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YDA İNŞAAT SANAYİ VE TİCARET A.Ş.

Long term National Credit Rating: **TR AA+**
Short term National Credit Rating: **TR A1**
Outlook: Stable

Rating History:

LTNCR: **TR AA**	KVUKD Notu: **TR A1**	Outlook: **Positive**	Date: 25.11.2014
LTNCR: **TR AA**	KVUKD Notu: **TR A1**	Outlook: **Positive**	Date: 18.01.2016
LTNCR: **TR AA+**	KVUKD Notu: **TR A1**	Outlook: **Stable**	Date: 03.08.2017

Istanbul, August 17, 2018 - The TR AA+ Long-term National Credit Rating of YDA İnşaat Sanayi ve Ticaret A.Ş. (hereafter YDA or the Company) and its Short-term National Credit Rating of A1 have been affirmed. The continuation of the YDA's robust financial structure despite the doubling of its asset size over the last two years, the increase in its equity, the diversification of the financial instruments used by the Company by benefitting from current capital markets instruments and the enhancement of its financial flexibility, are factors supporting these ratings. Meanwhile, its financial ratios, in particular its leverage ratios, have been constrained by the depreciation of the currency throughout 2018. The disbursement of new foreign currency project loan tranches prompted by progress in construction investments may further constrain these ratios. Our rating analysis has also taken into consideration the delays in the progress payments of the construction and contracting sectors, the slowing-down in the processes of new infrastructure projects and PPP tenders, as well as the current weakening in the real estate market. We maintain our view on the outlook as stable based on our confidence that going forward the company will be able to maintain the same financial performance.

Successful Business Model: Established in 1993 by Hüseyin Arslan and Cüneyt Arslan, YDA currently runs a TL7.8 billion consolidated asset size holding company incorporating more than 40 companies in 10 different sectors although still viewed as a family company. YDA's risks are spread to various sectors and operations, and strategies have been developed to minimize the potential risks inherent in the various sectors it operates. The effectiveness of YDA's internal control systems is a key factor in the Company's capability to successfully implement and monitor a large number of real estate development and construction contract projects concurrently. Additionally, its ability to select appropriate partners and subcontractors has played an important role in its achievements.

The Steady Growth and Diversification of Revenue Sources Continue : In the Year 2018 List of Fortune 500 YDA ranked as the 111th largest company of Turkey. Among the construction companies and contractors it was the 10th largest. Currently the Company has a backlog of completed projects amounting to US$7.9 billion and its ongoing projects are nearly US$9.6 billion. YDA's growth strategy focuses on establishing a planned and sustainable growth policy based on developing synergy between diverse business lines. Between 2015 and 2017, concessional service agreements and construction accounting have been contributive factors to a 52% average annual asset growth. YDA's consolidated assets reached TL7.8 billion in 2017 and its EBITDA[1] rose by 4.6% to TL523 million. Meanwhile, net profits fell to TL268 million in 2017 from TL377 million in 2016 due to higher interest expenditures and rising exchange losses. One of the Group companies, KEYDATA Bilgi İşlem Teknoloji Sistemleri A.Ş., developed a special Hospital Information Management System (HIMS) software for

[1] Turkrating EBITDA may differ from classical calculations.

PPP hospital projects and this IT programme has already been used in the Kayseri Integrated Heath Campus Project.(KIHC)

Operations Begin at PPP Projects: Among YDA's PPP projects the KIHC began to operate on May 5, 2018. Another PPP project, the Muğla-Dalaman Airport International Terminal, began to host its first passengers as of July 5, 2018. Among the ongoing PPP projects the Manisa Education and Research Hospital is expected to be opened in the final quarter of 2018. As the PPP projects evolve to their operational phases, the Company will start receiving availability payments and service revenues. As a result, the Company will begin to pay off its debts with the increase in earnings, profitability and the cash generated by these revenues. The completion of the PPP projects YDA has undertaken within the planned deadlines, and the commencement of their operations, evidence the Company's successful performance as a concessional service contractor. YDA's reputation among local banks, international banks and local investors in the capital markets, and its ability to raise sufficient financing through a number of appropriate innovative products were important contributive factors in its ability to deliver these contractual obligations without delay. Among the various financing instruments used by YDA, the first green and sustainable bond issue realized in the Turkish bond market by a private sector company was one example of these innovative products.

