

2020/Q2

EARNINGS PRESS RELEASE

ORGE[®]
ELECTRICAL CONTRACTING

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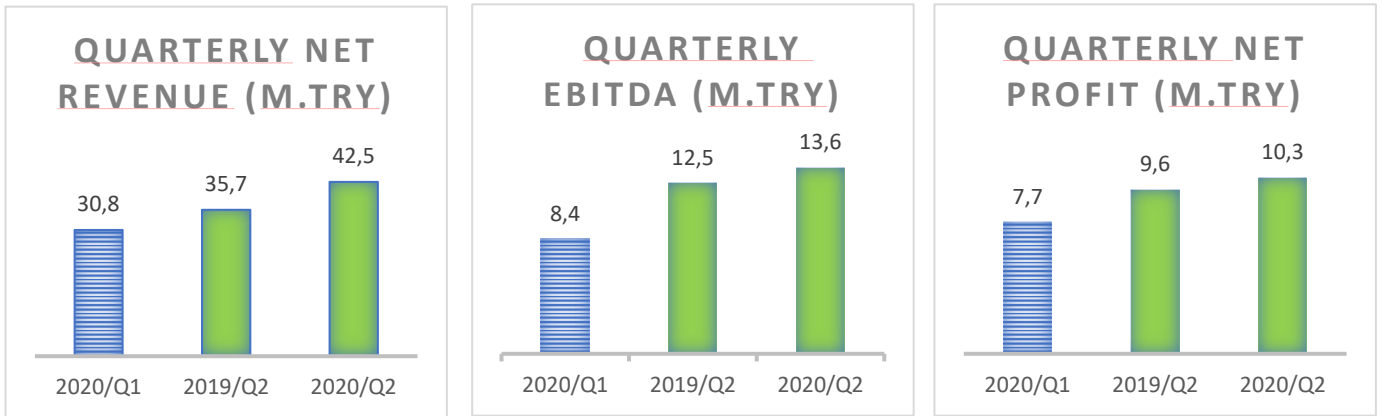
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1. FINANCIAL AND OPERATING HIGHLIGHTS

1.A. FINANCIAL HIGHLIGHTS



Revenue in 2020/Q2 increased by 19% yearly and 38% quarterly. Increase was driven by:

- Increase in backlog and new work booked by completion of Sabiha Gökçen Airport Subway Project contract signing.
- Contract value appreciation in FX contracts due to TRY depreciation.
- Contract value appreciation due to increase in contracting unit amount and prices.

EBITDA in 2020/Q2 increased by 9% yearly and 61% quarterly. Increase was due to:

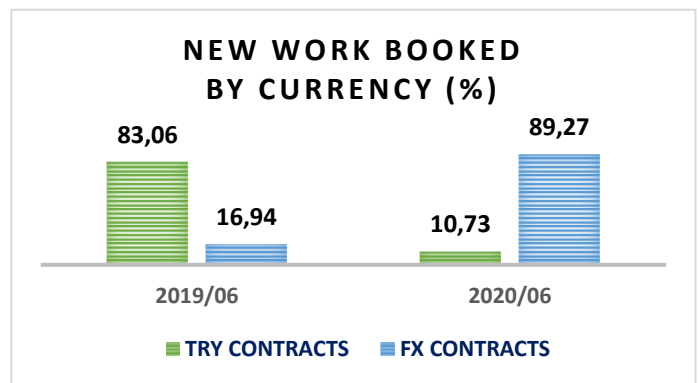
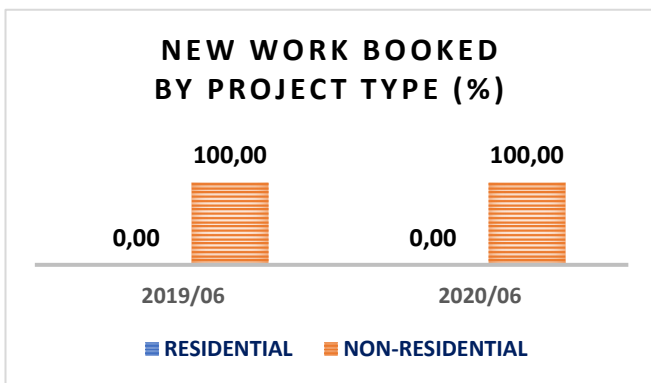
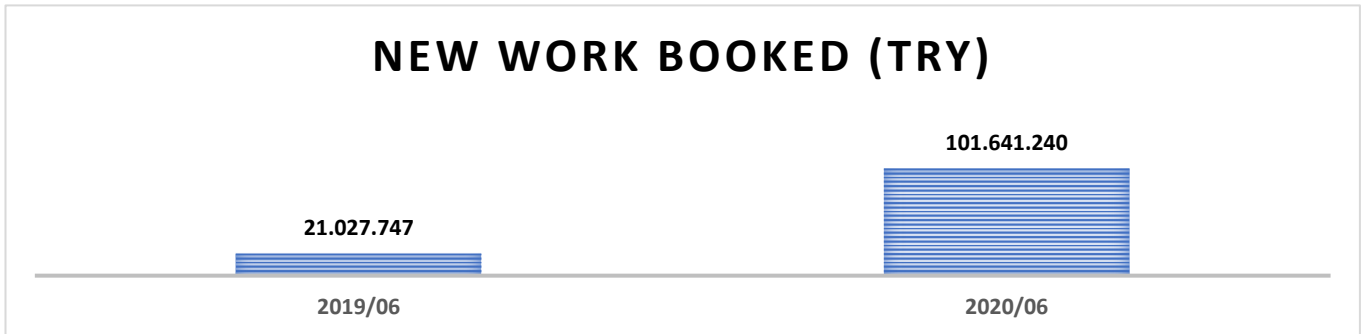
- More projects to be in their growth phase of life cycle and/or included in revenue recognition base compared to 2020/Q1.
- Margin appreciation due to increase in FX based prices and/or contracting new unit amount and prices in particular projects.
- Better than expected margin realization during the period company worked under Covid-19 precautions.
-

Net Profit in 2020/Q2 increased by 7% yearly and 33% quarterly. Reasons of limited increase comparing EBITDA are:

- Higher net financial expense -mainly bank credit interests expense- compared to 2019/Q2 and 2020/Q1.
- Higher loss from investment activities stemming from higher investment property sales compared to 2019/Q2 and 2020/Q1.

