



## **TURCAS PETROL A.Ş. 2016 ORDINARY GENERAL MEETING DATED 3 MAY 2017 – Q&A**

**Question 1: Are you considering a hotel / thermal spa investment close to Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş.'s geothermal power plant site?**

**Answer 1:** No, we're not considering any type of tourism investment as we're an investment holding company focused on energy sector.

**Question 2: What is the value created out of Turcas group companies? Did all of your group companies start commercial operations?**

**Answer 2:** Out of 6 group companies, Shell & Turcas Petrol A.Ş. ("STAŞ"), RWE & Turcas Güney Elektrik Üretim A.Ş. ("RTG"), Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. ("TKJ") and ATAŞ are operational. Regarding Turcas Elektrik Toptan Satış A.Ş., it was decided to suspend its operations in 2015 due to still uncompleted liberalization process in the market. Turcas Yenilenebilir Enerji Üretim A.Ş. has four wind power plant projects which are awaiting for pre-license tender process by Energy Market Regulation Authority ("EMRA"). EMRA has not initiated the tender process yet.

We kindly suggest that our fuel distribution, lubricants and fuel storage subsidiaries, STAŞ and ATAŞ, should be evaluated as a bundle in our group structure. STAŞ also benefits from fuel storage capacity reserved to Turcas Petrol on behalf of its 5% direct stake in ATAŞ. Therefore, ATAŞ also contributes to STAŞ. STAŞ creates significant value for Turcas. STAŞ is one of the largest companies in Turkey with 2016 net sales of TL 16.8 billion. STAŞ, sector leader in gasoline and lubricants, recorded TL 242 mln net profit (after tax) in 2016. In this respect, STAŞ has made significant contribution to dividends distributed to our shareholders.

RTG is the owner and operator of 800 MW Combined Cycle Natural Gas Power Plant located in Denizli. Turcas holds 30% stake whereas RWE A.G. of Germany holds 70% stake in this investment. Following the start of commercial operations in 2013, electricity consumption growth rates and spot electricity prices started to decline. RTG is one of the most efficient natural gas power plants in Turkey. RTG also creates value for Turcas via shareholder loan repayments every year. It is expected to utilize additional value from RTG from 2018 and 2019 onwards, once the B-O-T and B-O contracts of some power plants will expire.

TKJ is the owner of 18 MW geothermal power plant project, which is expected to become operational by the fourth quarter of 2017. Total investment amount is approximately USD 70 mln. Turcas holds 92% majority stake in this project. Geothermal energy source was detected in all of the 8 geothermal wells drilled throughout the project. TKJ is expected to generate an annual EBITDA ("Earnings Before Interest, Tax, Depreciation and Amortisation") of USD 9-10 mln in 2018, once the power plant starts commercial operations.

**Question 3: Turcas Petrol shares are at very low levels, even compared to economic crisis periods, despite good projects. What is the reason behind?**

**Answer 3:** Back in 2007, total market capitalization of companies listed in Turkey was USD 700 bln. Today, this value eroded to USD 190 bln. This is a consequence of economic developments. Turcas was strongly impacted from this downturn due to its ongoing investments.

Another reason for Turcas share prices' low levels is the inadequate liquidity. In other words, there are not so many buying and selling transactions at Turcas shares. Our shareholders keep Turcas shares for a long time. We're continuing to look for opportunities that will increase liquidity of Turcas shares.

**Question 4: Would you consider buying a land in Cyprus and invest in fuel and/or natural gas?**

**Answer 4:** At Turcas, we are focused on creating synergies in all of our investments. In this regard, we're interested in projects focused on bringing natural gas from the other countries in the region and diversification of natural gas sources. However, we don't have any specific investment plan in Cyprus.

**Turcas Petrol A.Ş.**

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**Question 5: Turcas operates in regulated sectors. Do you think that share price will increase if you decrease your exposure in regulated sectors and invest in new sectors? Are you interested in shale gas investment? In general, new partnerships and/or share buybacks lead to higher valuations. What do you think?**

**Answer 5:** Although our current subsidiaries portfolio is exposed to regulated sectors, they balance each other, which is a positive factor. Fuel distribution & lubricants and power generation balance each other, while natural gas power plant and geothermal power plant balance each other as well. We believe that from now on, economic growth will be on top of Turkey's agenda, rather than regulations. This will positively impact Turcas' subsidiaries portfolio.

We're interested in all new energy fields that would create additional value for Turcas. We're looking at opportunities in unregulated sectors not only in Turkey, but also in abroad as part of our geographical expansion focus. For example, we're also interested in innovative energy storage investments. We regularly distribute dividends to our shareholders in order to partially compensate for our shareholders' unrealized valuation losses due to low level of Turcas share price. In addition, we had bought back Turcas shares, corresponding to 5.36% of paid-in capital. We still keep these shares. However, we believe that these type of solutions are only temporary. We also think that buying back shares and lowering liquidity of Turcas shares in the stock market can impact Turcas share price negatively.

**Question 6: Will the TKJ geothermal power plant be partially or fully operational by 4Q17?**

**Answer 6:** We're aiming to start commercial operations at TKJ fully, at once, by 4Q17.

**Question 7: Could you please provide information about Diyarbakır project?**

**Answer 7:** Diyarbakır 4.0 Project (Industrial Park Project) is Aksoy Holding's project, aimed at regional development of Turkey via successful growth and investments backed by industrial parks, as already applied in Singapore and China. It is more suitable to answer questions related to Turcas Petrol during Turcas Petrol's Annual General Assembly.