

## **AKSA ENERJİ ÜRETİM A.Ş.**

### **Q&A DURING 2020 ORDINARY GENERAL MEETING DATED 19 JULY 2022**

**QUESTION 1:** Can we get information about the Kazakhstan tender?

**ANSWER 1:** The tender we won in Kazakhstan, Kızıldorda is a 240 MW combined heat and power plant project. While generating electricity, we are also planning to supply heat. We are planning to do setup new machines. We aim to be operational by 2025. Now, we will have other processes such as contracts, permits, closing the financing, connecting machinery and equipment. Within the scope of the tender, we aim to receive a capacity cost for 15 years.

**QUESTION 2:** Antalya power plant is not operating at full capacity. Will you take the idle capacity to Kazakhstan or will you procure it from the market?

**ANSWER 2:** Our Antalya power plant serves Secondary Frequency Control (SFK) market mostly. Therefore, rather than looking at the capacity factor and production figures only, it is necessary to evaluate them together with the SFK instructions given. When we evaluate in this way, our Antalya power plant works efficiently. The commercial capacity utilization rate of the power plant for first 6 months is 86%. Therefore, there is no idle capacity at the Antalya power plant.

**QUESTION 3:** When will Kazakhstan reflect on financials? Why will it take 3 years? Earlier projects were implemented in a shorter time.

**ANSWER 3:** We plan to commission the Kazakhstan project in 2025. Within the scope of the tender, there is also project development. Due to processes such as electricity and heat contracts and getting permissions, the project will progress as it should.

**QUESTION 4:** As of April 1, the price of domestic coal-fired power plants has been determined as 1,200 TL by EPIAŞ. However, this price is also increased according to a certain formula. What is this price level right now? Can you briefly talk about this formula?

**ANSWER 4:** As of April 1, maximum settlement prices for electricity generators have been published for all sources, not just coal. There are several escalations. These prices are published at the end of each month. According to our current forecasts, this price seems to be around 1.410 TL for current month. In gas power plants, this price seems to be around 2,900 TL. For gas power plants, there is also the cost of natural gas, which is our biggest input in escalation. Therefore, we can assess that we bear no risk. The maximum settlement price application is expected to continue until 1 October. There has been some normalization in margins for coal power plants. On the other hand, there was no negative impact on our gas power plants in terms of working hours and margins. We expect these prices for our Göynük coal power plant to increase in parallel with inflation. While our sales price to EÜAŞ at our Göynük power plant was 5.5 US cents last year, we are now selling at 8 US cents.

**QUESTION 5:** Has the Kazakhstan investment amount been determined? Will it get a share of the 1.8 billion TL investment plan this year?

**ANSWER 5:** Detailed feasibility studies for our Kazakhstan investment is ongoing. The investment amount has not been determined yet. We do not expect it to get a share from this year's investment plan.

**QUESTION 6:** What is the status of the gas conversion project at the Ghana Power Plant? What is the status of the Ghana contract? Are new investments being considered?

**ANSWER 6:** As part of the dual fuel conversion project in Ghana, we converted 5 of 22 engines. Two of them are planned to be converted by the end of July. The Ministry of Energy of Ghana also prefers to operate the power plant with half gas-half fuel-oil source. If there is a demand for conversion to natural gas in the coming period, a re-evaluation will be made. We have 1.5 years left until the expiration of our Ghana contract. Our contract negotiations are ongoing. We plan to make the necessary explanations when it comes to the end. Ghana is among the countries we focus on. For this reason, we are also evaluating new investment alternatives in Ghana.

**QUESTION 7:** Is there any progress regarding the conversion to natural gas or the transfer of machinery regarding the TRNC power plant?

**ANSWER 7:** Due to the excessive increase in LNG prices, the feasibility of converting to natural gas is not rational for the TRNC. We plan to put it on our agenda again when there is a normalization in LNG prices. Energy demand is also expected to be a determining factor. Capacity increase may be considered if requested from the Cyprus Ministry of Energy.

**QUESTION 8:** What kind of investments do you intend to make in the field of Renewable Energy?

**ANSWER 8:** Demand for Renewable Energy is at a good level. Financing opportunities in this area are also quite diverse. On the other hand, the European Union included natural gas and nuclear energy sources within the scope of sustainable energy last month. Thus, EU decided to support these investments as well. Although renewable energy offers great opportunities, base load power plants are still needed because it is not a stable energy type. Therefore, as Aksa Energy, we continue our work on both base load power plants and renewable energy in a balanced way. In this context, we have both domestic and international studies on solar and wind power plants. We are developing a 35 MW hybrid SPP project at our Bolu Göynük power plant. Permission phases of the project is ongoing. As we previously announced, we also won the tender for 35 MW YEKA-GES. Permission processes are ongoing in these tenders as well. In addition, we continue to work on energy storage (independent or hybrid).

**QUESTION 9:** Do you have any predictions about the projects in Ukraine?

**ANSWER 9:** We made our negotiations for two combined heat and power plants in the cities of Odessa and Izmail in Ukraine. However, before we started the investment, we stopped our projects there because the Ukraine-Russia war broke out. As of the current situation, energy demand in Ukraine is increasing. Our experience in Ukraine helped us in our Kazakhstan project. We plan to focus on our projects again when normalization takes place in Ukraine.

