



## **AKFEN YENİLENEBİLİR ENERJİ A.Ş.**

### **Evaluation Report about the Assumptions used in Public Offering Price Determination**

This Report has been prepared in accordance with Article 29/5 of the Capital Markets Board's Communiqué on Shares No. VII-128.1

1 July 2024

## I. General Information

Akfen Yenilenebilir Enerji A.Ş. ("Akfen Renewable Energy" or "the Company") communication details and necessary registration details are as follows.

|                            |   |                                                                |
|----------------------------|---|----------------------------------------------------------------|
| Title                      | : | Akfen Yenilenebilir Enerji A.Ş.                                |
| Tax Office                 | : | Ankara Kurumlar                                                |
| Tax Number                 | : | 023 030 1966                                                   |
| Trade Registry Number      | : | 231793                                                         |
| Industrial Registry number | : | 10273                                                          |
| Headquarters Address       | : | İlkbahar Mah. Galip Erdem Cad. No:3 Çankaya/Ankara             |
| Telephone Number           | : | 0 312 408 14 00                                                |
| Fax Number                 | : | 0 312 442 48 24                                                |
| E-Mail                     | : | <a href="mailto:info@akfenren.com.tr">info@akfenren.com.tr</a> |
| Web Site                   | : | <a href="http://www.akfenren.com.tr">www.akfenren.com.tr</a>   |

## Field of Activity

The Company engages in the establishment of electricity generation facilities, generation of energy from all kinds of sources, commissioning and operation of established or acquired facilities, operation of electricity generation, sale of generated electricity and/or capacity to customers, and procurement of electricity from any desired location. It manages a renewable energy generation portfolio, which serves as an energy infrastructure platform, through subsidiary companies that operate licensed and unlicensed power plants in compliance with the regulations of the Energy Market Regulatory Authority.

## II. Subject and Justification of Report

This report, which includes evaluations on whether the assumptions used in determining the public offering price of Akfen Yenilenebilir Enerji A.Ş., has been prepared by the Audit Committee in accordance with Article 29/5 of the Capital Markets Board's Communiqué on Shares No. VII-128.1.

*The 5<sup>th</sup> paragraph of the 29<sup>th</sup> article of the Capital Markets Board's Communiqué on Shares numbered VII-128.1 states; "The company whose shares are offered to the public for the first time, within ten business days following the public disclosure of its financial statements for two years after the shares start to be traded in the stock market, it is obligatory to prepare a report containing the evaluations about whether the assumptions based on the determination of the IPO price have been realized, and if not, the related report must be published on the company's website and on the Public Disclosure Platform with the reasons. This obligation is fulfilled by the audit committee within the partnership. This obligation is fulfilled by the board of directors for partnerships that do not have the obligation to establish an audit committee". Pursuant to the provision of this CMB regulation, this report has been prepared and shared with the public.*

## III. Methods Used in Price Determination Report

In the Price Determination Report prepared by Garanti Yatırım Menkul Kıymetler A.Ş. ("Garanti Securities") on January 23, 2023, for the public offering of the company's shares, and published on the Public Disclosure Platform on March 3, 2023, the company's value and offering price were determined based on the following assumptions.

In the Price Determination Report, the value per share to be offered to the public was determined in accordance with International Valuation Standards, using the Market Approach/Guideline Public Company Method (Multiple Analysis) and Income Approach (Discounted Cash Flows/DCF) methods from the Valuation Approaches and Methods.

### Market Approach: Peer Public Company Method (Multiple Analysis)

In order to determine the Enterprise Value ("EV") by comparing with other companies traded on the stock exchange and operating in similar fields as the Company, the Peer Public Company Method was used. Under this method, the appropriate market multiples of companies operating in similar fields to the Company were analyzed. In this regard, in consideration of the current conditions under the Market Approach, the Enterprise Value/EBITDA (EV/EBITDA) multiple, which is considered the most valid and appropriate method for this valuation, and in which there is a high level of confidence and reliability, was used.

Below is a summary of the results of the EV/EBITDA multiple analysis conducted by examining similar companies to determine the market value of Akfen Renewable Energy.

