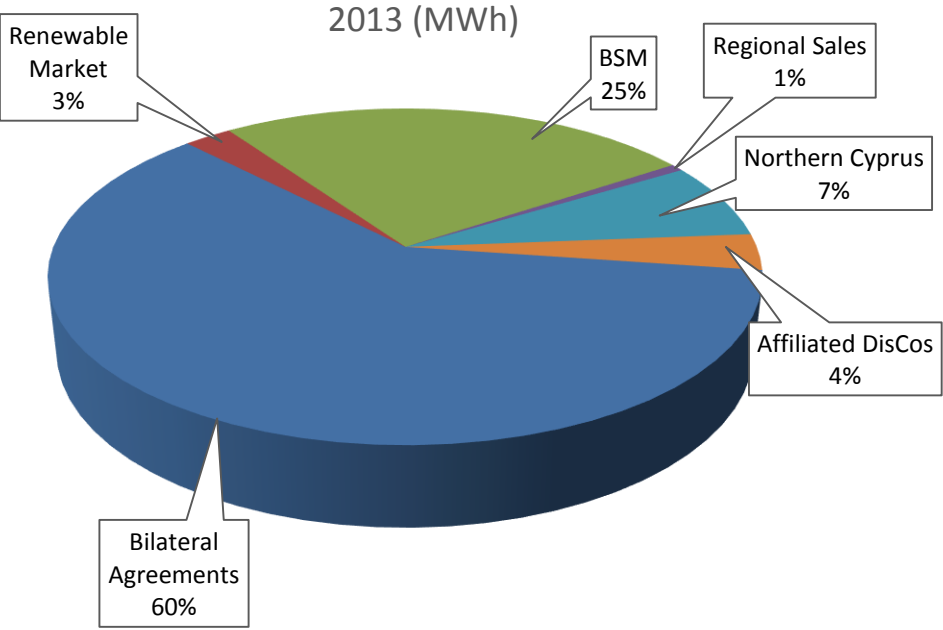
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2014 Results - Snap Shot

	2012	2013	2014	YoY Change	Q4 2013	Q4 2014	YoY Change
Installed Capacity (MW)	2,045	2,052	2,140	88 MW	2,052	2,140	88 MW
Sales Volume (GWh)	9,784	9,109	9,814	8%	2,399	2,223	-7%
Capacity Utilization Rate (CUR)	60%	56%	59%	3pp	58%	52%	-6pp
Net Sales (TL mn)	1,841	1,786	1,957	10%	457	448	-2%
Gross Profit (TL mn)	236	220	247	12%	48	45	-6%
Operating Inc. (TL mn)	218	196	208	6%	38	24	-35%
EBITDA (TL mn)	323	312	344	10%	72	68	-6%
Net Income (TL mn)	220	-133	39	nm	-64	-18	nm
EBITDA Margin	17.6%	17.5%	17.6%	0.1pp	15.8%	15.1%	-0.7pp
Operating Profit Margin	12.0%	11.0%	10.6%	-0.4pp	8.3%	5.5%	-2.8pp

Company Highlights - Sales breakdown (MWh)

2013 vs 2014 (in MWh)



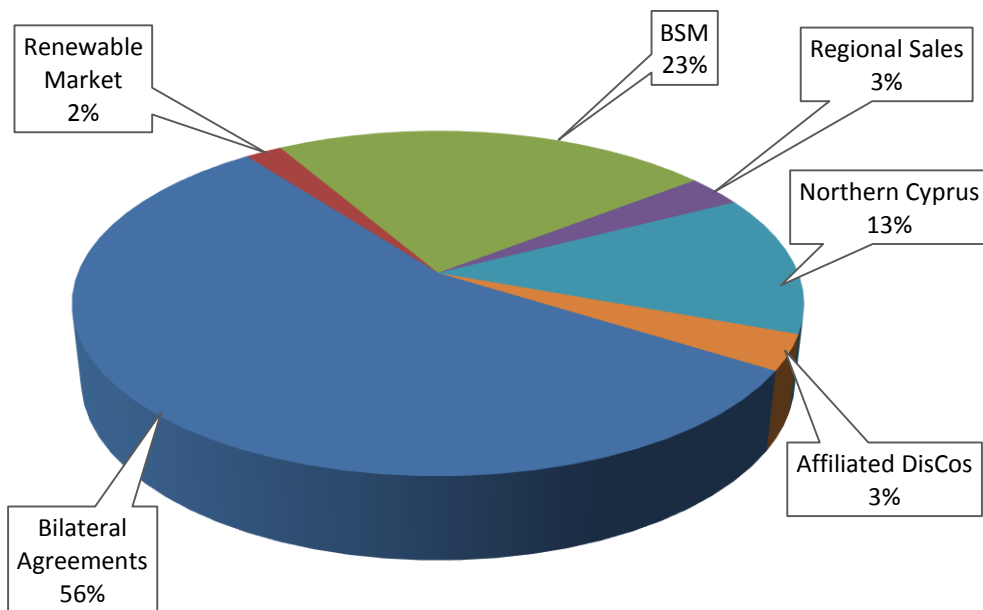
-Bilateral sales increased from 60% to 68% YoY
- BSM sales decreased to 19% from 25% YoY
- Regional sales (fuel) increased to 3% from 1% YoY

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.

