

AKFEN HOLDİNG A.Ş.

Long-term National Credit Rating: **TR AAA**
Short-term National Credit Rating: **TR A1**
Outlook: **Stable**

Previous Rating
LTNCR: **TR AAA** STNCR: **TR A1** Outlook: **Stable** Date: 12.12.2019

Istanbul, December 14, 2020– The Long-term National Credit Rating of TR AAA and the Short-term National Credit Rating of TR A1 of Akfen Holding A.Ş. (hereafter Akfen Holding, the Company or the Group together with its partners) have been affirmed. The outlook remains stable. The negative effects of the Covid-19 epidemic, which reached global scale, on economic and social life worldwide in 2020 have been felt at different levels in many fields of activity in Turkey. In addition, a high depreciation of the Turkish Lira experienced during this period has aggravated the loss of income due to the epidemic for most of Turkish companies. As a natural consequence of this period, Akfen Holding's affiliates have also been affected at different degrees by this negative operating environment. However, thanks to its robust financial structure, experience and success in conducting the business, Akfen Holding has managed to maintain its financial structure and strength despite the adversities. It is predicted that the process of normalization expected in economic and social life will reflect positively on the activities of the Company in the upcoming periods. In addition to its strong equity, high liquidity and very low leverage ratio, the Company's experience in business development and its partnerships with nationally reputable companies and multinationals are factors supporting the ratings.

Position in the Sector: Initially founded by Hamdi Akın in 1976, Akfen Holding is one of the leading investment holdings in Turkey. Until now the Company has been successful in the privatization processes in various areas, especially in airports and ports and vehicle inspection within the framework of concession agreements. The Company has also invested in companies operating in the areas of airport management and operations, infrastructure and superstructure construction, seaport management, maritime transport, water distribution and waste water services, solid waste management, mining, city hotel management, insurance and reinsurance brokerage, PPP hospital management, energy and real estate beside the other investments. As of June 2020, Akfen Holding's total assets reached TL16.8 billion according to proportional consolidation. On the other hand, according to the consolidated independent audit report dated June 30, 2019, Akfen Holding has the total assets of TL 7.2 billion with its one subsidiary, nine affiliates and one financial investment, operating in the business.

Completed Investments: All investments of Akfen Holding's subsidiaries, which were continuing in the past, were completed and put into operation in 2020. After the opening of the Bodrum Loft Project, of which Akfen Construction was the contractor, in May, Tekirdağ City Hospital PPP project, of which the same subsidiary was both the contractor and the investor, was put into service in November. Akfen Renewable Energy's (ARE) IOTA Solar Power Plant (SPP) investment with an installed power of 13 MW in Malatya commenced generation in August. The cash-generating capacity of Akfen Holding and its subsidiaries which completed their projects, has further reached a high level.

High Capacity Reached in Renewable Energy: In recent periods, Akfen Holding has devoted its resources to investments of its subsidiary, Akfen Renewable Energy (ARE), in order to increase its the installed capacity. ARE had the total installed capacity of 324.2 MW, which was composed of 228.7 MW Hydroelectric Power Plant (HEPP) and 95.5 MW Solar Power Plant (SPP) at the end of 2018. In addition to its recently completed projects, ARE has acquired two Wind Energy Power Plants (WPPs) with a total installed power of 80.3 MW with the transfer agreement

signed in February 2020. As of today ARE has reached 706.0 MW in total, comprising of 235.7 MW HEPP, 121.4 MW SPP and 348.9 MW WPP. 699.36 MW capacity of these facilities benefits from YEKDEM¹. Pursuant to YEKDEM regulations, ARE has a guarantee to sell energy at the predetermined prices in dollar terms indexed to the current exchange rates for a period of 10 years after the plants are operational. Due to this characteristic structure of its revenues, ARE is expected to generate high amounts of profit in the upcoming periods. Also having two major international financial institutions, EBRD and IFC as partners, ARE's total paid capital increased to TL 1.016.031.947 with the capital increase process completed on February 17, 2020. As a result of this, Akfen Holding's share in the total capital became 66.91%, EBRD's share 17.10%, and IFC's share 15.99%.

Output Growth in Mining: Acacia Maden A.Ş. – of which Akfen Holding has acquired 30% shares, has finalized its copper mine investment in Gökırmak/Hanönü district of Kastamonu province and started to operate in March 2019. A total of USD 282 million investment expenditure has been made for the copper mine and USD 45 million of this amount was financed by project loans, wholly obtained from international financial institutions. Acacia Maden has an operational license for 14,000 hectares in total and the first phase on 1,950 hectares of the land started to operate. While 1.4 million tons of copper ore were processed and 55 thousand tons of copper concentrate were produced during the nine-month operating period of the last year, 1.3 million tons of ore were processed and concentrate production were improved to 76 thousand tons in the first nine months of 2020 due to the increase in the productivity. In addition, the total exports, which was USD 68 million in 2019, reached USD 105 million at the end of the third quarter of 2020.