#### Selected Domestic Comparable Company Multiples Results

| <b>EV/EBITDA Multiple</b>        | <b>(\$)</b>          |
|----------------------------------|----------------------|
| EBITDA 30.09.2022 LTM            | 116,899,087          |
| Multiple (x)                     | 9.85                 |
| <b>Enterprise Value</b>          | <b>1,150,972,835</b> |
| Net Debt                         | (365,167,282)        |
| <b>Pre-discount Market Value</b> | <b>785,805,553</b>   |

#### Selected International Comparable Company Multiples Results

| <b>EV/EBITDA Multiple</b>        | <b>(\$)</b>          |
|----------------------------------|----------------------|
| EBITDA 30.09.2022 LTM            | 116,899,087          |
| Multiple (x)                     | 11.24                |
| <b>Enterprise Value</b>          | <b>1,313,987,414</b> |
| Net Debt                         | (365,167,282)        |
| <b>Pre-discount Market Value</b> | <b>948,820,132</b>   |

### Income Approach (Discounted Cash Flow Method)

Under the Discounted Cash Flow (DCF) method, cash flow projections for the Company have been made until 2070, taking into account the license durations of its power plants.

In the valuation study, the Company's current structure and potential, sectoral expectations, and macroeconomic forecasts have been considered. Generally, it is assumed that;

- there will be no changes in the Company's management and key personnel that could affect its operations, and
- that any potential risks encountered will not affect the Company's sustainability.

During the projection period, the enterprise value of the Company as of September 30, 2022, was calculated using the weighted average cost of capital ("WACC") and discounted cash flows. Then, the net financial debt amount was subtracted from the enterprise value to calculate the equity value of the firm as \$687,762,321 as of September 30, 2022. The equity value as of September 30, 2022, was translated into the equivalent value on January 23, 2023, which is the date of the price determination report and also the valuation date, using the 2022 Equity Cost. On January 23, 2023, the equity value of the Company was \$722,312,098, and the enterprise value was \$1,087,479,380.

#### Discounted Cash Flow Summary Table

|                                        |                      |
|----------------------------------------|----------------------|
| <b>DCF Company Value (\$)</b>          | <b>1,052,929,603</b> |
| Cash and Cash Equivalents              | 92,908,051           |
| Total Financial Debt (-)               | (446,481,956)        |
| Other Liabilities to Related Parties   | (11,593,377)         |
| <b>Net Financial Debt Amount (-)</b>   | <b>(365,167,282)</b> |
| <b>DCF Equity Value</b>                | <b>687,762,321</b>   |
| Valuation Date Valuation Factor        | 1.05                 |
| <b>Valuation Date Equity Value</b>     | <b>722,312,098</b>   |
| <b>Valuation Date Enterprise Value</b> | <b>1,087,479,380</b> |

#### Result of the Valuation

The company valuation includes both the EV/EBITDA Multiple Analysis and DCF valuation methods. In the Multiple Analysis Method, Domestic Comparable Companies are given a weight of 50%, while International Comparable Companies are given a weight of 50%. Additionally, both the Multiple Analysis method and the Discounted Cash Flow method are equally weighted when calculating the final Enterprise Value. The market value of Akfen Renewable Energy has been calculated as follows.

#### Discounted IPO Price (TL)

|                                                              |                      |
|--------------------------------------------------------------|----------------------|
| <b>Domestic Multiples (Weight 50%)</b>                       |                      |
| <b>Domestic Comparable Company EV/EBITDA Multiple</b>        | <b>9.85x</b>         |
| 30 September 2022 LTM EBITDA (\$)                            | 116,899,087          |
| Enterprise Value (\$)                                        | 1,150,972,835        |
| <b>International Multiples (Weight %50)</b>                  |                      |
| <b>Intl. Comparable Company EV/EBITDA Multiple</b>           | <b>11.24x</b>        |
| 30 September 2022 LTM EBITDA (\$)                            | 116,899,087          |
| Enterprise Value (\$)                                        | 1,313,987,414        |
| Weighted Enterprise Value - Multiples (Weight %50)           | 1,232,480,125        |
| Enterprise Value - DCF (Weight %50)                          | 1,087,479,380        |
| <b>Weighted Average Enterprise Value - Multiples and DCF</b> | <b>1,159,979,752</b> |
| Net Debt (\$)                                                | (365,167,282)        |
| <b>Market Value (\$)</b>                                     | <b>794,812,470</b>   |
| Number of Shares                                             | 1,016,031,947        |
| <b>Price per Share (\$)</b>                                  | <b>0.78</b>          |
| CBRT 23.01.2023 dated Forex Buying Rate                      | 18.7844              |
| <b>Price per Share (TL)</b>                                  | <b>14.69</b>         |
| <b>IPO Price (TL)</b>                                        | <b>9.80</b>          |
| <b>Discount Rate</b>                                         | <b>33.31%</b>        |

According to the Price Determination Report dated January 23, 2023, following the valuation studies, the determined public offering sale price of 9.80 TL is at a discount of 33.31% compared to the calculated price per share of 14.69 TL.

