

NET HOLDING A.Ş.

Earning Reviews / 2020 9M

November 17 th 2020



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Earning Review / 2020 3Q

2020 3Q results of Net Holding were negatively affected as a result of the lockdown all around the world to fight the COVID-19 pandemic. Merit Hotels & Casinos in Northern Cyprus, Montenegro, Croatia and Bulgaria were closed down by government regulations by mid-March and Merit hotels and casinos in Northern Cyprus re-opened on June 1st 2020, then were closed again by government orders in September to be re-opened in October, while Merit casinos in Montenegro re-opened on May 21th 2020. Merit Grand Mosta in Bulgaria re-opened on September 4th 2020. Merit Casino Libertas in Croatia is still under renovation.

- Net Holding's consolidated sales decreased from 615.5mn TL (108.8mn USD) in 2019 9M, to 307.6mn TL (39.4mn USD) in 2020 9M. (-50.0% TL terms, -63.8% USD terms)
- Consolidated EBITDA for 2020 9M diminished to 30.8mn TL (3.9mn USD) from 180.6mn TL (31.9mn USD) in 2019 9M, mainly as a result of the global COVID-19 pandemic. (-82.9% TL terms, -87.6% USD terms)
- The Cash position of the Company decreased from 573.9mn TL (101.4mn USD) in 2019 9M, to 439.6mn TL (56.3mn USD) in 2020 9M due to significant decrease in earnings. (-23.4% TL terms, -44.5% USD terms)
- The net financial expenses increased from 107.9mn TL (19.1mn USD) in 2019 9M to 426.7mn TL (54.7mn USD) in 2020 9M due to the spike in foreign exchange rates value against Turkish Lira as the debt of the company is mainly in foreign currency (+295.4% TL terms, +186.6% USD terms).
- The Net Debt position of the Company increased due to forex volatility; as 1,288.0 mn TL (165.0mn USD) in 2020 9M vs. 669.3mn TL (118.3mn USD) in 2019 9M. (+92.4% TL terms, 39.5% USD terms) while the company did not have the need to refinance its debt due to its strong cash position.

According to new CMB regulation, rent costs (including buildings in operation, equipment etc.) are now required to be recorded in balance sheet, in the asset side as «Right of Use Assets», and in the liabilities side as «Right of Use Liabilities». However, as per the requirements of CMB, rent costs are recorded as part of debt in the liabilities side instead of a separate item named «Right of Use Liabilities». To clarify, new regulation implementation resulted in an increase in total debt in B&S, however, this item is not a bank loan or any financial institution debt. In balance sheet, total debt of 1,982.6mn TL includes 1,727.5mn TL financial debt and 255.1mn TL «Right of Use Liabilities».

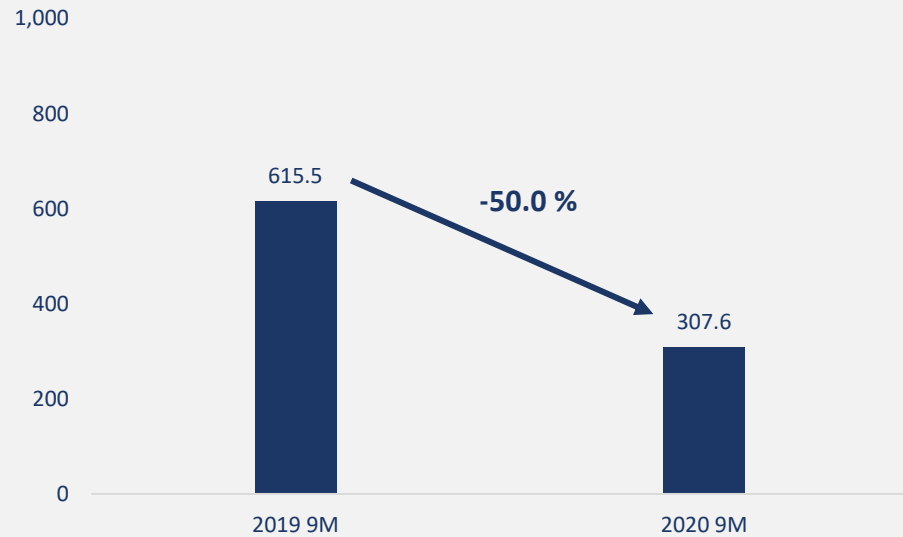
SUMMARY (Continued)

