Press Release
Istanbul – May 28, 2018

JCR Eurasia Rating, affirmed Odaş Elektrik Üretim Sanayi Ticaret A.Ş.’s Long Term National Credit Rating as ‘BBB (Trk)’ and Short Term National Credit Rating as ‘A-3 (Trk)’ with ‘Stable’ outlooks on both ratings.

Odaş Elektrik Üretim Sanayi Ticaret A.Ş. (Odaş, Company, Group) is group of companies operating in electricity generation & distribution, natural gas distribution and mining sectors. 140 MW natural gas-fired power plant in Şanlurfa and an 8.2 MW hydroelectric power plant in Trabzon provides the Group’s current energy output and 340 MW capacity coal-fired thermal power plant planned to be commissioned soon will significantly increase the existing power capacity. The Company’s mining ventures, including mining, gold, silver and antimony ores, continues to invest in capacity and production in this segment. Having realized a partial public offering in 2013, Odaş trades in Istanbul Stock Exchange.

Following the commencement of Çan Thermal Power Plant’s operations, which holds the largest share of the company’s assets, the facility will increase the revenue and cash flow to meet and stabilize the borrowing stemming from investments made in the past. High-calorie value coal reserves embedded in the power plant facility enables the Company to benefit from domestic coal incentives as well as access to market for direct sales. Capacity-based investment incentives, which are announced in addition to the existing subsidies such as purchase guarantee and price incentives, will significantly support the Company’s profitability and cash flows. The subsidized guaranteed purchase prices enjoyed by the hydroelectric power plant of the Group and Şanlurfa natural gas power plant selling electricity at prices well above the average spot electricity prices due to regional supply / demand conditions, support the profit margin of the energy segment.

The long-term EUR credit used for the Çan Thermal Power Plant during the investment process and the financing costs created by strong exchange rate movements put pressure on the balance sheet, notwithstanding the fact that loan repayments have not yet begun. On the other hand, the fact that the Çan Thermal Power Plant is expected to be operational in the June and that the related loan payment will start in 2019, reflects on the cash flow balance of the Company positively. Preservation of the transitory of exchange rates and increases in energy prices will help stabilize the effects of FX borrowing. The sustainability and access to the financing channels is important for the protection of the long-term potential of investments.

Çan Thermal Power Plant’s coal reserves with high calorific value and low operating cost, liquidity flexibility provided by the principal of capital investment loan, capacity-based incentive mechanism that Çan power plant will additionally benefit from, as well as the assets and investments that have low cost basis have been considered as strengths of the Group and constitutes the basis of the Long Term National Note which is affirmed as "BBB (Trk)". However, the impact of the EUR-based debt on the balance sheet, the price trend of energy prices and energy production input costs and the performance of energy projections of energy and mining investments will continue to be closely monitored. The Company’s Long-term International Local and Foreign Currency ratings were affirmed at the "BBB-" level, which is the country ceiling.

Considering the size of the ongoing and completed investments and the growth potential of the company, it is thought that Odaş’s shareholders, Özel and Altay Families, and the owners of the publicly held shares offering shares have the desire to provide Group support in case of necessity. On the other hand, it is thought that additional supply of capital through capital markets may be limited despite of the Company’s return potential due to cyclical developments. In this context, the Sponsor Support Rating of the company has been determined as (3) indicating sufficient level. In the light of the firm’s internal resource creation capacity, liquidity level and profit margins, Stand Alone Rating that shows the ability to meet Odaş’s obligations with their own means, irrespective of whether they receive their support from the outside, is affirmed as (B) indicating the sufficient level.

For more information regarding the rating results, you may visit our internet site http://www.jcrer.com.tr or contact our analysts Mr. Özgür Fuad ENGİN, CFA.

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