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**SUBJECT** : **Summary of 1H19 Earnings Teleconference**

Aksa Energy closed the first half 2019 with successful financial results, increasing its consolidated net profit by 170% from TRY 85 million to TRY 229 million year-on-year. In 1H2019, the Company recorded TRY 2,313 million in revenues and TRY 752 million of EBITDA; and increased its EBITDA margin by 10.6 percentage points from 21.9% to 32.5%. Hard currency denominated overseas contracts accounted for 74% of EBITDA.

The outline of "1H2019 Overview Teleconference", which has been held today, is presented below to our stakeholders and the presentation in English is available at http://www.aksainvestorrelations.com/presentations/financial-presentations/ .

## The Sector

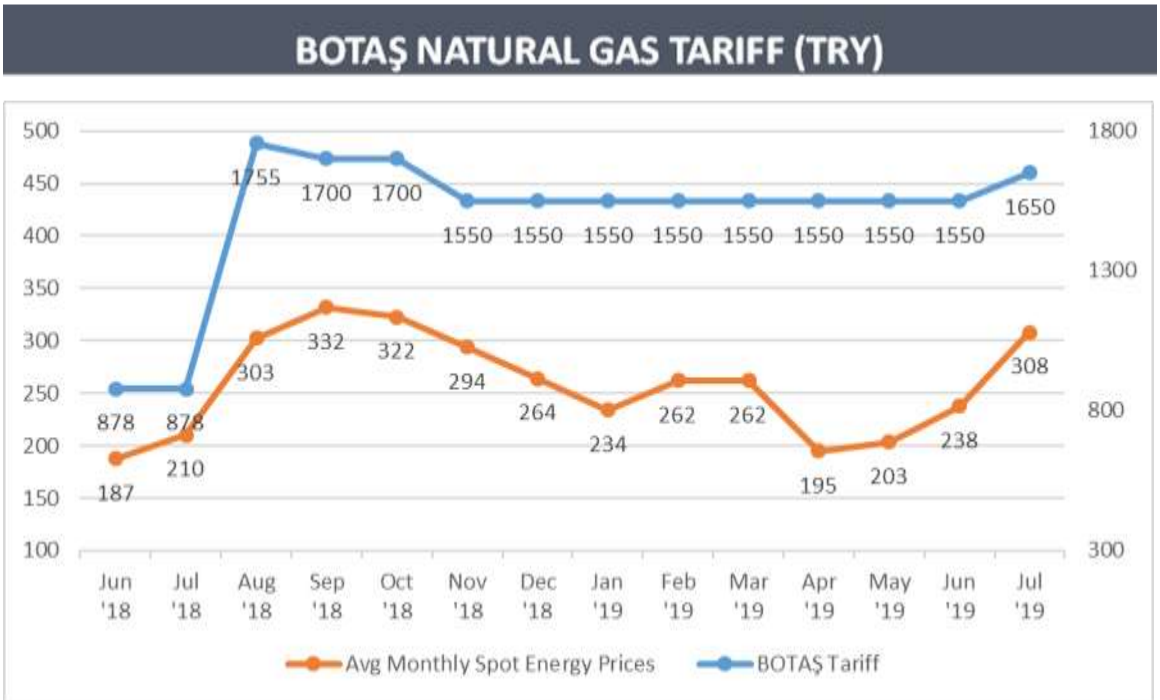
The total installed capacity of Turkey increased by 3,173 MW YoY, reaching 90,375 in 1H2019. Thus, the installed capacity of Turkey increased by 26% with the commissioning of 18,772 MW new capacity in the last 5 years. When new and decommissioned capacities are netted off, there is a YoY increase of 841 MW in coal & lignite, 527 MW in wind, 466 MW in hydroelectric and 90 MW in natural gas capacities in 1H2019. The most notable capacity increase is seen in unlicensed power plants, which rose from 4,924 MW in 1H2018 to 5,812 MW in 1H2019. Unlicensed solar power plants account for 763 MW of this 888 MW growth in unlicensed capacity.

Electricity generation and consumption throughout the country in 1H2019 were comparable to those of 1H2018. The share of generation via natural gas decreased from 29% in 1H2018 to 16% in 1H2019. On the other hand, generation from hydro made up of this decrease with its share increasing to 38% from 23% in 1H2019 due to heavier rainfall compared to the same period last year.

Hydroelectric power plants have the largest share in the installed capacity with 32%, followed by natural gas with 29%, coal with 22%, wind with 8% and others with 9%. In terms of generation by fuel type, generation from hydro was the highest with 38%, followed by coal with 34%, natural gas with %16, and wind with 7%. The remaining 5% was generated by other resources.