Regional Split of 2020 3Q for EBITDA & General Remarks;

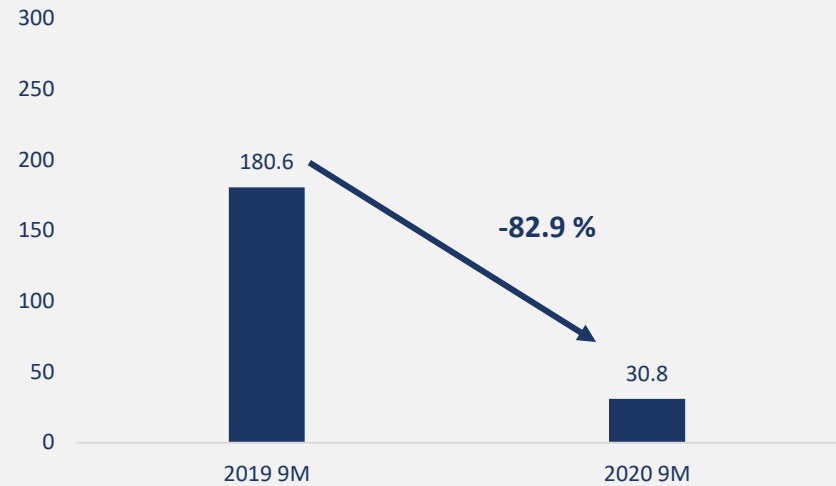
- EBITDA in Northern Cyprus Merit Hotels & Casinos is recorded as 23.8mn TL (3.0mn USD) in 2020 9M, 181.9mn TL (32.2mn USD) in 2019 9M, featuring an decrease in both TL and USD currencies. (-86.9% TL terms, -90.5% USD terms) as Cyprus operations were suspended on April, May and September 2020 and did not generate any revenues for almost 4 months in 2Q and 3Q. First part, Cyprus operations started on June 1st 2020 only for Cyprus residents, after that on July 1st 2020, flights started and tourists are allowed in the country provided that they have double PCR-testing with negative results. Second time, due to measures, the casinos were suspended on September 9th 2020 and re-opened on October 7th 2020 in Northern Cyprus. Currently, a 7-day quarantine is mandatory for everyone however, having double-negative PCR test results, tourist are exempted from quarantine given that they do not stay more than 3 days on the island. The company charters flights for week-ends to cater to the demand of Merit guests as there are not enough scheduled flights due to the strict measures to fight Covid-19.
- EBITDA of Merit Casinos in Balkan decreased from 19.0 mn TL (3.4mn USD) in 2019 9M to 14.5mn TL (1.9mn USD) in 2020 9M. (-23.8% TL terms, -44.8% USD terms). Merit casinos in Montenegro re-opened on May 21th 2020. Merit Casino Libertas in Croatia is still under renovation, incurring insignificant expenses. Merit Casino Grand Mosta in Bulgaria re-opened on September 4th 2020.
- The new hotel construction (Merit Royal Garden) in Kyrenia, which will be connected to Merit Royal Hotel Casino and the expansion of the casino are suspended as a result of the COVID-19 period. The construction of these investments will restart in Q2 2021 and is expected to be finished by end of 2021.
- Merit Hotels and Casinos did not operate and generate income during the months of April, May (all of them) and September (especially in Northern Cyprus) which historically accounts for 7%, 8%, 12% of the yearly EBITDA, respectively. Moreover, fixed expenses during these periods were also decreased. With regard to payroll costs, 90-95% of total payroll costs were eliminated with the help of government incentive programs (i.e. hotel & casino staff received payments from the government, so the hotels and the casinos incurred little or no payroll cost during these periods).
- Overall, during the Covid-19 pandemic, while revenues are reducing also opex figures were decreasing. Although, financial results in FY 2020 is expected to be negatively affected, this adverse effect is expected to be recovered in 2021 FY.
- On the other hand, the company pursues its expansion plans in Montenegro, announcing a 50% partnership in a mixed-use project situated within the city-centre of Budva. The project, which will be completed by 2021 2Q, includes luxury residences, a hotel and a casino, which will be operated by Merit International, while the cash investment will be provided by the sales of the residences, thus will not have a negative effect on the company cash-flow.
- Moreover, the company also announced that it will set-up a company in Ukraine, to operate a casino in Kiev, following the casino legislation which passed this year. New Merit Casino in Kiev is expected to start its operation in 2021 3Q.
- Last but not least, the company also applied for a casino license in Albania as part of its expansion strategy in the Balkans. The operations will start in 2021.

