

Rescue Partners Ltd.

Buy-side teaser

The Turkish Energy Market

October 28th 2009

Investment	Sector	IRR	Length	Country	Investor
Equity	Energy	Very high	Long term	Turkey	Institutional

Overview

Turkey is one of the world's fastest growing energy market. Annual electricity demand growth rate became 6.6% between 1995 and 2004 and is projected at 8.5% for the period 2005 to 2015, in line with the new supply and demand projections recently revised by the Ministry of Energy. Electricity consumption peaked to 150 billion kWh in 2004 and is envisaged to increase almost four-fold by 2020 reaching to 499 billion kWh. This requires installed capacity to increase about three fold, from about 43,896 MW in 2009 to 120,000 MW by 2020. These figures are well above the EU average and, combined with the low consumption levels per capita, are a solid indication of the sector vitality. The Turkish energy sector, with its current size in excess of \$35 billions and projected size of \$65 billions by 2015, together with the industry and regulatory restructuring process initiated in 2001, attracts local and foreign investors. Rescue Partners believes the sector needs over \$130 billion of new investment by 2020.

Turkish electricity market regulatory environment

TEK, the Turkish Electricity Agency was founded in 1970 to regulate generation, transmission, distribution and trade of electricity. In 1993 TEK was split in two bodies, TEAS, looking after the generation, transmission, and trade, and TEDAS, responsible for distribution. In March 2001 law 4628 was passed and TEAS further split into EUAS (Electricity Generation Corp.), TEIAS (Electricity Transmission Corp.) and TETAS (Electricity Wholesale Corp.). In 2003 Turkey signed the Athen's Memorandum and certain bi-lateral agreements. Subsequently, in 2004, TEDAS activities have been passed to the Turkish Privatization Administration which is responsible for selling the assets.

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Electricity Generation Privatization

Investments opportunities include the bidding for hydro and geothermal plants and geothermal natural resources. The bidding procedure is competitive. The Privatization Administration owns a company called Ankara Dođal Elektrik Üretim ve Ticaret A.Ş., in turn it owns power plants with a capacity in excess of 140 MW. The assets are being sold by the Privatization Administration through different procedures. The plants are the following:

Name	Location	Capacity	Type
Engil	Edremit/Van	15mw	Diesel
Denizli	Sarayköy/Denizli	15mw	Geothermal
Ataköy	Almuş/TOKAT	6mw	Hydroelectric
Beyköy	Sarıcakaya/ESKİŞEHİR	17mw	Hydroelectric
Çıldır	Arpaçay/KARS	15mw	Hydroelectric
İkizdere	İkizdere/RİZE	19mw	Hydroelectric
Kuzgun	Ilica/Erzurum	21mw	Hydroelectric
Mercan	Ovacık/TUNCELİ	19mw	Hydroelectric
Tercan	Tercan/ERZİNCAN	15mw	Hydroelectric

Natural gas

Turkish domestic natural gas generation is in development and requires investments. Many local companies took advantage of establishing natural gas power plants with a purchase guarantee provided by the Turkish Government.

Renewable Energy

Over 70.000 Mw of wind project applications have been filed to the Ministry of Energy in 2008 & 2009 (to date). Solar regulations is being implemented. Geothermal and hydropower have an incredible unused potential and truly offer substantial opportunities to foreign investors. Particularly, the hydropower sector in Turkey has one of the world's biggest potential. Turkey is extremely opened to any kind of innovative renewable technology.

