

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: 12.13.2018

Istanbul, December 12, 2019– 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 due to the significant liquidity generated by the sale of its subsidiaries' shares in previous periods. 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, 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 2019, Akfen Holding's total assets reached TL14.7 billion according to proportional consolidation.

Mergers and Acquisitions in Progress: In 2016, Akfen Holding has separated some of its subsidiaries from the Holding structure through spin-off transactions in order to make the sales transactions of the subsidiaries more efficient and profitable. After the sale of all remaining shares (8.12%) in TAV Havalimanları Holding A.Ş. and 40% of its shares in Mersin Uluslararası Liman İşletmeciliği A.Ş. (MIP) in 2017, the Company has been decided to gather the split group companies once again under the roof of Akfen Holding in order to support its remaining investments in a financially effective manner. Thus, the subsidiaries, which were previously separated, rejoined Akfen Holding in 2018.

In addition, a number of subsidiaries and affiliates of the Group, which had intra-group borrowings and lending relationship that generate additional costs to the Group, has been subjected to mergers and acquisitions in order to utilize the Group's funds more effectively in last period. Besides, 1000 Group A and 1000 Group D privileged shares of the Akfen GYO, which was a subsidiary of the Company in previous periods, were transferred to Hamdi Akın. As a result of the disposal of the privileges, Akfen GYO has been considered as an affiliate of Akfen Holding since 2019 and has been accounted in the independent audit reports as an investment valued by equity method.

In addition to intra-group mergers and acquisitions, the Company also realized sales of the out of group shares. The shares of TAV Yatırım Holding A.Ş. (TAV) which was owned by the Company and which representing 21.68% of the total capital of TAV were transferred to Gazelle Yatçılık Gayrimenkul Turizm Otomotiv İç ve Dış Ticaret A.Ş. on 29.05.2019. The Group's joint venture Akfen Su, having 75% stake of Akfensu-Arbiogaz Dilovası, signed a share transfer agreement on December 11, 2018 regarding the sale of all of its shares to

İstanbul Uluslararası Derecelendirme Hizmetleri A.Ş.

Büyükdere Caddesi Müselles Sok. Onur İş Merkezi No:1/2 Esentepe Şişli İstanbul

Tel : 0212 272 01 44

www.turkrating.com

Kocaeli Gebze Dilovası Organized Industrial Zone (“DOIZ”). Following the fulfillment of the prerequisites for share transfer, the share transfer has been completed on August 1, 2019. According to the consolidated independent audit report dated June 30, 2019, Akfen Holding reached a structure of one subsidiary, nine affiliates and one financial investment, with total assets of TL 6.4 billion.

Capacity Grows 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’s total installed capacity which was 324.2 MW which composed of 228.7 MW Hydroelectric Power Plant (HEPP) and 95.5 MW Solar Power Plant (SPP) at the end of 2018, after recently completed projects, as of today has reached 612.7 MW in total, comprising of 235.7 MW HEPP, 108.4 MW SPP and 268.6 MW Wind Power Plant (WPP). The installed capacity will be 631.5 MW after the completion of the ongoing projects. All of these facilities benefit 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. ARE, which also has two major international financial institutions, EBRD and IFC as partners, 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 the renewable energy companies which are in the pre-investment period, and have the required licenses & reports or the companies which are in the initial phase of the investment or the companies that have reached a certain level in their investments and are already operational.

Acacia Maden Started to Produce: Acacia Maden A.Ş. - which Akfen Holding has acquired 30% of its 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. 971,000 tons of copper ore were processed and 41,000 tons of concentrate dry copper were produced in the first 7 months of the operation. In addition, approximately 50 million USD of exports were realized during this period. The expected operating life of the mine is 12 years and it is estimated that a total turnover of 1.8 billion USD will be achieved during the whole operation period.