#### IV. Forecasts and Actual Data

##### Generation, Revenues and EBITDA

Since there are no forecasts for the first three months of 2024 in the Price Determination Report, 1/4 of the annual forecasts included in the report have been taken, disregarding seasonality, and the estimate for the first quarter of 2024 and the actual data are compared in the table below.

|                                    | 2024 Forecasts | 1Q24 Forecast | 1Q24 Actual | Realisation (%) |
|------------------------------------|----------------|---------------|-------------|-----------------|
| Total Electricity generation (GWh) | 1,794          | 449           | 449         | 100%            |
| HEPP                               | 584            | 146           | 181         | 124%            |
| SPP                                | 198            | 50            | 36          | 73%             |
| WPP                                | 1,012          | 253           | 232         | 92%             |
| Total Revenues (USDmn)*            | 168            | 42            | 36          | 85%             |
| EBITDA (USDmn)*                    | 121            | 30            | 23          | 76%             |

\* The actual income statement items for 1Q24 shown in the table above are derived from our Company's TAS-29 compliant (adjusted for inflation effect) consolidated financial statements for 1Q24.

## V. Results

Electricity generation from renewable energy sources largely depends on favorable meteorological conditions. The amount of electricity produced in hydroelectric power plants (HEPP), solar power plants (SPP), and wind power plants (WPP) is influenced by hydrology, radiation, and wind conditions that may vary beyond the Company's control. Any of these factors can cause variability in generation levels, reducing the productivity of plants and leading to fluctuations in profitability.

The winter precipitation in 2023 was below normal levels. Seasonal precipitation in 2023 decreased by 44% compared to the normal level and by 51% compared to the previous year's winter precipitation. In the last quarter of 2023, precipitation began to increase, and this trend continued in the first quarter of 2024. This situation led to a significant increase in hydroelectric power (HEPP) generation in the first quarter of the year. In the first quarter of 2024, total electricity generation reached 449 GWs, aligning with the forecast in the price determination report.

The company's revenues and EBITDA in the first quarter of 2024 were approximately 15% and 24% below the projections in the report, respectively. The reasons for this are briefly summarized below:

- In the first quarter of 2024, the average electricity sales price in the spot market (65.8 USD/MWh) decreased by 56% compared to the same period of the previous year and fell below the expected average electricity price for 2024 (108.5 USD/MWh) used in the price determination report. During the first quarter of 2024, when the share of HEPP generation in total generation increased, approximately 27% of the Company's generation was sold in the spot market due to the expiration of the FiT (Feed-in Tariff) support for some hydroelectric plants. Consequently, the decrease in the average electricity sales price in the spot market contributed to the revenues and operating profitability falling below projections in the first quarter of 2024.
- Another reason for the revenues and operating profitability falling below the projections in the report is that although the Company has a USD-based revenue structure (73% of the total electricity generated in the first quarter of 2024 was sold under the USD-based FiT), its expenses and cost structure are primarily TL-based and indexed to inflation. Therefore, the Company's TL-reported revenues were significantly affected by changes in the USD/TL exchange rate during this period, while its EBITDA was impacted by TL-based inflation.

In the first quarter of 2024, our company continued to generate cash from its operations thanks to the balanced and diversified generation structure of its power plant portfolio and high availability rates. As of April 1, 2024, it made a total loan principal and interest payment of approximately 13.2 million USD, including about 11.2 million USD for the HEPP portfolio.

It is anticipated that the Company will continue to maintain its capacity to generate cash from operations in line with its objectives in the coming period and will meet its financial obligations related to its loans with existing and future internal resources.

Regards,

AUDIT COMMITTEE

Hasan Köktaş  
Chairman

Yusuf Tülek  
Member