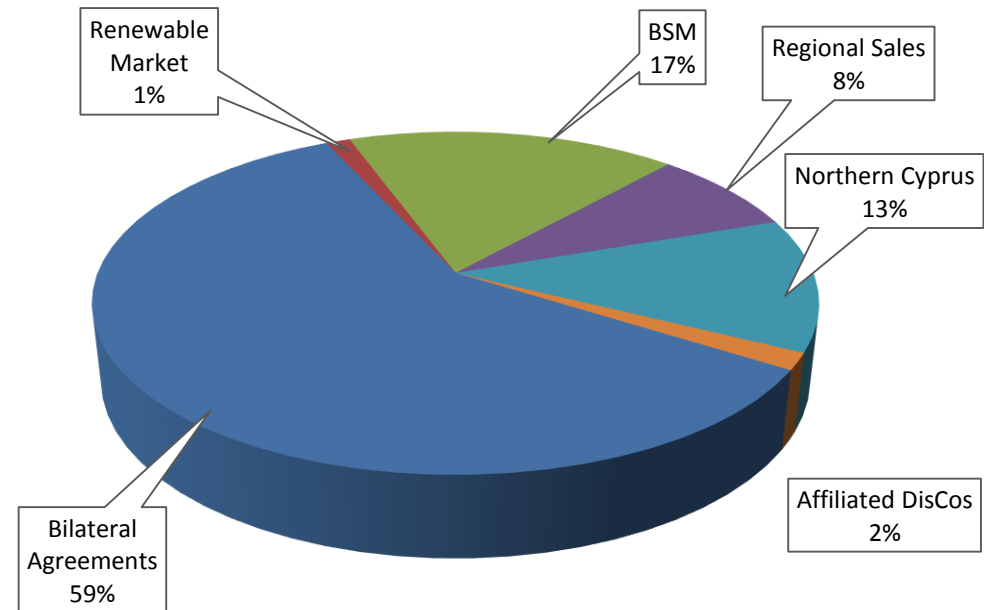
Company Highlights - Sales breakdown (TL)

2013 vs 2014 (in TL)

2013 (TL)



2014 (TL)



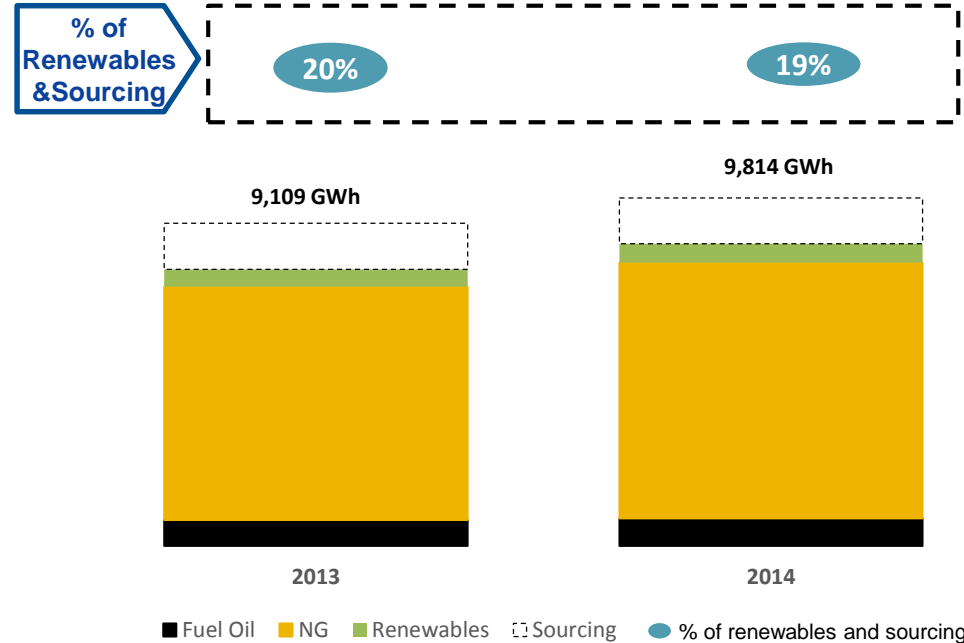
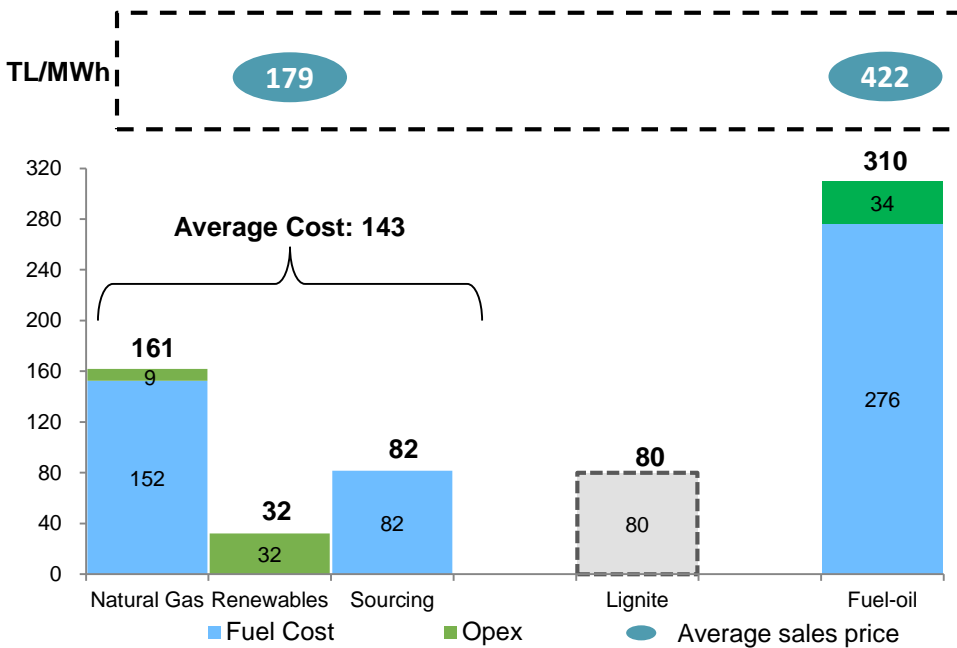
- Bilateral sales increased from 56% to 59% YoY
- BSM sales decreased to 17% from 23% YoY
- Regional sales (fuel) increased to 8% from 3% YoY

