AG ANADOLU GRUBU HOLDİNG A.Ş.

SAHA
Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri

27 January 2023

Credit Rating

Long-term (National):

(TR) AAA

Outlook:

Stable

Short-term (National):

(TR) A1+

Outlook:

Stable

Expiry Date:

27 January 2024

AG Anadolu Grubu Holding A.Ş.

Fatih Sultan Mehmet Mah., Balkan Cad., No:58 Buyaka (E) Blok Tepeüstü, Ümraniye, Istanbul
Tel: +90 (216) 578 85 00
Fax: +90 (216) 575 15 89
www.anadolugrubu.com.tr

Rating Summary

AG Anadolu Group Holding A.Ş. ("Anadolu Group" or "the Holding") is a holding company established by the Özilhan and Süleyman Kâmil Yazıcı families to ensure the management of its subsidiaries in line with the principle of equal representation and equal management. Founded in 1950, Anadolu Group continues its operations through its subsidiaries in Beer, Soft Drinks, Retail, Agriculture, Automotive, Stationery and Energy sectors.

Following our comparative analysis of the sector and examination of financial/operational risks carried by the Holding, as well as its domestic market position, Anadolu Group's previous long term rating of **(TR) AAA** and its short term rating of **(TR) A1+** is hereby reconfirmed.

Previous Rating (January 27, 2022):

Long Term: (TR) AAA

Short Term: (TR) A1+

Outlook

With its establishment dating back to 1950, Anadolu Group has 86 production facilities in 19 countries and exports to over 100 countries. Through its subsidiaries, the Holding operates in the sectors of Beer, Soft Drinks, Retail, Agriculture, Automotive, Stationery and Energy. The subsidiary portfolio of Anadolu Group includes companies such as Anadolu Efes Biracılık ve Malt San. A.Ş. and Coca-Cola İçecek A.Ş., market leaders in a number of other countries in which they operate, as well as in Turkey. In addition, the Holding operates globally in a wide range of geographical areas through its subsidiaries. The cooperation it has undertaken with strong multinational companies has been going on for many years.

Having increased its consolidated turnover by 33.3% to TL 82.7 billion in 2021, the Holding's 9-month total consolidated turnover in 2022 increased by 116.9% compared to the same period of 2021, to TL 126.6 billion.

While the Holding's net profit as of end-2021 was TL 3.5 billion with a 5.5 fold increase, as of September 2022, it was recorded as TL 8.3 billion, an increase of 1.5 times compared to the same period of the previous year. In the 3rd quarter of 2022, the net profit attributable to principal owners of the parent company increased by 177.1% year on year, reaching TL 3.3 billion. When adjusted for one-off income/expenses, the net profit increased by 3.2 times to TL 2.5 billion. The aforementioned adjustment in net profit, adjusts the effect of the profit generated from the sale of the Holding's subsidiaries AND Anadolu Gayrimenkul Yatırımları A.Ş (TL 460 million) and Migros Macedonia (TL 128 million) in 2021, in addition to the total income/expense resulting from beer operations impairment (TL 158 million), and sale of McDonald's operation (TL 928 million) at the end of the 3rd quarter of 2022.

The Holding continues to finance its investments with its positive operational cash flow and generates additional free cash.

In addition to the improvement observed in the main items of the income statement of the Holding, its Net Debt/EBITDA[1] ratio decreased to 0.9% despite an increase in net debt by 38.0% in the 3rd quarter of 2022 compared to the same period of the previous year which reached TL 17.4 billion. The Holding's EBITDA, which increased by 31.1% at the end of 2021 compared to the previous year, increased by 151.4% as of the 3rd quarter of 2022 compared to the same period of the previous year.

The net FX position, which was calculated as TL (-) 1.9 billion at the end of 2021, increased to TL (-) 2.8 billion in September 2022. On the other hand, the Holding has the capacity to generate income from its foreign operations and has "hedged" a significant part of its net foreign currency position, especially in recent years, in order to protect itself against exchange rate

[1] EBITDA = Net Operating Profit + Depreciation

increases. As of end-2021, the share of overseas operations in total sales revenues was 33.3% (2020: 29.7%). As of September 2022, this rate stood at 37.9% (September 2021: 33.4%).

In addition to all of the above-mentioned factors, considering the Holding's distributed risks in its product/service diversity, its financing access and its strong ownership structure, and despite the recent extraordinary developments in the global trade environment and money markets, Anadolu Group's outlook has been confirmed as **“Stable”**.

Methodology

SAHA's credit rating methodology is composed of quantitative and qualitative sections to affect the final note with specific weights. Quantitative analysis components consist of SAHA Score (Company's distance from the point of default), its performance compared to the sector, analysis of the financial risks, and the assessment of cash flow projections. Default point analysis measures the distance from the point of default and it is based on relevant sector firm's past financial performance, ratios derived from distinctive default statistics, and statistically derived coefficients. This analysis is based on genuine statistical study of SAHA, covering companies in Turkey. Comparative performance analysis of the sector determines the position of the company concerned in comparison with the sector firms' recent financial performances. Financial risk analysis covers the evaluation of the company's financial ratios on the basis of objective criteria. Liquidity, leverage, asset quality, profitability, volatility and concentration are treated as sub-headings in this analysis. Finally, scenario analysis tackles the company's future base and stress scenario projections subject to scrutiny in the context of the firm's financing tool and assesses the risks of fulfillment of obligations.