The cost of natural gas, which was TRY 800/thousand $Sm^3$ at the beginning of 2018, surged to TRY 1,755/thousand $Sm^3$ in July 2018. With the loosening in Brent Oil prices and USD/TRY exchange rate, it closed the year 2018 at TRY 1,550 TRY/thousand $Sm^3$, corresponding to an increase of 94%, and remained at TRY 1,550 TRY/thousand $Sm^3$ also in the first half of 2019. The spot market energy prices, on the other hand, increased by 28% from TRY 181 in 2Q2018 to TRY 232 in 2Q2019.

The spot energy prices remained particularly high between August and September 2018 due to the increasing natural gas prices, before starting to fall as of October 2018, and decreased by 16% from TRY 253 to TRY 212 QoQ in 1H2019, reflecting the effect of the increase in low-cost hydropower generation due to heavy rainfall. The graph of natural gas costs and weighted average spot market energy prices is presented below.




In July 2019, natural gas tariff for electricity generation increased by 6.5% to TRY 1,650/thousand $Sm^3$, while average spot energy price rose to TRY 308, 45% higher than the market clearing price of 2Q2019.

## Operations

Aksa Energy's total installed capacity is 1,946 MW.

In 1H2019, the revenues increased by 12% YoY to TRY 2,313 million thanks to the increase in spot energy prices in Turkish market and the guaranteed sales of hard currency denominated contracts in the TRNC and African PPs.

The high profit margins of the Northern Cyprus and African PPs continued to effect EBITDA and the net profit positively, despite the negative impact of increased natural gas prices on the profit margins of domestic natural gas power plants. In 1H2019, Aksa Energy recorded TRY 752 million of

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and TRY 229 million of consolidated net profit.

In the first half of 2019, Aksa Energy recorded 7,130 GWh of energy sales, 6,215 GWh of which was generated by the power plants in Turkey and 915 GWh by the overseas PPs in Northern Cyprus, Ghana, Mali and Madagascar.

## Domestic Sales

In 1H2019, Aksa Energy's total electricity sales volume in Turkey decreased by 7% YoY from 6,652 GWh to 6,215 GWh.

In the first half of 2019, Aksa Energy recorded a sales volume of 6,215 GWh in Turkey, a considerable portion of which was sold on the spot market. Pursuing a strategy focused on profitability rather than sales volume, the Company significantly aligned its power plant operations with the peak-price periods in the spot market. Accordingly, spot market sales constituted 68% of the total domestic sales, OTC and bilateral agreements 30%, and the remaining 2% was sold to the group companies.

Due to thinner spark spreads, driven by a 76% increase in natural gas costs over the past 12 months, the Company operates its natural gas combined cycle power plants at peak times, following a strategy focused on profitability rather than volume. Furthermore, Bolu Göynük Thermal Power Plant underwent planned maintenance between April-June. As a result, generation by domestic power plants decreased by 7% YoY in 1H2019. This decline is offset by the cost reduction as a result of the downtime due to planned maintenance.

The spot price increase has improved the profitability of the local coal-fired Bolu Göynük Thermal Power Plant. The increase in natural gas costs due to the increase in FX rates in the second half of 2018 led to a surge in spot energy prices, creating to a positive impact on our coal-fired power plant, which sells nearly half of its production on the spot market. The remaining portion of the Plant's production is sold to EÜAŞ as part of the tender for the "Purchase of Electricity from Private Companies Operating Only Domestic Coal-Fired Power Plants". The purchase price, which is partially pegged to the USD, was 285 TRY/MWh in 1Q2019, and increased to 298 TRY/MWh in 2Q2019. The price of TRY 298 set for the second quarter of 2019 is higher than the weighted average market clearing price of TRY 212 in 2Q2019. The price is set at 317.16 TRY/MWh for the third quarter.

Furthermore, as part of the Regulation on the Electricity Market Capacity Mechanism, Ali Metin Kazancı Antalya Natural Gas Combined Cycle Power Plant and Bolu Göynük Thermal Power Plant received TRY 59 million in capacity payments in 2Q2019.

## Overseas Sales

Aksa Energy boasts four power plants in TRNC, Ghana, Madagascar and Mali. Additionally, the rehabilitation of a 24 MW power plant (CTA-2) in Madagascar was carried out on behalf of the country, which became operational with the commissioning of 12 MW on 6 December 2018 and the remaining 12 MW on 8 January 2019. The electricity generated at CTA-2 Power Plant is being sold to Jirama via guaranteed sales (take-or-pay) in US Dollars for a duration of 5 years.