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.

Company Highlights - Cost Structure (TL)

Cost Structure vs. Sales Price (2014)

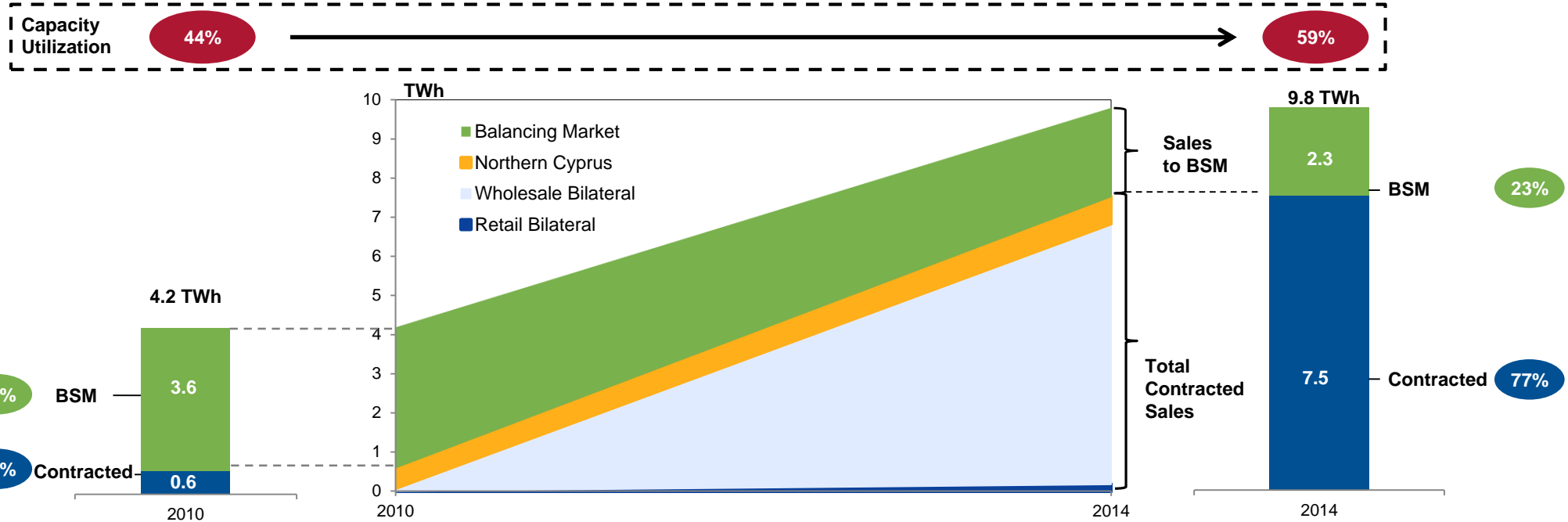
Improving Lower Cost Output



- 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 466 MW 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 of production.
- 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 FY2014, as opposed to blended sales price of 422TL /MWh, which includes N.Cyprus sales versus blended cost of 310 TL/MWh.

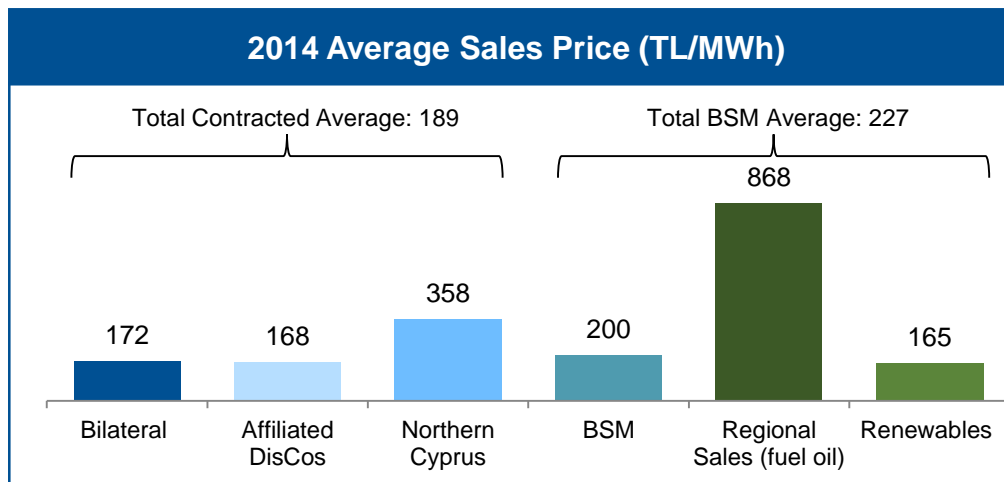
- 8% increase in total sales YoY
- Share of renewables & sourcing has decreased by 1 pts mainly due to the increase in production from natural gas because of the increase in demand during when renewables were comparatively less productive due to drought and also because of higher spot prices preventing us from increasing the share of sourcing.
- Total of 306 MW of local and renewable pipeline to become operational in 2015.
- 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 - Sales mix and prices (TL)



