

2020/Q1

EARNINGS PRESS RELEASE

ORGE[®]
ELECTRICAL CONTRACTING

Mr. Volkan Bayram, PhD

CFO

+90 216 457 32 63

yatirimciiliskileri@orge.com.tr

Mr. Ertuğ Ersoy

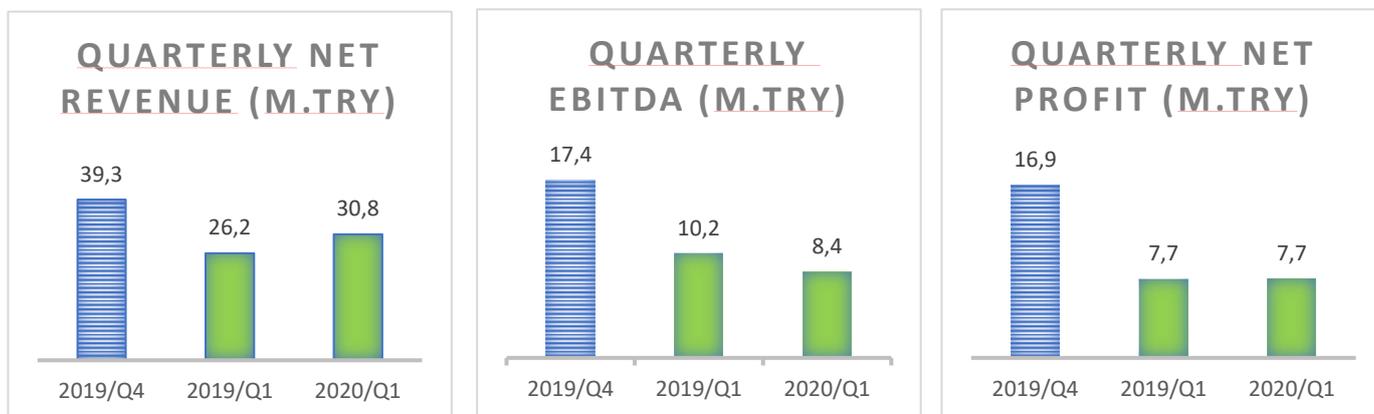
Investor Relations Manager

+90 216 457 32 63

yatirimciiliskileri@orge.com.tr

1. FINANCIAL AND OPERATING HIGHLIGHTS

1.A. FINANCIAL HIGHLIGHTS



Revenue in 2020/Q1 increased by 17.72% to 30.8 million TRY, compared to 2019/Q1. The increase of 4.6 million TRY was driven by:

- Increase in backlog and new work booked relative to 2019/Q1.
- Contract value appreciation in FX contracts due to currency depreciation.
- Contract value appreciation due to increase in contracting unit amount and prices.

EBITDA in 2020/Q1 decreased by 17.28% to 8.4 million TRY, compared to 2019/Q1. The decrease of 1.8 million TRY was due to:

