

AKSA ENERJİ ÜRETİM A.Ş.

Material Event Disclosure (General)

Summary Info

The Effect of Natural Gas Price Hike on Aksa Energy

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Explanations	

BOTAS, State's natural gas import and sales company, has increased the price of natural gas utilized for electricity generation by NGPPs by 49.5% to TRY1,312 per thousand cubic meter ("tcm") (equivalent of USD270/tcm) from TRY868/tcm (equivalent of USD177/tcm) effective as of today. Aforementioned gas price, announced as TL equivalent of USD270/tcm, is to be updated every month. And since NGPPs account for c.35% of the electricity generation in Turkey, this price formulation structure will result in a very tight correlation between Turkish spot market prices and USD/TL exchange rate

The natural gas prices for household, industrial and big size industrial (annual consumption of +300k cubic meters) have also been revised up by 9%, 9,% and 14% respectively. BOTAS had increased the price of natural gas sold to NGPPs and to large industrials by c.10% in April.

The Effect of the Price Hike on Aksa Energy

Prices - After the announcement of the price hike, the spot energy prices hit north of TRY 300, taking the average daily spot price to TRY 277 vs TRY 185 YTD representing a 50% increase. Therefore, as can be seen from the spot prices, the spot prices are correcting themselves, as NGPPs are the main price setters (along with coal to a certain extent) in the merit order.

Production & Sales – Aksa Energy has a turbine engine high efficiency (59%) NGPP in Antalya (1,150MW), engine driven peak-shavers in Manisa (115 MW) and Urfa (147 MW) (flexible start/stop to benefit from high prices during the day). Aksa Energy has switched mostly to spot sales in the last year. As at 1Q18, only 26% of the sales volume in pure Turkish business was sold by bilateral contracts. Therefore, for most of our portfolio, our NGPPs will benefit from the spot price correction, maintaining majority of the spark spread. However, higher prices will mean lower capacity utilisation rates especially for the engine driven NGPPs (Manisa &Urfa).

On the positive side – Aksa Energy's coal- fired power plant (CFPP), Bolu (270 MW), which is using domestic coal from an open pit mine where we have the concession rights will benefit from the higher spot prices. Cost of production in CFPP is very low compared to NG or imported coal. This power plant sells half of its production to the state company, as per a decree issued by the government to support local content use until the end of 2024, whereby the sales price will be

revised each quarter by CPI and PPI. The 3rd quarter price was set at TRY226, 22% higher than the spot YTD prices. The other half of the generation from Bolu CFPP is sold mostly to the spot market, hence achieving a higher dark spread due to low cost but high spot prices.

To sum, lower capacity utilisation ratios can be expected at NGPPs, but the majority of the spark spread would be maintained to the correction in spot market prices and the composition of sales favoring spot market. Additionally, some of the margin loss will be compensated by the higher dark spread in Bolu CFPP. Finally, 82% of Aksa Energy's EBITDA is made up of overseas hard currency sales, therefore pure Turkish business takes up a small part, taking the edge off any changes in Turkish cost structure for Aksa Energy.

We proclaim that our above disclosure is in conformity with the principles set down in “Material Events Communiqué” of Capital Markets Board, and it fully reflects all information coming to our knowledge on the subject matter thereof, and it is in conformity with our books, records and documents, and all reasonable efforts have been shown by our Company in order to obtain all information fully and accurately about the subject matter thereof, and we’re personally liable for the disclosures.