2010 - Contracted Sales

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



2014 - Contracted Sales

- 85,987 bilateral customers⁽¹⁾
- 7.53 TWh contracted sales
- 77% of total sales

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

Company Highlights - 2014 Operating Performance

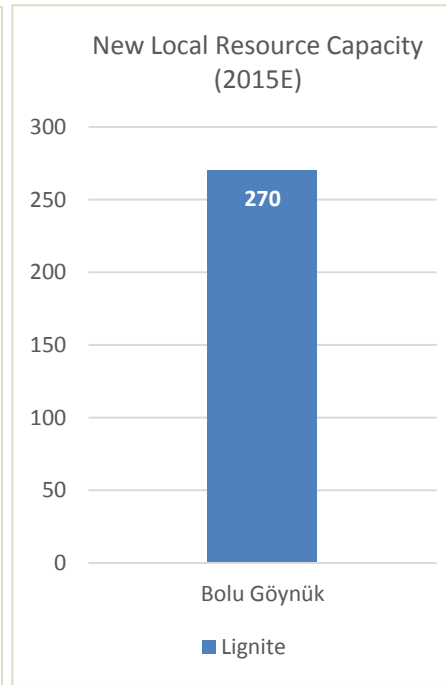
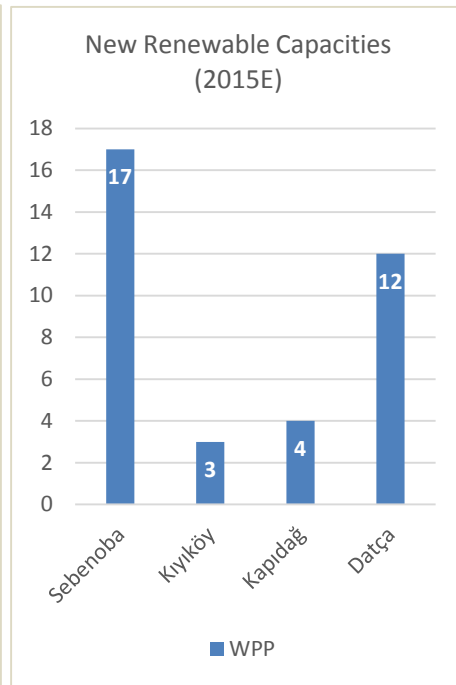
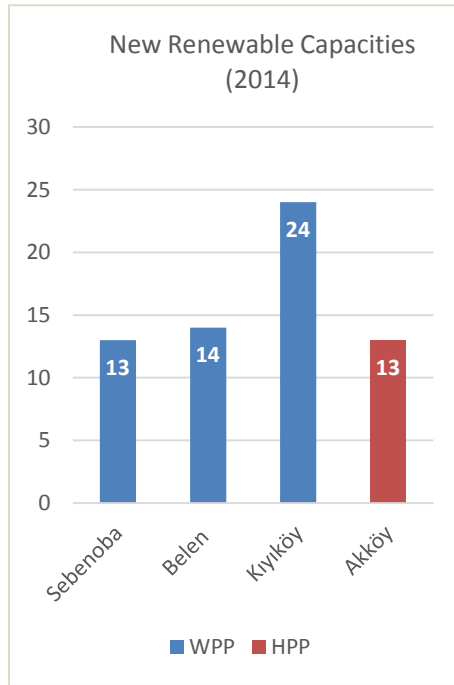
Strong operating performance in 2014- slightly exceeding the upper band of EBITDA guidance:

- √ Higher demand, thus higher sales volume
- √ Capacity utilisation rate up 3 pts YoY to 59%, as the increase in bilateral sales enables the Company to better project future production need and hence help increase the CUR.
- √ Benefited from higher spot prices in 3Q due to drought and seasonality
- √ Increase in margins of regional fuel oil based sales due to high demand and low input prices
- √ Increase in installed capacity
- √ Significant increase in number of household and commercial clients
- √ Management of sales to BSM to benefit from seasonal and event driven demand