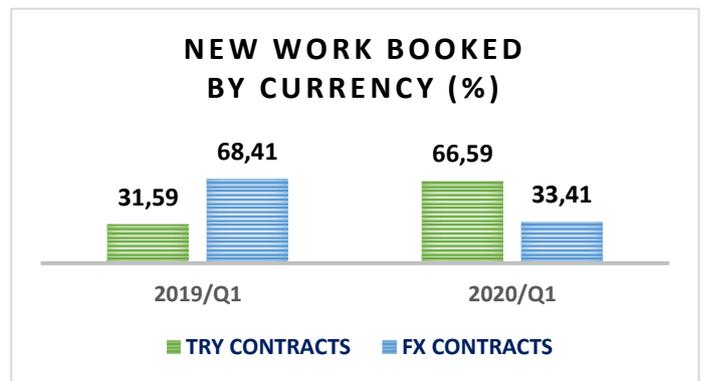
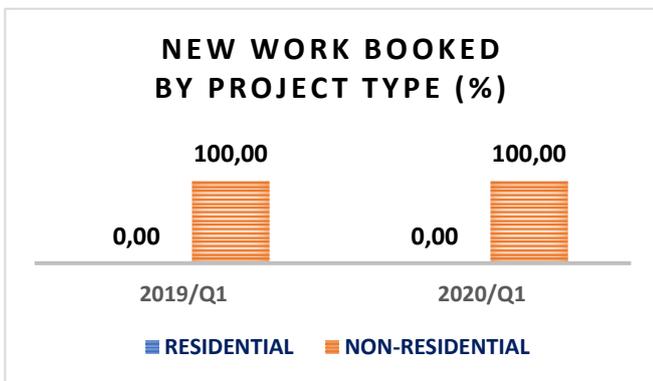
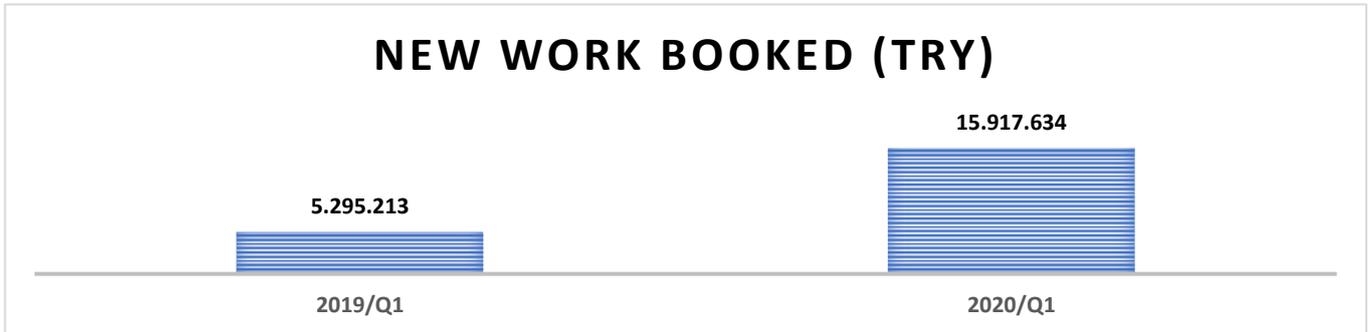
- Particular projects to be in their low-margin phase of life cycle.
- Net other operational income increase – lowering factor in EBITDA calculation.
- Conservative margin assessment for particular projects due to:
 - Project time extensions resulting in general cost and labor cost increases.

Net Profit in 2020/Q1 increased by 0.17% to 7.72 million TRY, compared to 2019/Q1. Stable outlook and higher realization compared to 2020/Q1 EBITDA were due to:

- Higher net financial income thanks to FX gains compared to 2019/Q1.
- Higher income from investment activities stemming from investment property sales and bank deposit interest gains.

