

Corporate Credit

□ New ☑ Update

Sector: Energy

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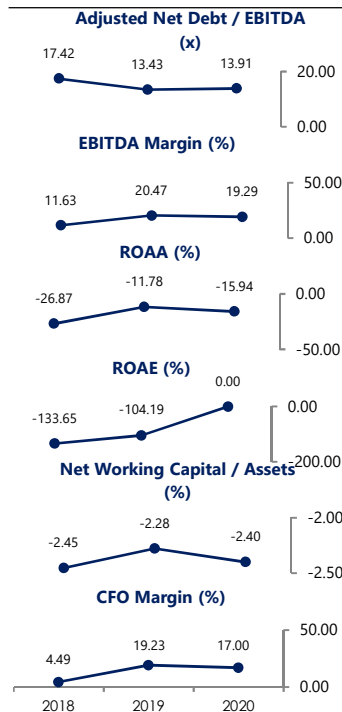
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RATINGS

		Long Term	Short Term	
National	Local Rating	BB (Trk)	B (Trk)	
	Outlook	Positive	Stable	
	Issue Rating	-	-	
International	Foreign Currency	BB-	B	
	Local Currency	BB-	B	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
Sponsor Support	3	-		
Stand-Alone	C	-		
Sovereign*	Foreign Currency	BB	-	
	Local Currency	BB	-	
	Outlook	FC	Stable	-
		LC	Stable	-

*Assigned by JCR on May 31, 2021



AKENERJİ ELEKTRİK ÜRETİM A.Ş.

JCR Eurasia Rating reviewed the consolidated structure of "Akenerji Elektrik Üretim A.Ş." and affirmed the ratings as "BB(Trk)" on the Long Term National Scale and as "B(Trk)" on the Short-Term National Scale. On the other hand, considering the significant improvement in operating profit during 2021, the Outlook of Long Term National Local Rating of Company is determined as "Positive". On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as "BB-/Stable".

Akenerji Elektrik Üretim A.Ş. ('Akenerji', 'Company' or 'Group') was established in 1989 by Akkök Holding A.Ş. and is the first power generation company founded as an autoproducer group in Turkey. Following the share transfer transactions between Akkök Group and Cez that Cez took over 37.36% stake in Akenerji on May 14, 2009, the Company was turned into a joint venture company formed by Akkök Holding -one of the leading industrial groups in Turkey- and CEZ Group -one of Europe's leading energy companies-. The main field of activity of Akenerji consists of installation, commissioning and leasing of an electric power generation facility, electricity generation, and sales of the generated electrical energy and / or capacity to customers.

Erzin-Egemen Natural Gas Power Plant, with an installed capacity of 904 MW, commenced operations in 3Q2014 as the largest investment of Akenerji. Over 30 years of experience in the energy sector, with 7 hydroelectric and 1 wind power plants engaged one after another, 320 MW, which constitutes 26% of Akenerji's installed power as of FY2020, is covered by renewable energy resources. The Company has been quoted on the Borsa İstanbul Stock Exchange (BIST) since June, 2000. The control of Akenerji belonged to Cez A.Ş., Akkök Holding A.Ş. and Akarsu Enerji Yatırımları San. ve Ticaret A.Ş. with shares of 37.36%, 20.43% and 16.93%, respectively, in FY2019 while the remaining 25.28% share is publicly traded on the BIST with the ticker symbol "AKENR".

Strengths	Constraints
<ul style="list-style-type: none"> The positive contribution on operational profitability through reducing natural gas costs in FY2020 and 3Q2021 as a result of being listed in OTSP (Organized Wholesale Natural Gas Sales Market) via Akenerji Doğalgaz Diversified generation portfolio including renewable sources and natural gas power plant mitigating climate and production risks Compensating the reduction in renewable energy production due to climate change with increasing electricity production in natural gas combined cycle power plant in Erzin Varied income stream through sales linked to its core business Support level of sectoral authority encouraging the use of renewable energy sources together with the investment incentive market dynamics Efforts to prevent of environmental pollution in all business processes and high contribution on the nature and a sustainable future through holding carbon emission reduction certificates High recognition and sector experience of parent companies Akkök Holding A.Ş. and Cez Group and their operational strength in various countries Enhanced practice of corporate governance principles and more transparent and professional in terms of its operations, business structure and investor relations as a BIST listed company 	<ul style="list-style-type: none"> Despite improvement in sales revenue and operating profit, inability to contribute on internal equity generation capacity due to FX losses of unrealized long term loans related high financing costs' pressure and determining role in profitability Notable debt level, though short-term coverage is adequate High exposure to foreign currency position mainly stemming from long-term weighted financial liabilities although converting a significant portion of loans into Turkish Lira in the refinancing process Despite sizeable non-cash re-valuation, negative equity due to unrealized FX losses Dependence of the efficiency of electricity production on weather conditions though renewable energy sources' limited share in total installed capacity

Considering the aforementioned points, the Long-Term National Rating of Company has been affirmed as 'BB(Trk)'. Relief in liabilities term position due to the conversion of the Company's restructured loans to long term maturities in line with cash-generating capacity, improvement in EBITDA generation, balanced generation portfolio through renewable energy plants and further focus on higher margin renewable energy, international and domestic brand identity acquired through sector experience, sustainability of sales capability despite recording a volatile figure over the reporting period, despite efforts to decrease the FX risk through the conversion of majority banks loans to TRY with the refinancing process, being across to short FX position due to long term foreign currency loans, high debt levels, despite indicating an improvement trend, the probability of recording an inadequate level of operating profit to cover financial expenses derived from FX differences related to long-term foreign currency liabilities in the following periods, despite revaluation gains' dominant share in equity composition, negative equity realized according to IFRS report for the last two consecutive years, high financing expenses due to FX losses downwardly pressuring profitability and internal resource generation capacity constitute the main factors in determining Short Term Notes of Company with 'Stable' outlook. On the other hand, considering the significant improvement in operating profit and EBITDA generation capacity, the Long Term National Outlook of Akenerji is determined as 'Positive'.

The Company's financial structure, efficiency of investments, and the possible impacts of the Covid-19 virus epidemic on the global and Turkey's economy and its effects on the Company's activities, cash flow generation capacity; to fulfill the repayment plan of refinanced loans on time and difficulties in paying current debts and in the level of compliance of credit usage conditions and covenants, the ability to fulfill specific requirements regarding the restructured loans, the attainability of the Company's budgeted projections and the generation of internal resources, and cash flows to meet debt payments are closely monitored by **JCR-ER** in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be monitored as well.

Akkök Holding A.Ş., Cez Group and Akarsu Enerji Yatırımları San. ve Ticaret A.Ş. are the controlling shareholders. Regarding the Company's current capital structure, equity ratio and indebtedness level, the **Sponsor Support** grade has been determined as **(3)** on JCR Eurasia Rating's notation scale.

The Stand-Alone note is formed depending on the Company's knowhow and long experience in the sector, level of reached market reputation, growth rates in sales revenue, asset size and quality, the returns on assets and equity, liquidity position, net working capital need, equity-debt level, diversification of revenues through projects in the field renewable energy, competitive advantages conferred through ensuring sustainable developments, high level of corporate governance practices and experienced senior management team. Within this context, the Stand-Alone grade of the Company has been assigned at **(C)** in the JCR Eurasia Rating notation system.