Company Strategy Going Forward

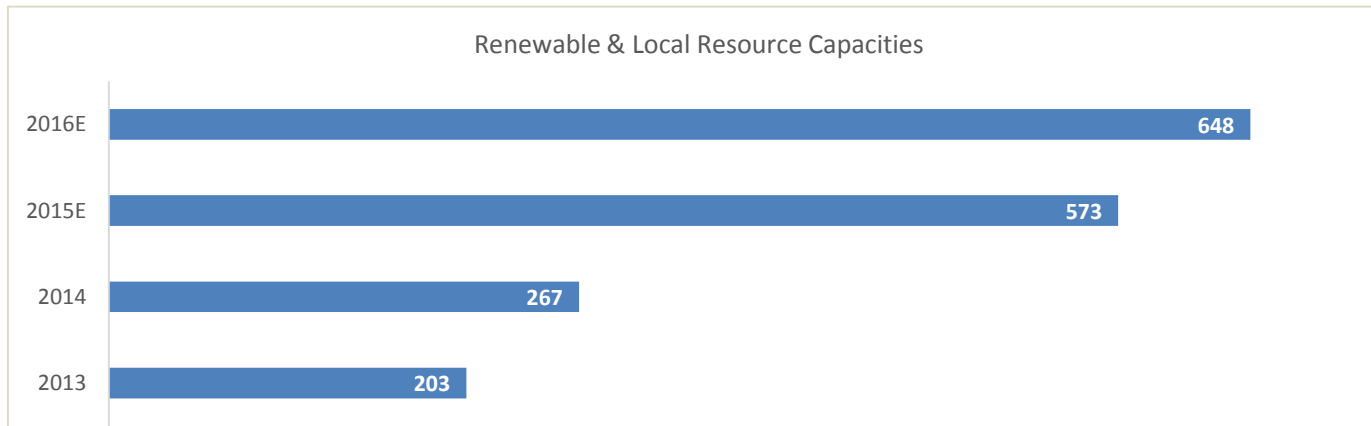
- ▶ The company's strategy is to increase its local and renewable resources within its production portfolio to decrease its cost base.
- ▶ To this end, we are more focused on creating new greenfield lignite fired power plant projects. We are in discussions for 3 new lignite mines/projects, which we forecast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

Evolution of Renewable & Local Resources Within Our Portfolio



A total of 88MW has been added to our total installed capacity in 2014, 64MW of which comes from renewables.

- ▶ Siirt fuel-oil power plant, which has an installed capacity of 24MW, is transferred from Kazancı Holding .
- ▶ Akköy HPP's (13MW) was transferred from Kazancı Holding.
- ▶ 13MW in Sebenoba, 14MW in Belen/Atik, 24MW in Kıyıköy became operational in 2014.
- ▶ 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 2016.



A total of 306MW new capacity is planned to become operational in 2015, all from local and renewable resources.

- ▶ 36MW WPP capacity
- ▶ 270MW lignite capacity
- ▶ 2015E total local & renewable resource capacity to reach 573MW

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 will be fully operational in 2015.
- ▶ 1st phase (135MW) to be operational in April.
- ▶ 2nd phase (135MW) to be operational at the end of June.
- ▶ This plant will have an annual production volume of 2bn kwh and an EBITDA margin of 50%, it will make a significant contribution to our EBITDA.

Catalysts and Key Events- Bolu Göynük Lignite PP



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Catalysts and Key Events- Bolu Göynük Lignite PP



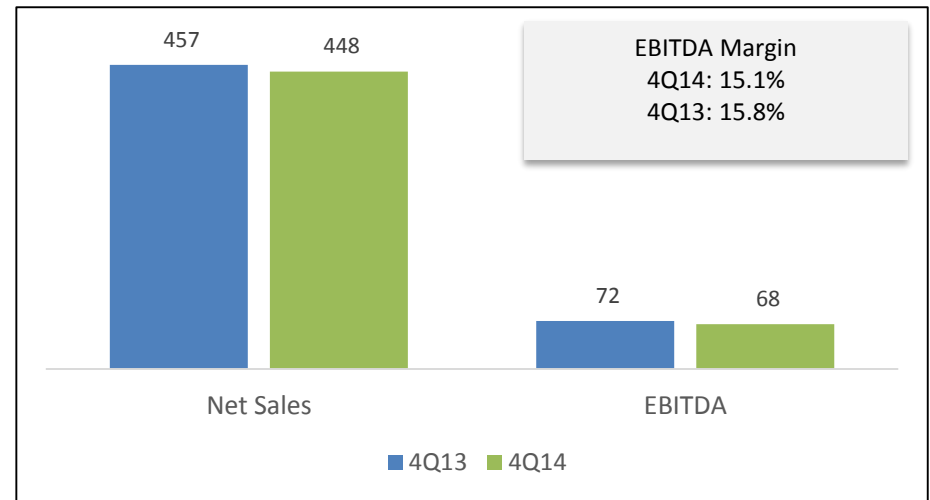
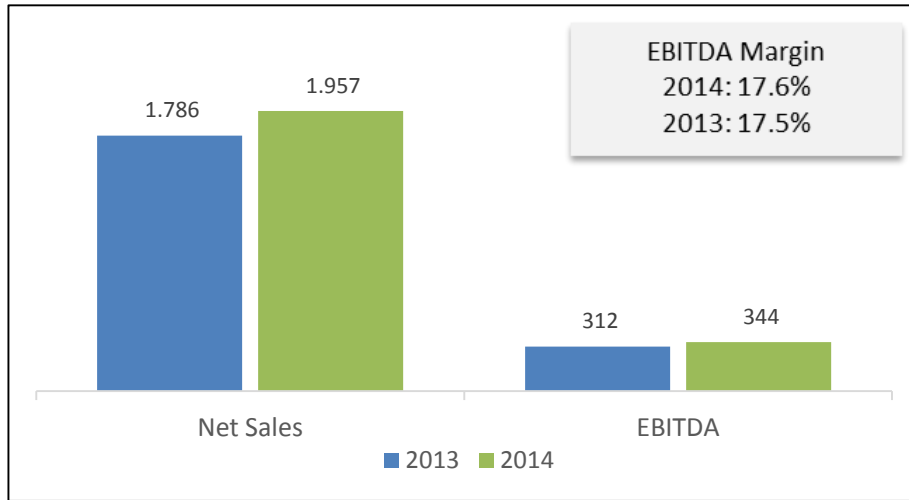
Catalysts and Key Events- Bolu Göynük Lignite PP



