

Corporate Credit Rating

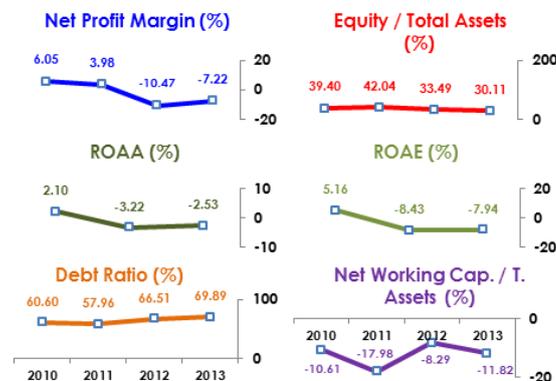
Telecommunication
Fixed & Mobile Telephone and Internet Services

		Long Term	Short Term	
International	Foreign Currency	BB+	B	
	Local Currency	BB+	B	
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
National	Local Rating	BBB-	A-3 (Alb)	
	Outlook	Positive	Stable	
Sponsor Support		2	-	
Stand Alone		B	-	
Sovereign*	Foreign Currency	BB+	-	
	Local Currency	BB+	-	
	Outlook	FC	Negative	-
		LC	Negative	-

*Assigned by JCR Eurasia Rating, JCR-ER on April 15, 2014

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Strengths

- Unique status as an incumbent fixed line operator now holding a major part of the fiber optic backbone network of the Country
- One shop stop service capability providing fixed phone, Internet, IPTV and mobile services
- Long term funding opportunities in vast infrastructure investments
- Young population, increasing usage of smart phones and demand for internet and mobile services
- Strong sponsor support of shareholders including prominent Çalık Holding, Türk Telekom and Government of Albania
- Regulated sector and determined vision and support of the Government to create "Digital Albania"
- Official candidate of EU membership, paving the way for substantial economic and social reforms

Constraints

- Negative and decreasing trend of profitability ratios
- Negative working capital over the reviewed period
- Considerable amount of overdue receivables from both individual and business clients
- Declining revenues over the sector due to intensified competition
- Decreasing trend in demand for the Public Switched Telephone Network, which is dominated by Albtelecom in the country
- Limited transparency and the need for further progress in Corporate Governance practices
- Challenges of the Albanian economy affecting disposable income and telecommunication services demand such as low annual GDP growth, economic downturn in the biggest trading partners such as Italy and Greece and a decreasing but large grey economy

ALBtelecom Sh.a.					
Financial Data	June 2014**	2013*	2012*	2011*	2010*
Total Assets (000 USD)	309,648	300,294	285,011	331,168	350,019
Total Assets (000 EUR)	214,759	217,874	215,941	255,699	261,519
Total Assets (mn LEK)	30,174	30,644	30,100	35,289	36,312
Equity (mn LEK)	8,756	9,228	10,081	14,836	14,307
Net Profit (mn LEK)	-714	-852	-1,386	529	875
Sales (mn LEK)	5,308	11,807	13,242	13,292	14,476
Net Profit Margin (%)	-13.45	-7.22	-10.47	3.98	6.05
ROAA (%)	n.a.	-2.53	-3.22	2.10	6.18
ROAE (%)	n.a.	-7.96	-8.46	5.16	15.69
Equity / Total Assets (%)	29.01	30.11	33.49	42.04	39.40
Net Working Capital / T. Assets (%)	-11.45	-11.82	-8.29	-17.98	-10.61
Debt Ratio (%)	70.99	69.89	66.51	57.96	60.60
Asset Growth Rate (%)	n.a.	1.81	-14.70	-2.82	n.a.

*End of year

Overview

Albtelecom Sh.a. (hereinafter referred to as Albtelecom or the Company) was founded in 1912 as a government office to establish the infrastructure of nation-wide communication services in Albania. It was privatized in 2007 through the sale of 76% shares to **Çetel Telekom İletişim Sanayi ve Ticaret A.Ş.**, with a shareholding structure of Çalık Holding (80%) and Türk Telekom (20%). The Company merged with Eagle Mobile, the third largest mobile operator of Albania, in February 2013.

The Company is a unique operator providing fixed and mobile phone, Internet and IPTV services, together through 150 retail branches and approximately 1,100 employees nationwide. Company headquarters are located in Albania's Capital, Tirana.

Çalık Holding A.Ş., the ultimate parent company of Albtelecom, is one of the largest industrial enterprises in Turkey, employing 20,000 personnel in 17 countries and operates in sectors including energy, telecom, textile, construction, finance and mining. **Türk Telekom Group** is Turkey's high tech, integrated telecommunication and technology services provider. The Albanian Government holds 16.77% of Company shares.

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