

AKFEN HOLDİNG A.Ş.

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

Ratings History: LTNCR: **TR AAA** STNCR: **TR A1** Outlook: **Stable** Date:13.12.2017
LTNCR: **TR AAA** STNCR: **TR A1** Outlook: **Stable** Date:08.12.2016

Istanbul, December 13, 2018– 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. Akfen Holding maintains its strong financial structure in large part due to the significant liquidity generated by the sale of its subsidiaries' shares. In addition to its high equity and the 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.

Sector Position: Initially founded by Hamdi Akın in 1976, Akfen Holding is one of the leading infrastructure 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, construction, sea port management, maritime transport, water distribution and waste water services, solid waste management, mining, insurance and reinsurance brokerage, energy and real estate beside the other investments. As of June 2018, Akfen Holding's total assets reached TL13.3 billion according to proportional consolidation.

Regrouping Under Akfen Holding: In 2016 the Board of Directors of Akfen Holding decided to keep only companies having strong financials with optimal equity structure with strong cash flows or having the potential to generate strong cash flows and high dividend performance under Akfen Holding. Companies, which were in development stage and requiring investment, were transferred as capital in-kind to Akfen Mühendislik A.Ş.. As a result of the evaluation of the received offers, all of the Company's shares (8.12%) in TAV Havalimanları Holding A.Ş. (TAV) and 40% of its shares in Mersin Uluslararası Liman İşletmeciliği A.Ş. (MIP) have been sold after the spin off in 2017. Then, in order to support its remaining investments in a financially effective manner, it has been decided to gather the split group companies once again under the roof of Akfen Holding. Thus Akfen Mühendislik A.Ş. has merged with Akfen Holding A.Ş. in February 2018. As a result of this merger, not only the group companies, which had been split in 2017 but also Akfen İnşaat A.Ş., Acacia Maden A.Ş., Akfen Enerji Dağıtım A.Ş. and IBS Sigorta A.Ş. have joined the affiliates of Akfen Holding A.Ş. After the merger, Akfen Holding reached a structure of four subsidiaries, eight affiliates and one financial investment, with total assets of TL7.9 billion as of June 30, 2018.

At first, short-term debt of US\$450 million has been paid with the cash proceeds of US\$1,029 million obtained from the share sales in 2017. A portion of these funds was used to provide financial support to Akfen Holding's subsidiaries and affiliates. The liquidity remaining from those transactions was held within the Company under its strategy to have the flexibility to take position according to the economic conjuncture in 2018. Thanks to this strategy, the Company entered the third quarter of 2018 - the period when a large currency depreciation occurred in Turkey - with a quite high foreign exchange liquidity.

The Growth in Renewable Energy Will Continue: In addition to the financial gains after the sale of MIP and TAV shares, the management of Akfen Holding has also had the opportunity to redirect the energy and time spent on MIP's management to its energy investments. Akfen Yenilenebilir Enerji (ARE), which has increased its current total operational installed capacity to 303 MW after the recently completed investments, will have 572 MW installed capacity after the completion of the ongoing investments. ARE, which also has two major international financial institutions (IFI) as partners, such as EBRD and IFC, aims to reach 1,000 MW installed production capacity by the end of 2020. In order to reach this target, the Group considers the takeover of some of renewable energy companies, which are in the pre-investment period and have required licenses & reports or companies, which are in the initial phase of the investment and/or have reached a certain level in their investments or are operational.

Acacia Maden Starts Production in 2019: Acacia Maden A.Ş. - which Akfen Mühendislik had acquired 30% of its shares in 2016 - has finalized its copper mine investment in Gökırmak/Hanönü district of Kastamonu province. After the merger in February 2018, Akfen Mühendislik's share in the company has been transferred to Akfen Holding. A total of US\$300 million investment has been made for the copper mine and US\$145 million of this amount was financed by project loans, wholly obtained from international financial institutions. The mine, which has an operational license for 11 years in a total of 1,950 hectares of the land is currently in the testing phase. The first product is expected to be obtained at the end of January 2019. It is planned to produce 102 thousand tons of saleable copper concentrate by processing 2 million tons copper ore in 2019. During the 11-year operating period of the mine, a total gross sales of US\$1.8 billion and an EBITDA of US\$1 billion are expected.

Eskişehir City Hospital Started to Operate: Akfen İnşaat completed the Eskişehir City Hospital Project, its second City Hospital PPP project after the Isparta City Hospital operating since 2017. The Eskişehir Hospital has been operating since October 30, 2018 and will provide additional cash flow to the Group.