1.B. OPERATING HIGHLIGHTS

1.B.1. New Work Booked



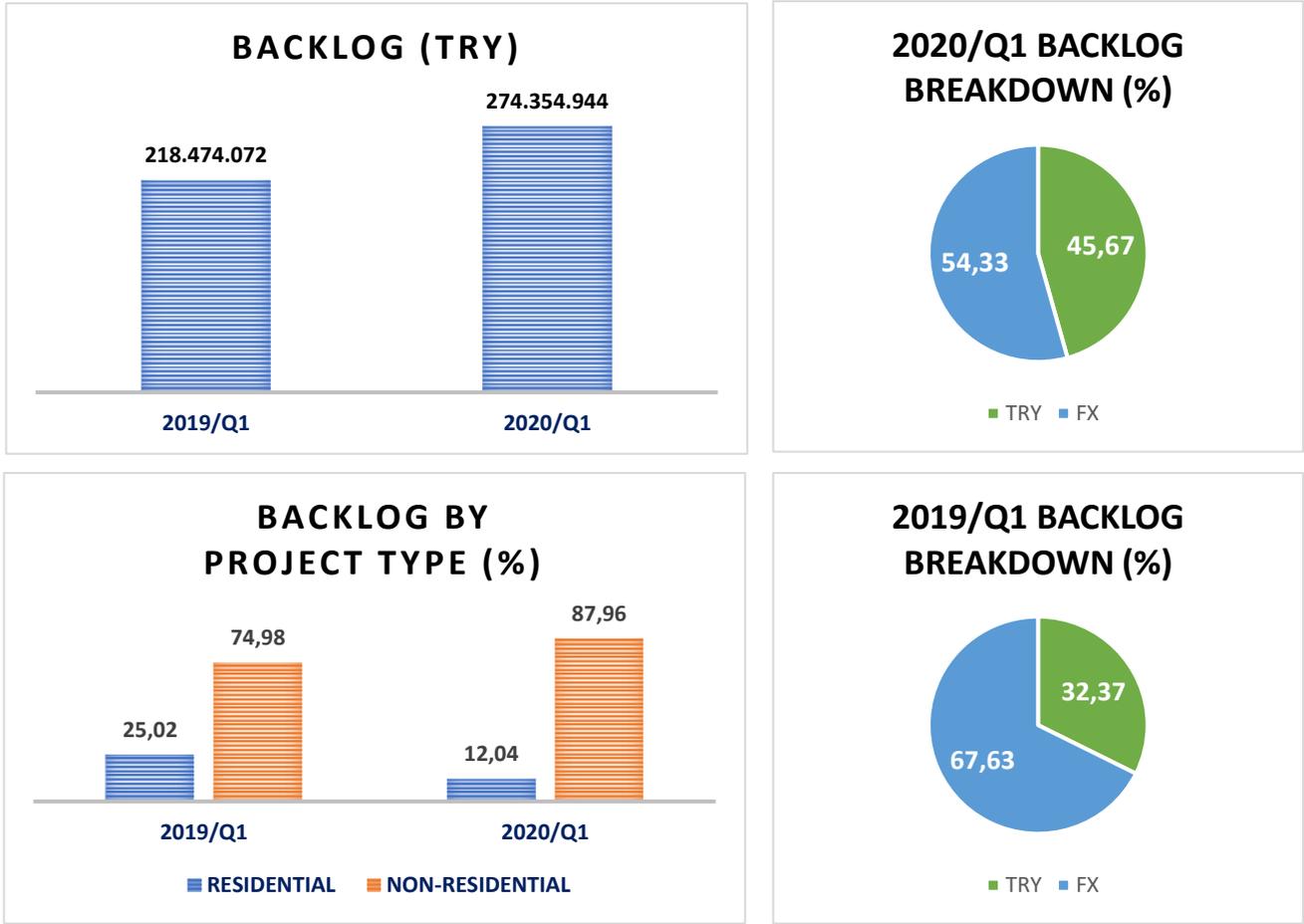
New work booked in 2020/Q1 reached 15,924,857 TRY+VAT, compared to 5,099,978 TRY+VAT in 2019/Q1.

- All new contracts are non-residential.
- 67% of contract value is in FX terms. TRY value in the rest of the contracts is protected by escalation provisions.

New Work Booked in 2020/Q1 is as follows:

- Fethiye Seke Tur Hotel Project: contract size of 10,600,000 TRY.
- Kabatas – Mecidiyekoy – Mahmutbey Subway Project: additional contract size of 736,137 EUR.

1.B.2. Backlog



Backlog reached 274,354,943 TRY+VAT* as of 31.03.2020, compared to 218,474,074 TRY+VAT* as of 31.03.2019.

*Sabiha Gokcen Metro Project contract (at the Employer signing stage) is included in calculations.