Robust Financial Structure Continues: Equity has increased over the years owing to retained earnings and reached TL1.6 billion at the end of 2017. Despite the increase in liabilities, the Company retains a healthy liquidity position owing to the larger share of long-term project finance in total funding. The net working capital advanced to TL2.3 billion at the end of 2017 from TL1.8 billion the previous year. At year-end 2017 YDA had a current ratio of 2.15 and a quick assets ratio of 0.90. The diversification of the funding sources and the diversification of its investor base enhances YDA's financial flexibility. At the end of 2017, YDA's financial liabilities associated with the non-recourse and ring fenced project finance credits advanced to 71% of its consolidated net financial liabilities, as a result of which, on a consolidated basis, the average borrowing term was prolonged and the average borrowing costs were reduced. Nonetheless, the depreciation of the Turkish Lira in 2018 has driven a significant constrain over YDA's financials which include large amounts of foreign currency loans. We expect that profitability and equity will be negatively impacted due to the higher level of financial liabilities and exchange losses caused by the increase in the foreign exchange rates between accounting periods. However, we also note that the Company's debt payment capacity will not be adversely affected as the average maturity of Hospital PPP Project loans are 18 years, rent revenues are immune from the effects of devaluation and inflation, and foreign exchange losses resulting in cash outflows are at minimal levels.

Management Maintains its Interest in PPP Projects: In view of the knowledge and experience gained in PPP hospital and airport projects, the Company looks forward to acquire additional PPP hospital projects. Going forward the Company plans to prioritize profitability over the size of turnover in new contracts. In that respect, PPP hospital projects which guarantee rent and service revenues are more attractive and already, YDA has submitted its bids to the tenders of Aydın City Hospital, Antalya City Hospital, Diyarbakır Kayapınar City Hospital and Ordu City Hospital projects. Currently, the Company is preparing its proposal to the tender of the Sancaktepe City Hospital. Management plans to build upon its know-how on PPP hospitals and airports and use its strength both as a contractor and an integrated service provider to become and international actor in these sectors.

Effective Management and Enhancement in Corporate Governance Standards: YDA's priority to achieve sustainability under higher institutional standards continues and marked progress has been made with the strong support of European Bank for Reconstruction and Development (EBRD) and the determined stance of its shareholders. YDA has already made significant strides in improving transparency and public disclosure and efforts continue to achieve further progress in corporate governance standards.

YDA's Selected Financial Indicators (1,000 TL)*

	2013	2014	2015	2016	2017
Current Assets	**1,144,869**	**1,902,384**	**2,432,188**	**3,045,473**	**4,168,863**
Short-term Receivables	301,303	472,111	592,350	587,775	796,083
Receivables from Related Parties	106,314	79,459	182,919	438,386	660,557
Inventories	279,904	486,222	612,499	692,581	1,022,288
Fixed Assets	**258,611**	**505,738**	**953,745**	**2,162,376**	**3,669,733**
Total Assets	**1,403,480**	**2,408,122**	**3,385,933**	**5,207,848**	**7,838,596**
Asset Growth (%)	7.5%	71.6%	40.6%	53.8%	50.5%
Current Liabilities	**491,956**	**825,274**	**923,982**	**1,334,648**	**1,934,516**
Financial Liabilities	119,858	262,699	330,494	391,150	370,868
Trade Payables	222,156	227,744	266,730	488,767	602,170
Liabilities to Related Parties	85,266	137,948	148,181	179,146	686,051
Advances Received	3,981	118,887	67,818	37,021	35,013
Long-term Liabilities	**485,536**	**990,991**	**1,706,265**	**2,717,480**	**4,345,899**
Financial Liabilities	307,179	653,761	1,002,069	2,220,811	3,818,939
Non-Controlling Shares	**77,040**	**144,977**	**197,997**	**210,054**	**254,539**
Total Equity	**425,988**	**591,857**	**755,686**	**1,155,720**	**1,558,180**
Gross Sales	**1,264,689**	**1,181,034**	**1,531,361**	**2,037,663**	**2,186,511**
Sales Growth (%)	-3.2%	-6.6%	29.5%	33.0%	7.3%
Operational Profit / Loss	198,966	174,531	230,570	492,188	550,335
Pre-tax Profit / Loss	140,105	127,424	45,831	260,791	183,281
Net Profit / Loss	**111,851**	**105,410**	**76,447**	**376,712**	**268,280**

*Based on Consolidated IFRS Audit Report.