1.B. OPERATING HIGHLIGHTS

1.B.1. New Work Booked



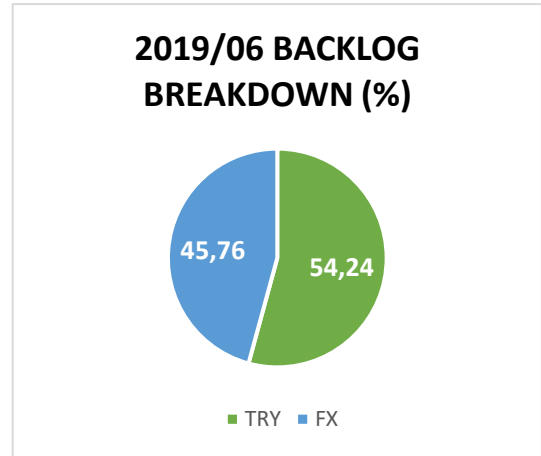
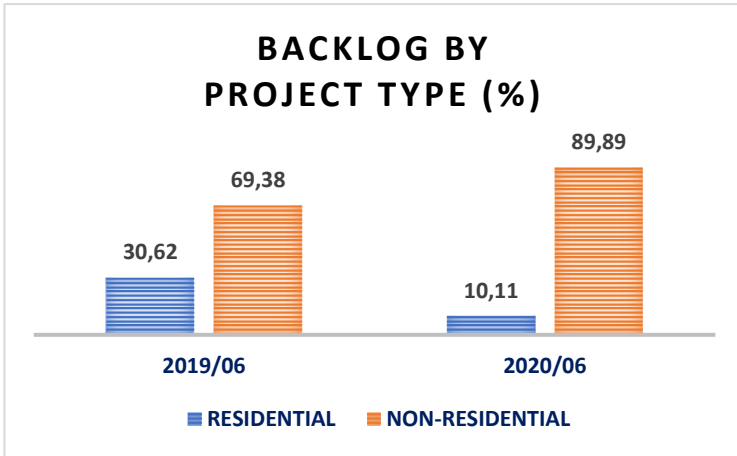
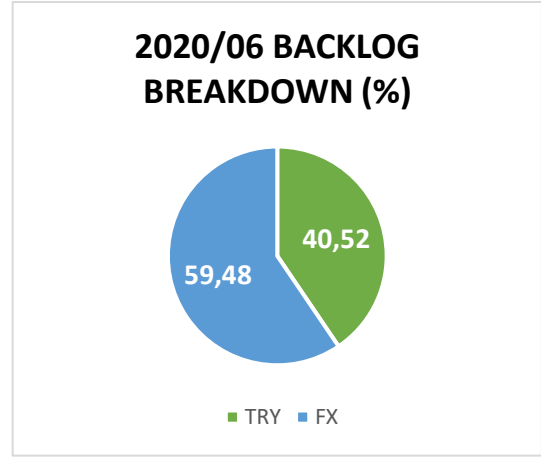
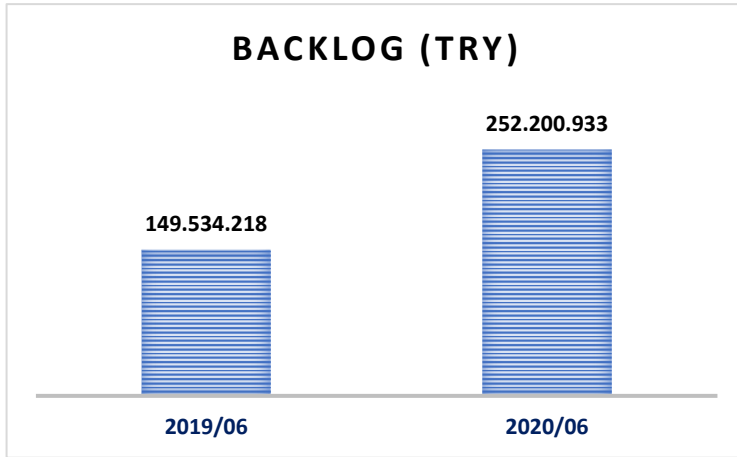
New work booked in 2020/6M reached 101,641,240 TRY compared to 21,027,747 TRY 2019/6M.

- Sabiha Gökçen Airport Subway Project Contract signing completed and re-classified in this quarter, previously classified in 2018 new works.
- All new contracts are non-residential.
- 89% 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.
- Sabiha Gökçen Airport Subway Project: 11,000,000 Euro

1.B.2. Backlog



Backlog reached 252,200,933 TRY* as of 30.06.2020, compared to 149,534,218 TRY * as of 30.06.2019.

*Sabiha Gökçen Airport Subway Project contract signing process completed and re-classified as a new work in 2020/Q2, thus omitted from previous backlog and 2018 new work calculations for more accurate new work/backlog time series presentation in line with company disclosure policy.