- Non-residential portion of backlog reached 88%.
- TRY-based contract value increased to 68% of backlog. Risk management is maintained in contract provisions regarding FX and inflation escalation in recent TRY-based contracts.

Latest ongoing projects with respective contract values are as follows:

PROJECT	CONTRACT VALUE	EST. COMPLETION
KOCAELİ INTEGRATED HEALTCARE CAMPUS	29,067,333 TRY + 5,619,267 EUR	SEPTEMBER 2020
İNİSTANBUL	34,229,074 TRY+5,488,088 EUR	SEPTEMBER 2020
BÜYÜKYALI	39,794,242 TRY	SEPTEMBER 2020
KABATAS-MAHMUTBEY SUBWAY	6,042,395 EUR + 2,750,549 TRY	SEPTEMBER 2020
YAPI KREDİ BANKING CENTER	25,695,760 TRY	OCTOBER 2020
EPIQUE ISLAND	22,237,930 TRY + 986,875 USD	SEPTEMBER 2020
ATATÜRK CULTURAL CENTER	22,000,000 TRY	OCTOBER 2020
İBN HALDUN UNIVERSITY	18,673,246 TRY	SEPTEMBER 2020
FETHİYE SEKE TUR HOTEL	10,600,000 TRY	OCTOBER 2020
DUDULLU BOSTANCI SUBWAY	1,946,114 EUR	SEPTEMBER 2020

1.B.3. ORGE's Covid-19 Related Actions and Expectations

"Covid-19", which was declared a pandemic by the World Health Organization (WHO) on March 11, 2020, has restrictive effects on many sectors of the economy, such as production, trade and transportation, as well as on human health in our country and in the world.

- In the current period, due to the Covid-19 pandemic, a temporary stop was implemented at one (out of 9) of our active construction worksites. As of May 13, 2020, all activities were resumed at this site.
- As of the announcement date of the financial statements, we do not have any projects that are stopped and/or postponed due to the epidemic.
- We plan to finalize the works in accordance with the work programs deemed appropriate by our clients.

1.B.4. Other Major Developments in 2020/Q1

- ORGE Employee Stock Ownership Plan was initiated. Company aims to align its interests with the employees' and increase contribution of the employees to the Company's profitability and efficiency by giving the employees shares, promoting unity and additionally motivating the employees.
 - Three long-time VPs will be assigned 45,000 nominal-value shares this year.
- Share buybacks are maintained. Beyond the financial structure and expectations of the company, ORGE share buybacks are maintained mainly in order to protect shareholders from the event risks and minimize their losses, as well as to provide outgoing investors an opportunity of liquidation without harming the existing investors. This quarter shares in the minimal value of 270,000 TRY were bought back.
- Authorized capital (AC) threshold that Company can raise capital with no need to get General Assembly approval increased to 250 million TRY. Previous AC was 50 million TRY and was fulfilled.

2. MANAGEMENT COMMENTARY ON THE RESULTS

ORGE completed the first quarter of 2020 putting great effort into meeting our sustainable growth commitments. Sticking to the strategy to increase market share in our focal sub-sectors, we have grown our subway contract base and also received a new contract from a very promising sub-sector – tourism – in a very promising land: Fethiye-Muğla.

Concerns on Covid-19 pandemic were taken seriously and we endeavored to protect our employees from the possible negative effects while maintaining the work at all our project sites. Only one project site had a temporary closure. We took care of all of our staff holistically. As of the disclosure day, all projects are ongoing.

