Corporate Credit Rating

☐New ☒Update

Sector: Holding

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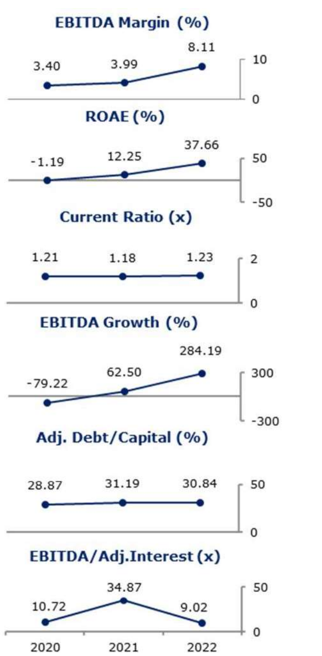
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**AA- (tr)**	**J1+ (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

** Assigned by JCR on August 18, 2022*



Tekfen Holding A.Ş.

JCR Eurasia Rating, has evaluated consolidated structure of "**Tekfen Holding A.Ş.**" in investment-level category on the national scales and affirmed its Long-term National Issuer Credit Rating at **'AA- (tr)'** and Short-Term National Issuer Credit Rating at **'J1+ (tr)'** with **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as **'BB/Negative'** as parallel to international ratings and outlooks of Republic of Türkiye.

Tekfen Holding A.Ş. (referred to as 'the Holding' or 'Tekfen Holding' or 'the Group') with an operating track record dating back to 1956, was established in İstanbul in 1971 and is one of the country's leading diversified conglomerates with operations in the fields of engineering & contracting, chemical industry, agricultural production, service and investment through its subsidiaries and affiliates which steers operations in various countries. As of 30 September, 2023, the Holding's sales revenue materialized as TRY 26.77bn while consolidated asset size reached TRY 37.78bn and equity level reached TRY 11.92bn.

Tekfen İnşaat ve Tesisat A.Ş. (Tekfen Construction), an affiliate of the Holding, is one of the Türkiye's most established construction companies with 67 years of history and has extensive experience in petroleum, gas, and petrochemical facilities and serves customers in such areas as pipelines, land and sea terminals, tank farms, oil refineries, off-shore platforms, pumping and compressor stations, power plants, industrial facilities, highways, metro and railroad projects, sports complexes, infrastructure, and other civil engineering projects. In Engineering News-Record's 2023 list of the 'World's 250 Biggest International Contractors', Tekfen Construction ranked in 107th position.

Toros Tarım Sanayi ve Ticaret A.Ş., another affiliate of the Holding, which is one of country's biggest fertilizer producers in terms of output and market share, is the second largest company in the group. Toros Tarım, leading company of chemical industry group, ranked in 46th place among the first 500 industrial enterprises listed by the Istanbul Chamber of Industry in 2022.

Tekfen Holding is registered within the Capital Market Board and its shares have been traded on the Borsa Istanbul with the ticker "TKFEN" since November 23, 2007.

Key rating drivers, as strengths and constraints, are provided below.

Strengths	Constraints
• Significant improvement in EBITDA margin in 2022 but declined in 9M2023	• Persistent net losses in contracting business alongside with FX losses puts pressure on bottom line
• Despite net cash turned into net debt in 2023, still comfortable level of financial leverage ratios but may further deteriorate in the following years due to projected intensive capital investments	• Free operating cash outflow in 2022 and in 9M2023
• Hard currency generation capacity and utilization of derivative instruments provides a barrier against the exchange rate fluctuations at a certain level	• Fluctuating input prices for construction business inhibiting consistent cost calculations
• Favorable level of cash conversion cycle along with adequate level of liquidity metrics over the analyzed periods	• Chemical industry segment's exposure to fluctuations in the global input prices and weather conditions
• Low level of doubtful receivable ratio strengthening asset quality	• Regulations in fertilizer industry causing fluctuations in the sector may increase competition and put pressure on profit margins as well as affecting export volume
• Satisfactory equity structure composed by net profit and retained earnings	• Leading economic indicators signal global economic slowdown as quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side
• Sectoral and geographical diversity mitigates concentration risk in a certain extent	
• Compliance with the corporate governance practices	

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed at **'AA- (tr)'**. The Holding's revenue diversification, cash generation capacity, sufficient equity level, debt service capacity, experienced risk management practices along with ongoing uncertainties arisen from geopolitical tensions as well as global tight financial conditions have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as **'Stable'**. The Group's revenue and profitability performance, liquidity position, cash generation capacity, access to the external financial sources and local and global macroeconomic indicators as well as market conditions and legal framework about the sector will be closely monitored by JCR Eurasia Rating.