Significant Impact of Share Sales on Profitability: In 2017, Akfen Holding earned US\$160 million from the sales of TAV shares and US\$869 million from the sales of MIP shares. In addition to those gains, the gains from recognition of the fair value of ARE, amounting to TL897 million, arising from the capital injection of EBRD and IFC in 2017,; Akfen Holding's EBITDA increased to TL3.9 billion and the Company's net profit reached TL3.8 billion. As a result of this profit, the Group has increased its liquidity and equity to significantly high levels. Akfen Holding maintained its liquidity in 2018 and earned TL166 million foreign exchange gains at the end of June 2018 from those liquid funds amounting to TL1.8 billion, which were 95% denominated in USD and EUR. Although the Group had incurred TL138 million loss from investments evaluated through the equity method, Akfen Holding recorded TL93 million net profits at the end of the first half of the 2018 due to TL25 million dividend income, TL99 million interest income and TL111 million gains from the change in the share of joint ventures.

The high profits obtained from share sales prove the success of the Group in determining the sectors to be invested and developing the companies, which used to be invested earlier. Considering the developments in the Turkish economy in 2018, the Group's liquidity strategy during 2018 also shows management's skills in timing and decision making.

Equity Maintains its Strong Structure: The strong equity structure of Akfen Holding, which has been going on for years, became stronger after the TL 3.8 billion net profit in 2017. Equity reached TL 5.6 billion and the equity / asset ratio rose to a significantly high level of 71.4% in June 2018 from 53.1% of year-end 2016. In August 2018, Akfen Holding paid TL948 million dividends to its shareholders, to be used in the investments of

other related party companies. As a result, although the Company's equity / asset ratio is expected to decline at the end of 2018, going forward this strong equity structure is expected to remain.

High Liquidity, Low Leverage Ratios: The working capital of Akfen Holding reached TL1.4 billion at the end of June 2018, with a current ratio of 3.51 and a cash ratio of 3.25. In addition to the high liquidity ratios, the financial leverage ratio of 0.3 and the leverage ratio of 0.4 are quite low. These ratios confirm the high liquidity of Akfen Holding as well as the strong equity structure of the Group. We expect that Akfen Holding will maintain this strong financial structure despite a decrease in the liquidity ratio and an increase leverage ratio in the coming periods.

The Succession Plan Is Proceeding: Akfen Holding's shareholding structure changed in August 2018 according to the succession plan. The shares of the Company of which 85.8% were held by Hamdi Akın previously, have been transferred to Akfen Altyapı Holding A.Ş.. After this transactions Akfen Altyapı Holding, whose shares are owned by 50% by Selim Akın and 50% by Pelin Akın Özalp, has obtained 99.36% of Akfen Holding's shares. Despite the changes in the capital structure of the Company, there was no revision in The Board of Directors. Hamdi Akın still serves as the Chairman of the Board of Directors. Selim Akın, Pelin Akın Özalp, İrfan Erciyas (Executive Board Member) and Sıla Cılız İnanç retain their positions on the Board.

Akfen has benefited from the continuity in the management team that provided corporate information and experience retained within the Company in years. This paved the way for the basis of steady growth under sound policies. Doing business with multinationals and experienced foreign partners has further strengthened the corporate governance of Akfen Holding.

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

	2014*	2015*	2016**	2017**	2018/6
Current Assets	575,000	1,308,423	157,015	2,559,442	1,966,965
Fixed Assets	3,418,014	2,981,011	4,468,231	5,314,731	5,981,611
Total Assets	3,993,014	4,289,434	4,625,246	7,874,173	7,858,576
<i>Asset Growth (%)</i>	17.5	7.4	15.8	179.2	-0.2
Short-term Liabilities	732,761	1,143,463	997,538	553,341	559,808
Long-term Liabilities	1,556,859	1,373,482	1,278,925	1,339,049	1,691,664
Equity	1,703,394	1,772,489	2,457,333	5,981,783	5,607,104
Net Sales	119,252	146,344	135,586	4,182	42,762
<i>Sales Growth (%)</i>	7.0	22.7	-7.4	-86.2	922.5
Net Profit/ Loss	-14,560	2,660	359,299	3,772,671	92,762
EBITDA***	220,281	178,153	768,561	3,944,977	-7,481
Interest Coverage Ratio (x)	2.2	1.5	5.9	36.9	-0.1
Total Liabilities / Equity (x)	1.3	1.4	0.9	0.3	0.4
Equity / Assets (%)	42.6	41.3	53.1	76.0	71.4

* 2014 and 2015 were restated in the audit report of 2016. While the balance sheet and income statements of 2015 have been restated, only the balance sheet of 2014 has been restated as of 1 January 2015.

**After the merger in 2018, in the audit report of 2018/06, the balance sheet items of 2016 and 2017 were adjusted with the effect of the subsidiaries included in the merger.

*** 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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