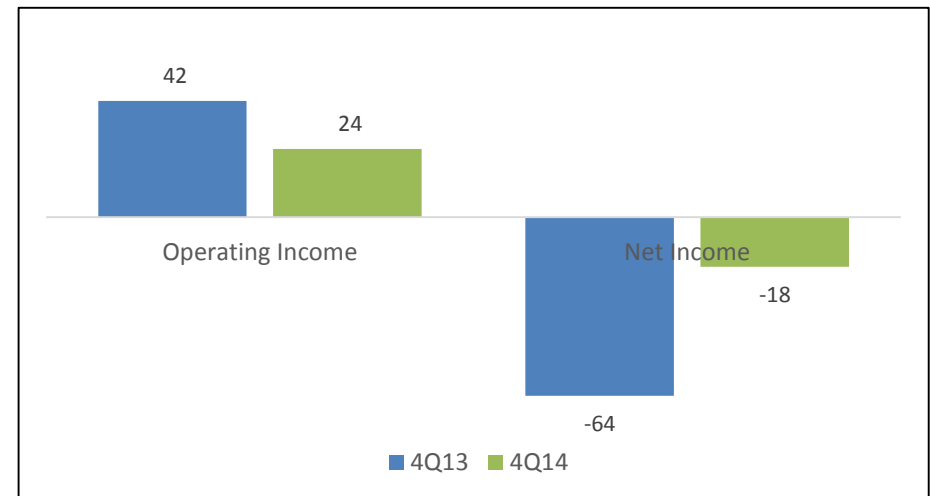
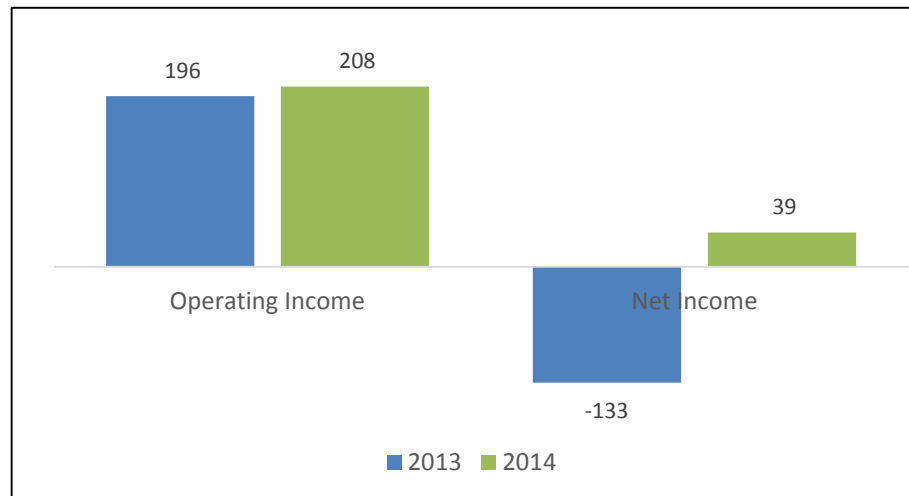
Financial highlights FY2014

Consolidated income statement

Net sales & EBITDA (TL mn)



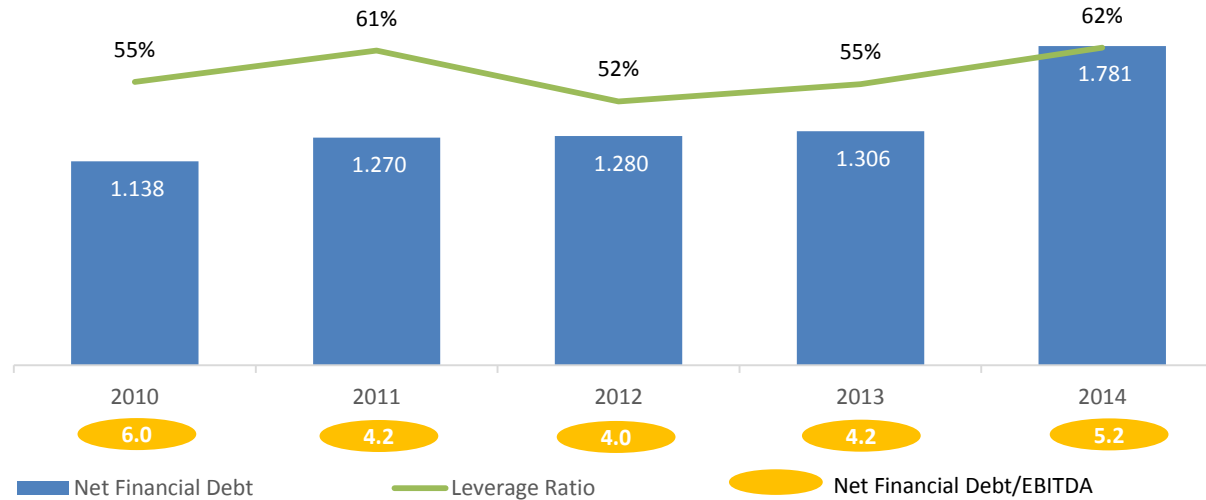
Operating income & Net income (TL mn)