- Non-residential portion of backlog reached 88%.
- FX-based contract value increased to 59% 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
SABIHA GÖKÇEN AIRPORT SUBWAY	11,000,000 EUR	AUGUST 2021
KOCAELİ INTEGRATED HEALTCARE CAMPUS	29,067,333 TRY + 5,619,267 EUR	DECEMBER 2020
İNİSTANBUL	34,229,074 TRY+5,488,088 EUR	OCTOBER 2020
BÜYÜKYALI	39,794,242 TRY	DECEMBER 2020
KABATAŞ-MAHMUTBEY SUBWAY	6,112,061 EUR + 3,054,743 TRY	DECEMBER 2020
YAPI KREDİ BANKING CENTER	25,695,760 TRY	OCTOBER 2020
EPIQUE ISLAND	22,237,930 TRY + 986,875 USD	DECEMBER 2020
ATATÜRK CULTURAL CENTER	22,000,000 TRY	DECEMBER 2020
İBN HALDUN UNIVERSITY	18,673,246 TRY	SEPTEMBER 2020
FETHİYE SEKE TUR HOTEL	10,600,000 TRY	SEPTEMBER 2020
DUDULLU-BOSTANCI SUBWAY	1,946,114 EUR	DECEMBER 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. Since May 13, 2020, all activities were resumed at this site.
- As of the announcement date of the 2020/Q2 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/Q2

- ORGE Employee Stock Ownership Plan (ESOP) 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 were assigned total 45,000 TRY nominal-value shares this year.
- Share buybacks are maintained. Beyond the financial structuring needs, ESOP use 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.

After the end of Q2 additional shares of 216,334 TRY in nominal value were bought back and current balance of ORGE shares rose to 441,334 TRY nominal value and %0,883 of paid-in capital.

2. MANAGEMENT COMMENTARY ON THE RESULTS

ORGE completed the first half 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 with completion of signing stage of Sabiha Gökçen Airport Subway Project.

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. Since May 13, 2020 all projects are ongoing.

Our revenues keep up their pace even with negative effects of the pandemic, thanks to: our continuous work on all projects, increase in FX contract sizes due to TRY depreciation, increase in unit amounts and prices in particular projects and besides all mainly due to signing of a major contract and starting revenue recognition.

Our EBITDA margin decreased yearly considering the TRY depreciation and effects on particular overdue projects, but in better shape than 2020/Q1 due to cost advantage created by signing supply contracts in favorable terms and increase in unit amounts and prices in particular projects.

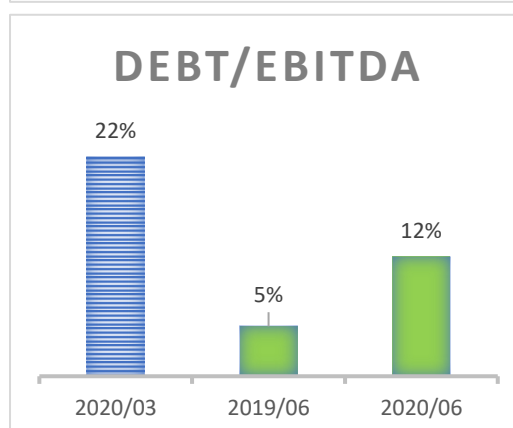
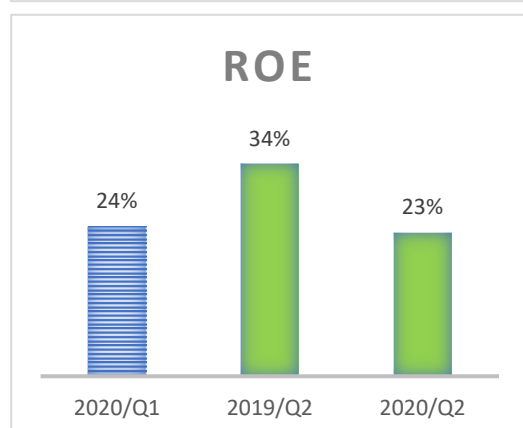
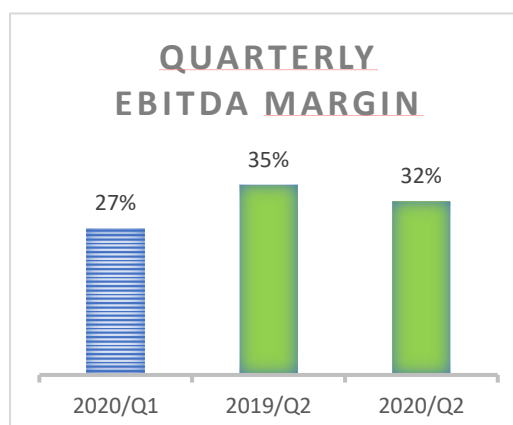
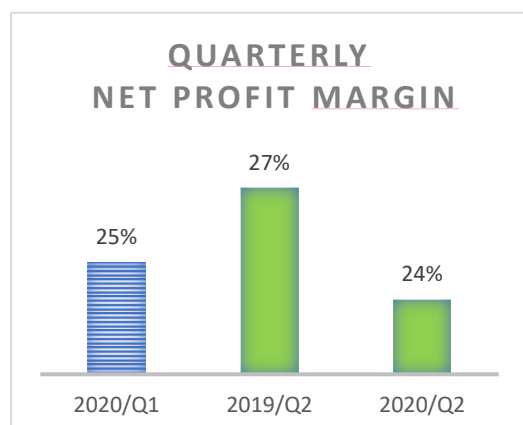
Thanks to our risk management policy we minimized the currency risk exposure on costs and even had the benefits via our FX contract base and cash reserves again. We faced one time investment losses during the selling of partial real estate portfolio and above average interest expenses due to increase on financial debt base. Consequently, we maintained a stable Net Profit Margin, we believe is a huge success considering the once-in-a-lifetime risk exposure our old world has faced in this quarter.