Qualitative analysis covers operational issues such as sector and company risk as well as administrative risks in the context of corporate governance practices. Sector analysis evaluates the nature and rate of growth of the sector, its competitive structure, structural analysis of customers and creditors, and sensitivity of the sector to risks at home and abroad. Company analysis discusses market share and efficiency, growth trend, cost structure, service quality, organizational stability, access to domestic and foreign funding sources, off-balance sheet liabilities, accounting practices, and parent / subsidiary company relationships.

Corporate governance plays an important role in our methodology. Our methodology consists of four main sections; shareholders, public disclosure and transparency, stakeholders, and board of directors. The corporate governance methodology of SAHA can be accessed at www.saharating,com.

Rating Definitions

Our long-term credit ratings reflect our present opinion regarding the mid to long term period of one year and above; Our short-term credit ratings reflects our opinion regarding a period of one year. Our long -erm credit rating results start from AAA showing the highest quality grade and continue downward to the lowest rating of D (default). Plus (+) and minus (-) signs are used to make a more detailed distinction within categories AA to CCC.

Companies and securities rated with long-term AAA, AA, A, BBB and short-term A1 +, A1, A2, A3 categories should be considered “investment worthy” by the market.

Short Term	Long Term	Rating Definitions
(TR) A1+	(TR) AAA (TR) AA+ (TR) AA (TR) AA-	The highest credit quality. Indicates that ability to meet financial obligations is extremely high. For securities, it is an indication of no more than a slight additional risk as compared to risk-free government bonds.
(TR) A1	(TR) A+ (TR) A	Credit quality is very high. Very high ability to fulfill financial obligations. Sudden changes at the company level and/or economic and financial conditions may increase investment risk, but not significantly.
(TR) A2	(TR) A- (TR) BBB+	High ability to fulfill financial obligations, but may be affected by adverse economic conditions and changes.
(TR) A3	(TR) BBB (TR) BBB-	Sufficient financial ability to fulfill its obligations, but carries more risk in adverse economic conditions and changes. If securities; has adequate protection parameters, but issuer’s capacity to fulfill its obligations may weaken in face of adverse economic conditions and changes.

Companies and securities rated with long-term BB, B, CCC, and short-term B1, B2, C categories should be considered “speculative” by the market.

(TR) B1	(TR) BB+ (TR) BB (TR) BB-	Carries minimum level of speculative features. Not in danger in the short term, but faces negative financial and economic conditions. If securities; below investment level, but on-time payments prevail, or under less danger than other speculative securities. However, if the issuer’s capacity to fulfill its obligations weakens, serious uncertainties may unfold.
(TR) B2	(TR) B+ (TR) B (TR) B-	Currently has the capacity to fulfill financial obligations, but highly sensitive to adverse economic and financial conditions. If securities; there is a risk in due payment. Financial protection factors can show high fluctuations depending on the conditions of the economy, the sector, and the issuer.
(TR) C	(TR) CCC+ (TR) CCC (TR) CCC-	Well below investment grade. In considerable danger of default. Fulfillment of its financial obligations depends on the positive performance of economic, sectoral and financial conditions. If securities; there are serious uncertainties about the timely payment of principal and interest.
(TR) D	(TR) D	Event of default. The company cannot meet its financial obligations or cannot pay the principal and/or interest of the relevant securities.

Disclaimer

This Credit Rating Report has been prepared by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services, Inc.) in collaboration with AG Anadolu Grubu Holding A.Ş. and is based on information disclosed to the public by AG Anadolu Grubu Holding A.Ş.

This report, edited by SAHA A.Ş. analysts based on their best intentions, knowledge base and experience, is the product of an in-depth study of the available information which is believed to be correct as of this date. It is a final opinion about the overall credibility of the institutions and/or debt instruments they have issued. The contents of this report and the final credit rating should be interpreted neither as an offer, solicitation or advice to buy, sell or hold securities of any companies referred to in this report nor as a judgment about the suitability of that security to the conditions and preferences of investors. SAHA A.Ş. makes no warranty, regarding the accuracy, completeness, or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment decisions or other purposes.

SAHA A.Ş. has embraced and published the IOSCO (International Organization of Securities Commissions) Code of Conduct for Credit Rating Agencies on its web site (www.saharating.com) and operates on the basis of independence, objectivity, transparency, and analytic accuracy.

Contacts:

Report Prepared by / Rating Specialist:

Tuba Altuntaş
taltuntas@saharating.com

Rating Committee Members

S.Suhan Seçkin
suhan@saharating.com

S.Mehmet İnhan
minhan@saharating.com

Ali Perşembe
apersembe@saharating.com

Saha Corporate Governance and Credit Rating Services, Inc.

Valikonağı Cad., Hacı Mansur Sok., Konak Apt. 3/1, Nişantaşı, Istanbul
Tel: (0212) 291 97 91, Fax: (0212) 291 97 92 ● info@saharating.com ● www.saharating.com