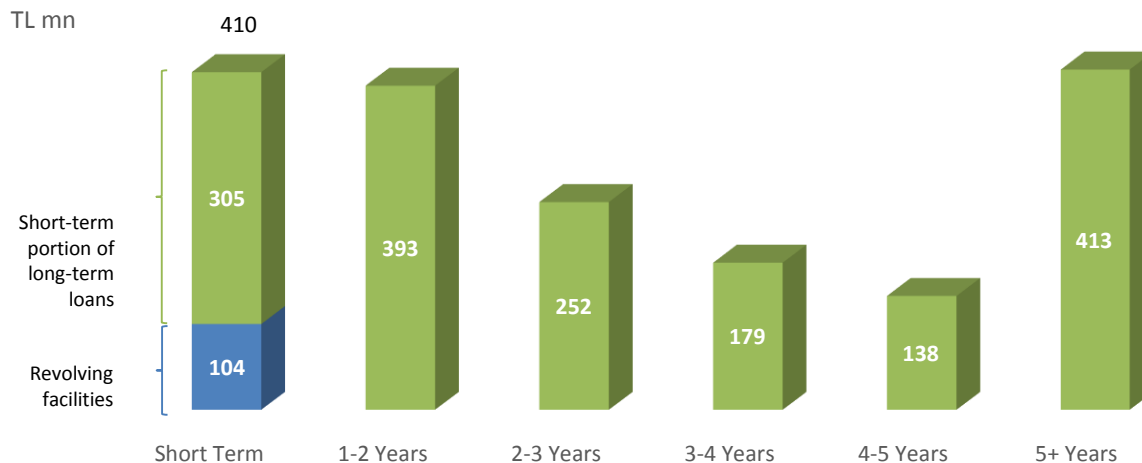
Financial highlights FY2014

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 \$14mn & €1mn, in 3Q14 \$45mn & €4mn, in 4Q14 \$10mn have been hedged.

In 2015 so far, \$56mn has been hedged for 1H15 along with a current open position of \$75mn maturing in 2Q15.

18% of our bank loans is in TL.

2015 Guidance – Sector

- ▶ 2015 installed capacity increase: 4,000-4,500 MW
- ▶ Electricity demand increase: 4.5%
- ▶ Electricity/Natural Gas prices: No change in 2015
- ▶ Water levels: The recent rainfall and snow levels show that 2015 will be a better year in terms of water usage in HPPs. Thus HPP production close to 2013 levels could be expected.
- ▶ Average Market Price: 170 TL/MWh

2015 Guidance – Bolu/Göynük Lignite PP

- ▶ 2015 Production: 1.1 TWh
- ▶ 2016 Production: 2.0 TWh
- ▶ 2015 EBITDA contribution: TRY 100mn
- ▶ 2016 EBITDA contribution: TRY180 mn

2015 Guidance – Financials

- ▶ Production: 10.3TWh
- ▶ Sales: 12.7TWh (65% bilateral and 35% BSM sales)
- ▶ Revenues: TRY 2.5 mn
- ▶ Average Aksa Price: TRY199.
- ▶ CAPEX: TRY 270-300mn
- ▶ EBITDA: TRY 420-430mn

Financial Highlights

FY 2014



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Consolidated income statement

<i>(TL mn)</i>	2010	2011	2012	2013	2014	Q4 2013	4Q 2014
Net sales	911,9	1315,4	1840,6	1786,0	1957,4	457,4	447,6
Cost of sales	-775,5	-1088,0	-1604,0	-1565,9	-1710,8	-409,3	-402,2
Gross profit	136,4	227,4	236,6	220,1	246,6	48,1	45,4
<i>Gross profit margin</i>	15%	17%	13%	12%	13%	11%	10%
General & administrative costs	-17,8	-16,0	-16,7	-18,0	-22,2	-5,3	-8,5
Sales and marketing costs	-1,8	-3,0	-2,1	-2,0	-2,0	-1,1	-1,1
Research & development costs	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other operating income	0,0	0,0	6,7	5,0	3,8	5,0	1,0
Other operating expenses (-)	0,0	0,0	-21,4	-8,7	-18,5	-8,7	-12,3
Operating income	116,7	208,3	203,0	196,3	207,6	37,9	24,5
<i>Operating income margin</i>	12,8%	15,8%	11,0%	11,0%	10,6%	8,3%	5,5%
Goodwill income/(expense)	7,0	0,0	0,0	0,0	0,0	0,0	0,0
Other income/(expense)	4,6	-51,3	0,0	0,0	0,0	4,5	0,0
Financing income/(expense)	-43,5	-273,5	23,2	351,6	199,6	357,3	327,5
Earnings before income tax	84,7	-116,5	226,5	-156,1	26,6	-95,4	-30,2
<i>EBT margin</i>	9,3%	-8,9%	12,3%	-8,7%	1,4%	-20,9%	-6,7%
Tax	-14,1	-5,5	-6,6	22,8	12,8	-1,1	12,4
Net income	69,4	-122,0	219,9	-133,3	39,4	-63,9	-17,8
Net income margin	7,6%	-9,3%	11,9%	-7,5%	2,0%	-14,0%	-4,0%
EBITDA	188,3	300,8	323,1	311,8	343,9	72,2	67,6
<i>EBITDA margin</i>	20,7%	22,9%	17,6%	17,5%	17,6%	15,8%	15,1%