Negative Effects of the Covid-19 Outbreak: While the negative operating environment owing to Covid-19 outbreak affected the majority of Akfen Holding subsidiaries to a very lower degree Akfen REIT and İstanbul Deniz Otobüsleri San. Ve Tic. A.S. (İDO) have been two subsidiaries which felt the industrial negativities intensely during this period. Akfen REIT, has a total of 20 hotels and an office building, located in Turkey, Russia and the Turkish Republic of Northern Cyprus. As hotel operations are run by companies outside the group, revenue sharing is made over the incomes and profits generated from the facilities pursuant to the agreement. As a result of the restrictions due to Covid-19 outbreak and the stagnation in the tourism sector, Akfen REIT's revenues decreased. For the most part of the summer season starting from March, 8 hotels in Turkey and 2 hotels in Russia remained closed. The hotel in the Turkish Republic of Northern Cyprus was out of service in April and May. The occupancy rate of hotels operating in Turkey was 66%, in Russia 56.1%, and general occupancy rate of the all hotels was 63.4% as of June 2019. Due to the impacts of the outbreak, the occupancy rate of the hotels operating in Turkey dropped to 31.2%, in Russia dropped to 25% and the general occupancy rate of all hotels dropped to 29.6% as of June 2020. The revenue of Akfen REIT which was TL 49.2 million -excluding Bulvar Loft sales- in June 2019, decreased to TL 21.9 million in June 2020. The safeguard measures applied owing to Covid-19 as curfew, travel restrictions, etc. negatively affected the activities of İDO. There was a loss of 29% in the number of passengers carried, 26% in the number of vehicles carried and 36% in total revenue.

Adverse Operating Environment that Caused the Decrease in Profitability: As a consequence of the decrease in revenues of Akfen REIT and İDO, these companies recorded loss by end of 30 June 2020. These losses were reflected in the company's income statement in proportion to Akfen Holding's participation shares. Together with this, the high depreciation in the Turkish Lira experienced during this period also affected adversely the profitability of ARE. As the end of the first half of 2020, despite 93% increase in turnover and 84% increase in operating profit compared to the same period of the previous year, ARE recorded a period loss as a result of foreign exchange losses originated from its project financing loans in foreign currency. The effect of this loss on Akfen Holding's income statement was TL 293.8 million. Due to the losses reflected from these three subsidiaries, Akfen Holding had a loss for the period of 276 million TL at the end of the first half of 2020.

¹ Renewable Energy Resources Support Mechanism

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On the other hand, almost whole of ARE's generation is within the scope of YEKDEM with the purchase guarantee and the sales price is fixed according to the production method in foreign currency. This characteristic of these incomes provides a natural hedging to ARE. ARE's facilities will be within this scope for the long term and the revenues to be generated are fully compatible with the payments of the project finance loans in terms of currency and amount. Therefore, it is considered that the loss for the period of ARE is just on the paper, and will not have any effect on the financial structure of the Company. Despite the negative operating environment due to the Covid-19 outbreak, Mersin International Port (MIP), another investment in which Akfen Holding has a 10% share, managed to maintain the handling volume, revenues and profitability of the previous year at the end of 2020.

Decrease in Short Term Liabilities: The short-term liabilities of the Company, which were TL 480.6 million at the end of 2019, decreased to TL 154.7 million at the end of the first half of 2020. The decline of short-term financial debts from TL 437 million to TL 98.1 million caused this decrease. In the first half of the year, the Company paid a total of TL 344.6 million in principal and TL 14.8 million in interest on its two bonds which were issued three years ago.

Robust Financial Structure: Although the equity of the Company, which was TL 5.1 billion at the end of 2019, decreased to TL 4.8 billion due to the loss for the period, it is still at a very high value. Akfen Holding's equity to assets ratio was 66.5% and the leverage ratio was at a low level of 0.4 at the end of the June 2020. In addition, the decline in short-term financial debts in 2020 increased the liquidity of the Company, which was also high in the past, to a higher level. As the net working capital increased from TL 1.0 billion to TL 1.6 billion, the cash ratio and the current ratio reached extremely high levels as respectively 11.21 and 11.27.

Akfen's Selected Financial Indicators (1,000 TL)

	2016*	2017*	2018	2019**	2020/6
Current Assets	157,015	2,559,442	2,261,418	1,780,180	1,743,852
Fixed Assets	4,468,231	5,309,293	6,458,059	5,639,184	5,496,752
Total Assets	4,625,246	7,868,735	8,809,477	7,419,364	7,240,604
<i>Asset Growth (%)</i>	<i>15.8</i>	<i>179.2</i>	<i>12.1</i>	<i>-15.8</i>	<i>-2.4</i>
Short-term Liabilities	997,538	551,654	403,195	480,630	154,743
Long-term Liabilities	1,278,925	1,335,298	3,122,503	1,867,497	2,272,143
Equity	2,457,333	5,981,783	5,283,779	5,071,237	4,813,718
Net Sales***	135,586	71,717	105,095	29,666	3,495
<i>Sales Growth (%)</i>	<i>-7.4</i>	<i>-47.6</i>	<i>47.8</i>	<i>-71.8</i>	<i>-88.2</i>
Net Profit/ Loss	359,299	3,863,970	622,324	481,051	-276,069
EBITDA***	768,561	4,267,829	594,766	511,719	-291,678
Interest Coverage Ratio (x)	5.9	24.5	2.7	3.6	-5.0
Total Liabilities / Equity (x)	0.9	0.3	0.7	0.5	0.4
Equity / Assets (%)	53.1	76.0	60.0	67.9	66.5

*After the merger in 2018, in the audit report of 2018, the balance sheet items of 2016 and 2017 were adjusted with the effect of the subsidiaries included in the merger.

**While Akfen GYO was fully consolidated until 2019, it has been included in the "Investments Accounted Using the Equity Method" since 2019. This changing has caused changes in Total Assets and Net Sales since 2019.

***Growth figures for 2020/6 period are compared to 2019/6 period.

****EBITDA: EBITDA: Revenues – Excluding Depreciation and Amortization Expenses (Cost of Goods Sold - Operational Expenditures) +/- Difference between Revenues and Expenditures from Other Operations (As the company is an investment holding, profits or losses from sales of participations and investments valued under the equity pick up method are included in the EBITDA calculation).

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