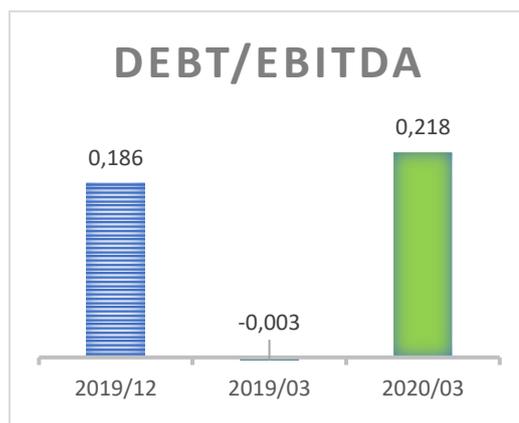
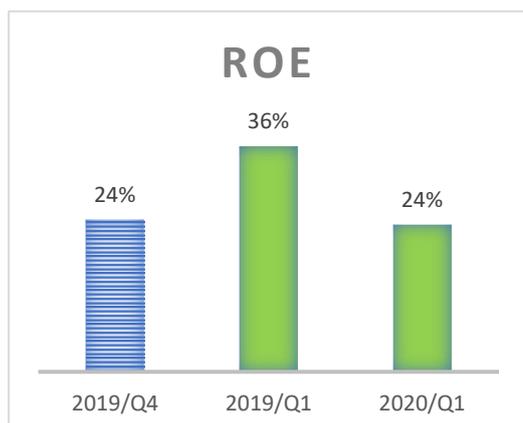
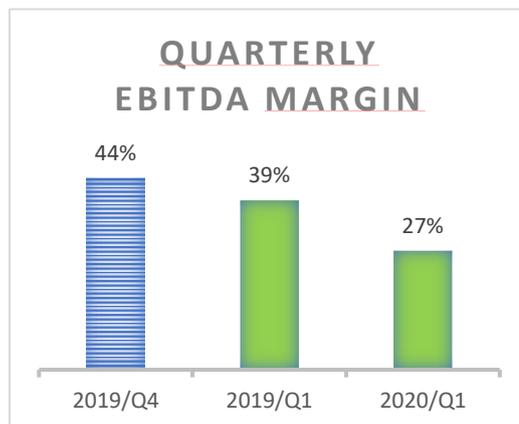
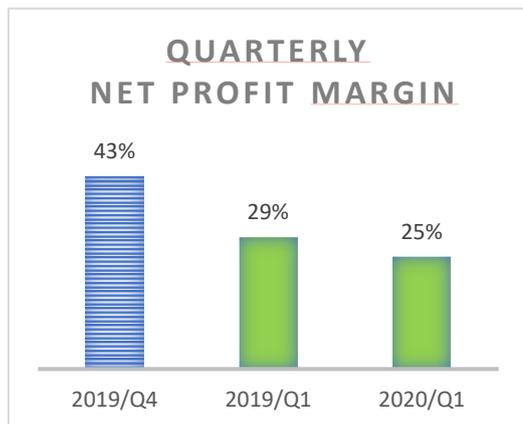
Our revenues keep up their pace even with negative effects of the pandemic. Our EBITDA margin decreased due to the seasonal and lifecycle effects of project base; however, thanks to our risk management policy we minimized the currency risk exposure and even had the benefits via our FX contract base and cash reserves, which resulted in a more acceptable net profit margin, especially considering the once-in-a-lifetime risk exposure our old world has faced.

As of the disclosure day, our base scenario is: continuation of normalization process, economic activity, indicators and prices; and their convergence to the expectations of the company. Base scenario currently holds; we believe the activities and financial status of the company will not be affected and we will meet our guidance.

3. KEY FINANCIAL DATA

Financial Data (TRY)	2019Q1	2020/Q1
Revenue	26,171,755	30,810,361
Gross Profit	11,369,053	9,915,173
Operating Profit	9,761,257	9,330,057
Profit Before Tax	9,882,791	9,969,268
Net Profit	7,709,476	7,722,788
Equity	144,954,751	192,411,189
Profitability Ratios (%)	2019Q1	2020/Q1
Gross Profit Margin	43.44	32.18
Operating Profits Margin	37.30	30.28
Net Profits Margin	29.46	25.07
Equity Profitability Margin	5.32	4.01
Liability Ratios (%)	12M2019	2020/Q1
Total Fin. Debt / Equity	24.11	29.44
Total Debt / Equity	58.90	62.00
Total Debt / Total Assets	37.07	38.27
Equity / Total Assets	62.93	61.73
Net Financial Liabilities (TRY)	10,309,312	11,724,127
Market Value as of 31.03	166,500,000	206,500,000