The sales tariffs of Aksa Energy's overseas power plants, including the one in TRNC and CTA-2 Power Plant, which is operated on behalf of Madagascar, consist of two components:

The first component is the guaranteed purchase tariff (take-or-pay) that yields a fixed income on the basis of a guaranteed capacity held at disposal for electricity generation on behalf of the country. This component, called capacity payment, yields a fixed income through guaranteed payments received based on the contracts of individual power plants, regardless of their actual energy production or the country's current energy needs. The guaranteed (take-or-pay) capacity is 332 MW out of 370 MW in Ghana, 60 MW out of 66 MW in Madagascar, 30 MW out of 40 MW in Mali and 120 MW out of 153 MW in TRNC. Guaranteed capacity payments of CTA-2 HFO Power Plant, which is operated by Aksa Energy for five years until January 2024, are not collected on capacity basis but at a fixed monthly amount set forth in the contract.

The second component of the tariff is set up in the same way in all overseas power plants, including TRNC and CTA-2. This component encompasses the sale of electricity generated at a hard currency denominated price set in the contracts signed with each country. Production dispatch sent to the power plants varies according to the energy needs of the countries, seasonality or electricity generation of their renewable power plants. Therefore, this component of the tariff generates a variable income.

Despite potential negative impact of the changing energy demands, seasonality and electricity generation by renewable power plants, the contribution of the overseas power plants to Aksa Energy's profitability continues to be high, as the guaranteed (take-or-pay) purchases constitute the larger portion in Aksa Energy's sales tariffs. In 1H2019, our Company recorded a sales volume of 914,947 MWh in its power plants in Northern Cyprus and Africa, and 74% of EBITDA was generated in hard currency.

Having recorded a sales volume of 688,858 MWh in 1H18, the African power plants posted 564,609 MWh of sales in 1H19. On the other hand, generation rose by 8% QoQ. The main reason for the decrease in African sales volume is the decline in the country demands due to balance sheet management purposes, followed by utilisation of their low cost hydroelectric power plants. In these periods of low sales volume, African PPs continued to generate revenue from guaranteed take-or-pay sales, however, these are not included in the sales volume as they cannot be expressed in MWh. Therefore, due to lower sales volume, the average sales price surged from TRY 1,285 in 2Q2018 to TRY 1,377 in 2Q2019, on the back of the increased share of guaranteed capacity payments in total revenues and the sharp rise in exchange rates.

## Summary on the Developments in Overseas Contracts

**Ghana:** The installed capacity of Ghana HFO Power Plant rose from 280 MW to 370 MW, while the guaranteed capacity rose from 223.5 MW to 332 MW thanks to the 90 MW extension. As of the date of capacity increase (19 November 2018), capacity fees are charged on 332 MW. Negotiations are ongoing to extend the duration of guaranteed purchase agreement.

Increase in fuel prices combined with liquidity issues resulted in distortion in regular payments but the invoices are being collected with some delays. The standby Letter of Credit (SBLC) continues to provide payment guarantee in case needed. The SBLC confirmation is confirmed with Abu Dhabi Commercial Bank until the end of the current PPA.

**Mali:** Mali HFO Power Plant has been up and running with 40 MW installed capacity since September 2017. Negotiations are ongoing to increase the installed capacity and extend the duration of the agreement.

**Madagascar:** Madagascar HFO Power Plant has been up and running with 66 MW installed capacity since August 2017. We do not foresee any developments before 2021 concerning the Government's plan to build transmission lines for the installation of 54 MW capacity as part of the second phase of our agreement.

## Installed Capacity Changes/Portfolio Efficiency

**Manisa Natural Gas Combined Cycle Power Plant -** Aksa Energy submitted an application to Energy Market Regulatory Authority (EMRA) to revoke the generation license of Manisa Combined Cycle Natural Gas Power Plant, which has an installed capacity of 115 MW. The license was canceled on April 30, 2019.