Gasoline

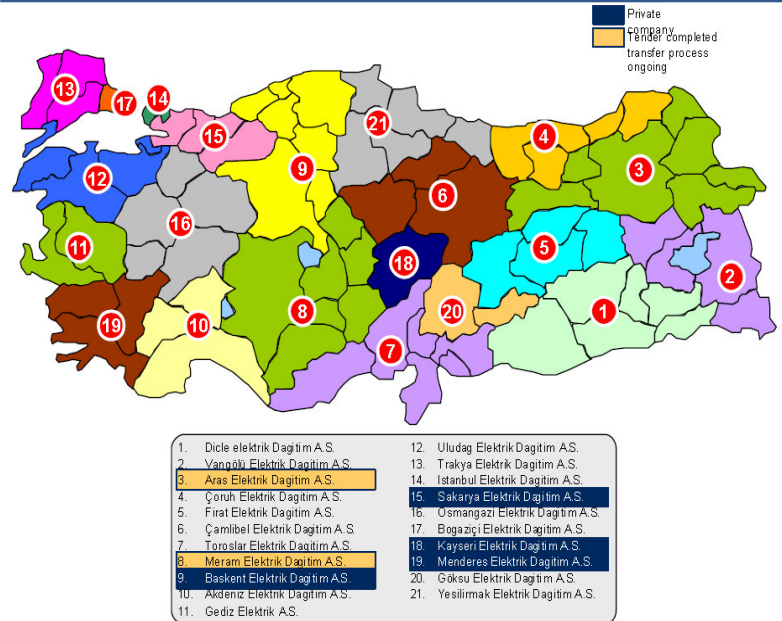
The market offers investment opportunities in distribution and sales chains. The Turkish market is dominated by Petrol Ofisi, Shell, BP, Opet, Lukoil, Uspet, Total and about more 15 smaller players. The market is very competitive, an opportunity to enter the country is taking over a smaller player and develop the business further starting from there.

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Electricity Distribution Privatization

TEDAS is selling 18 distribution companies, all together designated to cover the entire geography of Turkey. The dark blue highlighted have already been sold to private investors.

GEOGRAPHICAL COVERAGE OF DISTRIBUTION COMPANIES



The sale will be executed using a Transfer of Operating Rights ("TOR") backed by a Share Sale model ("TSS model"). According to the model, investors will be the sole owners of the distribution companies equity and the unique licensees for distributing electricity in each region. However, TEDAS will retain the ownership of the distribution network assets and of certain other items essential for operating the distribution assets. Investors will be granted a right to operate the assets through a Transfer of Operating Rights Agreement ("TOR Agreement").

TEDAS summary

TEDAS has a capital of about €1.5bn, employs over 22.000 staff, sells 134bn kWh per year and produces a net income of €9.5bn.

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Electricity Distribution Companies for sale and their related regions

Akdeniz Elektrik A.Ş. (Antalya, Burdur, Isparta İl sınırları)
Aras Elektrik A.Ş. (Erzurum, Ağrı, Ardahan, Bayburt, Erzincan, Iğdır, Kars)
Çoruh Elektrik Dağıtım A.Ş. (Trabzon, Artvin, Giresun, Gümüşhane, Rize)
Dicle Elektrik Dağıtım A.Ş. (Diyarbakır, Şanlıurfa, Mardin, Batman, Siirt Şırnak)
Fırat Elektrik Dağıtım A.Ş. (Elazığ, Bingöl, Malatya, Tunceli)
Gediz Elektrik Dağıtım A.Ş. (İzmir, Manisa)
Çamlıbel Elektrik Dağıtım A.Ş. (Sivas, Tokat, Yozgat)
Osmangazi Elektrik Dağıtım A.Ş. (Eskişehir, Afyon, Bilecik, Kütahya, Uşak)
Toroslar Elektrik Dağıtım A.Ş. (Adana, Gaziantep, Hatay, Mersin, Osmaniye, Kilis)
Uludağ Elektrik Dağıtım A.Ş. (Balıkesir, Bursa, Çanakkale, Yalova)
Vangölü Elektrik Dağıtım A.Ş. (Bitlis, Hakkari, Muş, Van)
Yeşilirmak Elektrik Dağıtım A.Ş. (Samsun, Amasya, Çorum, Ordu, Sinop)
Boğaziçi Elektrik Dağıtım A.Ş. (İstanbul ili Rumeli Yakası)
İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş. (İstanbul ili Anadolu Yakası)
Meram Elektrik Dağıtım A.Ş. (Kırşehir, Nevşehir, Niğde, Aksaray, Konya, Karaman)
Trakya Elektrik Dağıtım A.Ş. (Edirne, Kırklareli, Tekirdağ)

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We offer advisory services including, but not limited to, market analysis, deal origination, equity and debt financing advisory. Our local presence in Turkey is cemented in decades of business experience and industry knowledge. Our target for penetrating the Turkish energy market are institutional and corporate investors.

Rescue Partners offers corporate finance services and/or direct investments

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