3.A. KEY FINANCIAL RATIOS



3.B. MANAGEMENT EXPLANATION ON THE VARIATIONS

EBITDA margin in 2020/Q1 decreased by 12% compared to 2019/Q1, mainly due to:

- Net other operational income increase – lowering factor in EBITDA calculation.
- Conservative margin assessment for particular projects due to:
 - Project time extensions resulting in general cost and labor cost increases.

Net Profit margin in 2020/Q1 decreased by 4% compared to 2019/Q1, mainly due to:

- Project time extensions resulting in general cost and labor cost increases.

Higher realization of Net Profit margin compared to 2020/Q1 EBITDA was due to:

- Higher net financial income thanks to FX gains compared to 2019/Q1.
- Higher income from investment activities stemming from investment property sales and bank deposit interest gains.

ROE in 2020/Q1 decreased by 12% compared to 2019/Q1, mainly due to:

- Significant increase in Equity (32.74%) thanks to 2019 profits.

Net Financial Debt / EBITDA in 2020/Q1 increased by 4%, mainly due to:

- Capital optimization by debt finance policy of company raised when all-time-low interest rates created a window of opportunity.
 - Average effective borrowing rate for the company was 25% in 2019/Q1, while only 9% for 2020/Q1.

4. KEY FUTURE OPPORTUNITIES

RAILWAY SYSTEMS OPPORTUNITY

- ECI – Early Contractor Involvement
- 2019-2023 plan: 518 KM
- Ongoing construction: 205 KM
- Finalized 17 subway tenders, est. amount of EUR 5.5 billion
- İzmir, İzmit – Subway Projects
- EMEA – Business Development
- **Est. electrical scope 12-20%**

PPP HOSPITALS OPPORTUNITY

- Project includes 31 hospitals
- Contracts signed for 20 hospitals
- 10 hospitals in operation
- 10 ongoing projects
- Total est. construction 12 million sqm
- Total est. investment USD 10 billion
- **Est. electrical scope 15-25%**

SMART BUILDINGS / ISTANBUL FINANCIAL CENTER OPPORTUNITY

- Istanbul Finance Center
- CBRT, CMB, BRSA
- Ziraat Bank, Halkbank, Vakıfbank, Halk REIC
- 800,000 sqm area, 2.5 million sqm construction area
- Total est. investment USD2 billion
- **Est. electrical scope 12-20%**

INDUSTRIAL & NUCLEAR POWER PLANTS OPPORTUNITY

- Sinop, Akkuyu, Kırklareli Nuclear Power Plants
- Akkuyu est. construction budget USD 20 billion
- 1st phase opening – 2023. Construction until 2027-2029
- Tax incentives for chemical, petroleum plants
- Industry 4.0 investments
- IT Complex, data center construction & renovations
- Cooperation with international contractors
- **Est. electrical scope 12-20%**

5. EXPECTATIONS AND EARNINGS GUIDANCE

Provided that the effects of economic, geopolitical, and political risks on new investments and sector will be minimized, with our fulfillment of our new contract expectations we project to increase our revenues by 20% and the average number of employees by 20%, and to secure our operating profit at the 2019 level.

Regarding the Covid-19 impact on our works, if our base scenario holds normalization process and economic activity will be on track to meet our expectations; we can reach our year-end goals as stated above.

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Company's financial statements are available on www.kap.gov.tr and www.orge.com.tr websites.

Mr. Volkan Bayram, PhD
CFO
+90 216 457 32 63
yatirimciiliskileri@orge.com.tr

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