## Financial Statements for 30.06.2019

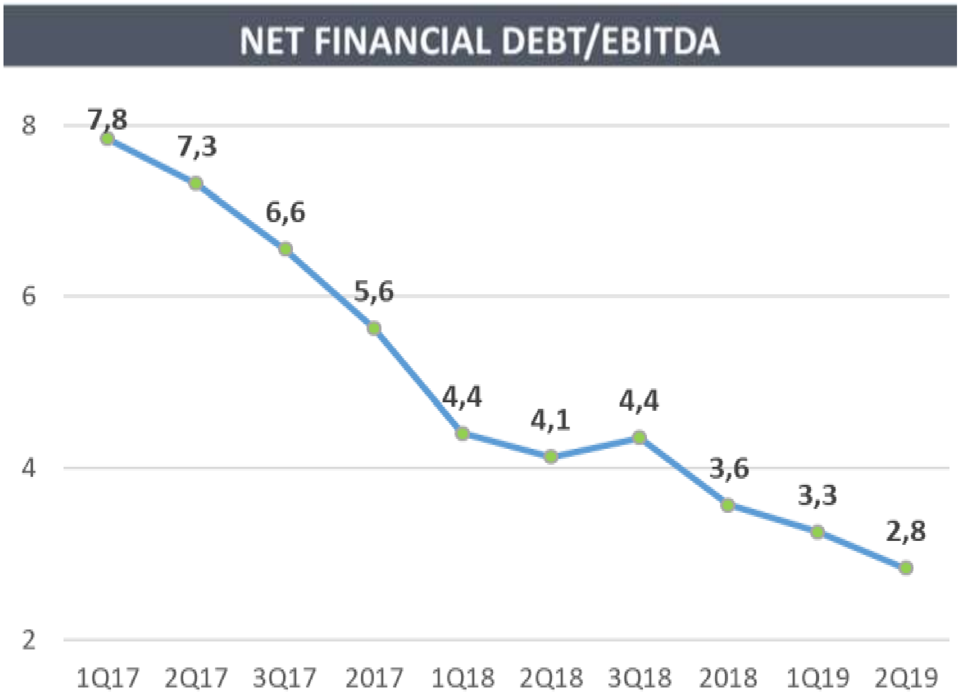
The positive effect of power plants in Africa on Aksa Energy's profitability is better reflected in 1H2019 financials. The revenue of Aksa Energy increased by 12% to TRY 2,313 million, while EBITDA rose by %67 to TRY 752 million year-on-year. In addition, gross profit and operating income increased by 96% and 105%, respectively year-on-year. Aksa Energy recorded TRY 229 million of consolidated net profit in 1H19 compared to TRY 85 million in 1H18, indicating a 170% increase. The EBITDA margin rose from 21.9% to 32.5% year-on-year, up by 10.6 percentage points.

In the first half of 2019, Turkey and Northern Cyprus accounted for 69% of our sales revenue, while the operations in Africa accounted for 65% of EBITDA. Moreover, since our power plant in Northern Cyprus sells electricity on a guaranteed basis at a fixed tariff denominated in US Dollars, the sales revenues of the power plants in both Northern Cyprus and Africa are realized in US Dollars. Therefore, 74% of our EBITDA was USD-based while 26% was TRY-based in 1H2019.

A comparative presentation of "Trade Receivables Due From Unrelated Parties", which include receivables from Africa, as at December 31, 2018 and June 30, 2019 is available on the balance sheet. Trade Receivables Due From Unrelated Parties rose from TRY 1.3 billion at year-end 2018 to TRY 1.8 billion in 1H19. The rise in foreign exchange rates accounts for around 12% of this 40% increase; whereas 11% stem from the increase in fuel-oil invoices billed to TRNC and Ghana governments as a result of the increase in fuel oil costs of the power plants in these countries, 13% from TEIAS (Turkish Electricity Transmission Company) and non-African receivables, and the remaining 4% from delayed payments in Africa.

The share of the main company in the TRY 228.6 million of consolidated net profit for the reporting period amounts to TRY 107.6 million whereas that of non-controlling interests is TRY 121 million. The main Company's share in net profit is more balanced compared to the previous quarter, as some of the rolling loans previously utilised to provide working capital matured and were renewed with new loans through our subsidiary in Ghana thanks to availability of favorable credit conditions. The Company plans to utilise loans through its African subsidiaries as long as the local credit conditions are more favorable.

Another positive development is seen in the Net Financial Debt/EBITDA ratio, driven by decreased FX-based liabilities through renewable asset sales and increased FX-based EBITDA with the commissioning of African PPs as of 2018. Thus, the ratio decreased from 7.8x in 1Q2017 to 2.8x in 2Q2019, thanks to the strong contribution of African sales. The net financial debt/EBITDA graph showing the quarterly evolution is presented below.




As at 2Q19, 56% of our bank loans is denominated in TRY, 41% in USD and 3% in EUR.

Having carried a net financial debt of USD 860 million in 2015 – the year Aksa Energy signed a contract with the Government of Ghana - Aksa Energy reduced that figure by USD 124 million in YE2017 via asset sales, and further decreased it to USD 657 million in 1H2019 thanks to the positive contribution of African PPs.

Respectfully announced to the public and our esteemed investors.

*We declare that the above disclosures are in accordance with the principles set out in the Communiqué Serial: VIII, No: 54 of the Capital Markets Board and fully reflect the information we have received on this matter; the information is consistent with our books, records and documents; and that we have shown all the necessary efforts to obtain accurate and complete information on the subject matter and we are responsible for these statements.*