Source: IFRS financial statements

Consolidated balance sheet

(TL mn)

Assets	2010	2011	2012	2013	2014
Cash and cash equivalents	78,3	110,5	40,6	22,3	34,2
Trade receivables net	113,0	261,5	245,9	142,3	88,7
Due from related parties and shareholders	607,9	360,0	593,9	0,0	4,4
Inventory	81,3	121,5	135,5	250,0	269,2
Derivative Financial Instruments	–	–	–	2,7	2,7
Other current assets	71,5	90,7	84,6	77,4	116,6
Total current assets	939,1	930,8	1100,8	494,7	515,8
Trade receivables	–	–	–	1,3	0,0
Investments	1,6	1,6	1,6	1,5	1,9
PP&E	1375,7	1613,0	1627,3	2109,7	2730,0
Goodwill	6,0	9,5	9,5	7,1	7,1
Intangibles	0,7	1,1	1,7	1,9	1,9
Other non-current assets	20,3	43,4	87,0	113,2	80,6
Deferred tax assets	4,1	4,1	4,1	36,7	56,2
Total non-current assets	1408,4	1672,7	1731,2	2271,4	2877,7
Total assets	2347,6	2603,6	2832,0	2766,1	3393,5
Liabilities	2010	2011	2012	2013	2014
Financial liabilities	413,2	489,5	564,3	265,6	439,6
Trade payables, net	197,6	359,5	284,7	326,1	431,8
Due to Related Parties and Shareholders	–	–	–	10,3	0,0
Taxation payable on income	13,5	4,4	6,6	7,5	9,6
Other payables and accrued liabilities	9,9	70,4	11,7	14,8	15,8
Total current liabilities	634,2	923,8	867,3	624,3	898,3
Long-term financial liabilities	803,4	891,5	756,4	1062,7	1375,8
Retirement pay provision	1,3	1,8	2,2	3,0	5,2
Other liabilities	–	–	–	1,3	0,0
Deferred tax liability	2,9	2,9	2,9	3,5	4,8
Long Term Liabilities	807,7	896,2	761,5	1070,5	1385,8
Paid in capital	579,5	579,5	615,2	615,2	615,2
General reserves	173,7	242,9	121,0	340,3	207,0
Share premium	96,0	96,5	247,4	247,4	247,4
Cash Flow Hedge Reserve	–	–	–	2,1	1,0
Net profit for the year	69,4	-122,0	219,9	-133,3	39,4
Shareholder's equity	918,6	797,0	1203,2	1071,3	1109,4
Total liabilities and equity	2360,5	2617,0	2832,0	2766,1	3393,5

Source: IFRS financial statements

Consolidated statement of cash flows

<i>(TLmn)</i>	2010	2011	2012	2013	2014
Net income (loss) before tax	84,7	-116,5	226,5	-156,1	26,6
Depreciation and amortisation	71,7	92,5	105,3	111,8	121,5
Other adjustments	14,7	231,2	-53,1	193,9	82,0
Change in working capital	18,64	-20,3	-189,5	7,5	123,6
Operating cash flows	189,8	187,0	89,2	157,1	353,8
Purchased of PP&E	-400,9	-330,2	-130,4	-395,7	-676,7
Investing cash flows	-419,7	-334,6	-116,9	-395,4	-677,1
Financing cash flows	291,9	179,5	-41,9	220,0	335,3
Net cash flows	62,0	31,8	-69,6	-18,2	11,9

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 (Şırmak)	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	76%
Balkesir Şamlı	Baki	Wind	114	
Hatay Sebenoba	Deniz	Wind	51	
Manisa Karakurt	Deniz	Wind	11	
Ayvacık	Ayres	Wind	5	
Kapıdağ	Kapıdağ	Wind	24	
Belen / Atik	Aksa	Wind	18	
Kıyıköy	Alenka	Wind	24	
Total Wind power plants			247	12%
Çorum İncesu	Aksa Energy	Hydro	15	
Akköy	Siirt Akköy	Hydro	13	
Total Hydro power plants			28	1%
Total Power Plants			2.148	

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
				12	
Under Construction					
Bolu Göynük	Greenfield	Aksa	Lignite	270	2015
Kıyıköy	Greenfield	Alenka	Wind	3	2015
Kapıdağ	Extension	Kapıdağ	Wind	4	2015
Sebenoba	Extension	Deniz	Wind	9	2015
Şanlı	Extension	Baki	Wind	13	2016
Kozbükü	Greenfield	Idil İki	Hydro	62	2016
				361	
Licensed					
Şanlı Urfa	Şanlı Urfa	Rasa	Natural Gas	141	2017
Antalya	Antalya	Aksa	Natural Gas	900	2018
				1.041	
Exclusive Negotiations to Obtain Licence					
Şahinkaya	Ordu	Aksa	Hydro	85	2021
				85	
Total				1.499	

- Planned acquisition from Kazancı Holding:
 - Datça 12 MW WPP licence
- Construction work is in progress for one lignite fired PP and six renewable projects:
 - 270 MW local lignite fired PP
 - 29 MW WPP
 - 62 MW HPP
- 1,141 MW of licensed projects:
 - Extension licences for our natural gas fired PP
- 85 MW of HPP project with storage in exclusive negotiations to obtain licence

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