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)	2019/6M	2020/6M
Revenue	61,896,558	73,277,352
Gross Profit	24,736,403	25,068,333
Operating Profit	22,817,823	23,616,661
Profit Before Tax	22,459,369	23,231,011
Net Profit	17,329,688	17,979,136
Equity	154,432,518	202,656,134
Profitability Ratios (%)	2019/6M	2020/6M
Gross Profit Margin	39.96	34.21
Operating Profits Margin	36.86	32.23
Net Profits Margin	28.00	25.12
Equity Profitability Margin	11.22	8.87
Liability Ratios (%)	2019/12M	2020/6M
Total Fin. Debt / Equity	24.11	40.14
Total Debt / Equity	58.90	76.79
Total Debt / Total Assets	37.07	43.44
Equity / Total Assets	62.93	56.56
Net Financial Liabilities (TRY)	10,309,312	6,692,753
Market Value as of 30.06	173,500,000	332,000,000

3.A. KEY FINANCIAL RATIOS



3.B. MANAGEMENT EXPLANATION ON THE VARIATIONS

EBITDA margin in 2020/Q2;

Decreased by 3% compared to 2019/Q2, 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.

Increased 5% compared to 2020/Q1 mainly due to:

- Better than expected cost realizations on particular projects via favorable supply contracts,
- Increase in unit amounts and prices in particular projects.

Net Profit margin in 2020/Q2 decreased by 3% yearly and %1 quarterly, mainly due to:

- Higher net financial expense -mainly bank credit interests expense- compared to 2019/Q2 and 2020/Q1.
- Higher loss from investment activities stemming from investment property sales compared to 2019/Q2 and 2020/Q1.

ROE in 2020/6M stable compared to 2020/Q1, decreased by 11% compared to 2019/Q2, mainly due to:

- Significant annual increase in Equity (31%) thanks to 2019 profits while annualized net profit decreases 12% yearly and increases 1% quarterly.

Net Financial Debt / EBITDA in 2020/Q2;

Increased by 7% yearly, 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 28% in 2019/Q2, while only 8% for 2020/Q2.

Decreased by 9% quarterly, mainly due to:

- Increase in annualized EBITDA, and lowered net debt due to increase in cash and equivalents.

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.

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