Contribution of the Value Increases to Profitability: In 2018, the Group had TL 703 million total income from the increase in the value of investment properties, changes in net assets of ARE, and financing income-expense difference. As a result of these incomes, Akfen Holding achieved a period profit of TL 622 million at the end of 2018. As of the first half of 2019, the Company had an income of TL 140 million from the fair value gains of financial investments, dividend gains of TL 34 million from MIP, gain of TL 13 million from financing income-expense difference and recorded a profit of TL 240 million. When the Company's financial investment portfolio was taken under consideration, it is expected that the value increases will continue until the end of the year and the profit will be realized at higher level.

Impact of Akfen GYO on Assets: After Akfen GYO has been excluded from full consolidation as of 31 March 2019, The Group's asset size, which had reached TL 8.8 billion at the end of 2018, decreased to TL 6.5 billion on June 30, 2019. Akfen GYO began to be included in the financial reports as an investment valued by the equity method and its investment properties amounting to TL 2.1 billion which was in the financial data at the end of 2018. are taken out of the consolidated balance sheet.

¹ Renewable Energy Resources Support Mechanism

Strong Equity Structure: Akfen Holding's equity increased to TL 5.3 billion by the end of 2018 due to the profits made in the previous two periods and became even stronger. However, after excluding of Akfen GYO's non-controlling interests amounting to TL 325 million and the deduction of TL 567 million, which is the value of 9.87% of the shares that the Company has reclaimed from its main shareholder, the Company's equity decreased to TL 4.5 billion as of June 30, 2019. Despite this decline, the Company's shareholders' equity is still quite high. Akfen Holding's equity to assets ratio is 69.5% and the leverage ratio is at a low level as 0.4 in last period.

High Liquidity Continues: The high liquidity of Akfen Holding, which obtained as a result of the share sales in 2017, was maintained in 2018 and the value of working capital has been TL 1.9 billion at the end of 2018. The Company's working capital was still at a very high level of TL 1 billion at the end of the first half of 2019. Akfen Holding's liquidity ratio is 3.18 and its current ratio is 3.21 in the recent period, which represents the Company's strong liquidity. The Company mainly uses its current liquidity in income-generating financial assets. The high liquidity of Akfen Holding gives the Company flexibility and speed in terms of utilizing the profitable investment opportunities that may arise.

Future Strategy and Objectives: In the upcoming period, Akfen Holding's primary objective is to complete its ongoing renewable energy investments and increase its installed capacity to 1000 MW. In addition, the Company aims to maintain its liquidity structure in order to support its operating subsidiaries financially in a more effective manner and continues its researches on new investment opportunities with high profit and low risk in line with growth and corporate strategies.

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

	2015*	2016**	2017**	2018	2019/6
Current Assets	1,308,423	157,015	2,559,442	2,261,418	1,435,627
Fixed Assets	2,981,011	4,468,231	5,309,293	6,45,059	5,012,974
Total Assets	4,289,434	4,625,246	7,868,735	8,809,477	6,451,491
<i>Asset Growth (%)</i>	7.4	15.8	179.2	11.9	-26.8
Short-term Liabilities	1,143,463	997,538	551,654	403,195	447,716
Long-term Liabilities	1,373,482	1,278,925	1,335,298	3,122,503	1,519,963
Equity	1,772,489	2,457,333	5,981,783	5,283,779	4,483,812
Net Sales	146,344	135,586	71,717	105,095	25,908
<i>Sales Growth (%)</i>	22.7	-7.4	-47.6	47.8	-39.4
Net Profit/ Loss	2,660	359,299	3,863,970	622,324	239,756
EBITDA***	178,153	768,561	4,267,829	594,766	273,683
Interest Coverage Ratio (x)	1.5	5.9	24.5	2.7	3.2
Total Liabilities / Equity (x)	1.4	0.9	0.3	0.7	0.4
Equity / Assets (%)	41.3	53.1	76.0	60.0	69.5

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

***Growth figures for 2019/6 period are compared to 2018/6 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).

İstanbul Uluslararası Derecelendirme Hizmetleri A.Ş.

Büyükdere Caddesi Müselles Sok. Onur İş Merkezi No:1/2 Esentepe Şişli İstanbul

Tel : 0212 272 01 44

www.turkrating.com