**QUESTION 10:** Is the reason for the appointment of Naci Ağbal to the Board of Directors is the appointment of a person who has credibility for a foreign investor in a possible secondary public offering to the Board of Directors?

**ANSWER 10:** The secondary market offering decision is at the discretion of Kazancı Holding, our main shareholder. We expect Mr. Naci Ağbal to support Aksa Energy in its globalization steps. The appointment of Mr. Ağbal has no relation with the secondary market offering.

**QUESTION 11:** Are there any discussions regarding power plant installation in Latin America?

**ANSWER 11:** We have previously carried out preliminary studies and visits to Latin America. Latin America is among the markets we are interested in. As Aksa Energy, our priority is the African, European and Central Asian (Independent State Countries) markets. We expect that investments in Kazakhstan and Uzbekistan will create good references for Aksa Energy.

**QUESTION 12:** Is the 15-year agreement with Kazakhstan a Build-Operate-Transfer style?

**ANSWER 12:** No. It is a private generation company (for example Antalya Power Plant in Turkey)

**QUESTION 13:** Secondary prices have increased a lot. Do we sell secondary service to the government? If yes, how is the collection performance?

**ANSWER 13:** We have a significant amount of secondary services in our Urfa and Antalya power plants. Almost all of our sales are made to TEİAŞ. There were some deviations in payments. However, it is in a manageable state at this stage. Currently, there is no problem with collection. There is no ceiling price as the maximum settlement prices are not valid for secondary prices. Good margin levels are therefore achieved. Secondary services have a very important place in the activities of our gas power plants.

**QUESTION 14:** Does a subcontractor do the mining in Göynük? For how many years do you make the deal?

**ANSWER 14:** Yes, at our Bolu Göynük power plant, the stripping operations are carried out by a subcontractor. With the option of 2 years + 1 year extension, the contract is made in 3-year periods. The next contract is planned to be concluded in 2023. Outsourcing the pickling process is an economically advantageous model. Costs in pickling operations are mainly indexed to fuel (diesel) prices.

**QUESTION 15:** The cost of establishing a natural gas power plant has increased a lot compared to 2 years ago. I think the amount of investment in Kazakhstan is not clear yet. Can you make an assessment in this perspective?

**ANSWER 15:** Due to the increase in material and commodity prices, the investment amount has also increased. However, our tariff model in Kazakhstan is at a level to handle this increase.

**QUESTION 16:** There was an agreement process with Libya. At what stage are we in this process?

**ANSWER 16:** Our interest in the Libyan market continues. As we previously announced to the public, we signed a letter of intent. However, due to political turmoil, the negotiation process could not be concluded. We are waiting for the time when Libya will be politically stable. We will continue to evaluate opportunities in other areas, including the current project.

**QUESTION 17:** What kind of measures do we take on the financing side, at home and abroad? We are entering a period of interest rate hikes at the FED and ECB. What do you think about this?

**ANSWER 17:** We have a Finance and Financial Affairs Executive Committee. Through this Committee, we monitor the operational cash flow and our Turkish Lira/Foreign Currency position on a daily basis. We follow the changing market conditions instantly and provide healthy liquidity management. As you know, we have a long foreign exchange position due to our overseas operations. Our investment portfolio is at a financially balanced level within itself. As Aksa Energy, we have not suffered any damage so far due to the changes in the market.

**QUESTION 18:** Do you plan to update your EBITDA and turnover expectations after the 2nd quarter financials are announced?

**ANSWER 18:** We do not currently plan to change our current expectations. After announcing our 2nd quarter financial statements, we can make an evaluation by taking into account the market dynamics.

**QUESTION 19:** Is there any development in your company regarding the importation of Israeli gas to Turkey?

**ANSWER 19:** We are strategically interested in natural gas not only in Israel, but also in all sources around Turkey. However, there is no development regarding Israel yet.

**QUESTION 20:** Will the dividend distribution continue in the next period? Is it feasible to distribute dividends while investments continue?

**ANSWER 20:** We are paying dividends for the first time since public offering. Our priority is balanced and sustainable dividend distribution. The Board of Directors plans to make a decision every year by evaluating that year. However, our goal is sustainable investment and sustainable dividend distribution.

**QUESTION 21:** Are you considering installing electric vehicle charging stations?

**ANSWER 21:** Within the scope of the Holding, license applications are made for the electric vehicle charging station. However, no such activity is planned for Aksa Energy.

**QUESTION 22:** Do you find yourself sufficient in renewable energy? Do you have a special interest in geothermal field?

**ANSWER 22:** When we look at our entire portfolio in renewable energy, we can say that we are not satisfied with the current situation. We continue to take steps in this regard. Turkey has a great potential in renewable energy. We think that it will pave the way a little more, especially with the removal of the restrictions on connection permission along with storage in solar and wind power plants. The fact that the tenders received at the low prices in the tenders were not realized shows that these potentials are not fulfilled. Therefore, we do not restrict our market only to Turkey. We also focus on regions (with priority in Europe) with investment environment suitable for renewable energy.