FINANCIAL OVERVIEW (TL Terms)

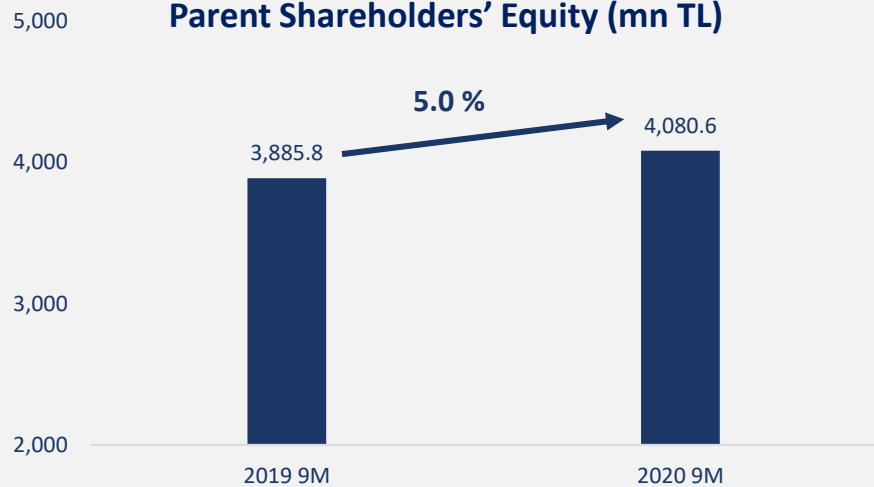
Sales (mn TL)



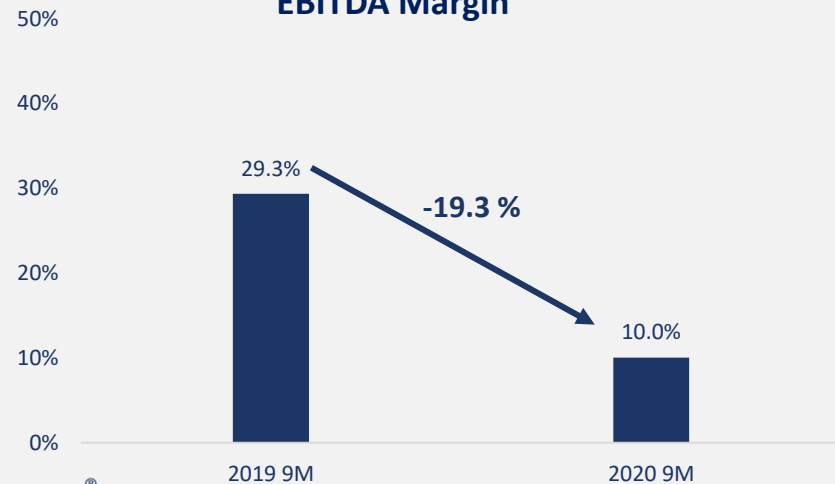
Consolidated EBITDA (mn TL)



Parent Shareholders' Equity (mn TL)

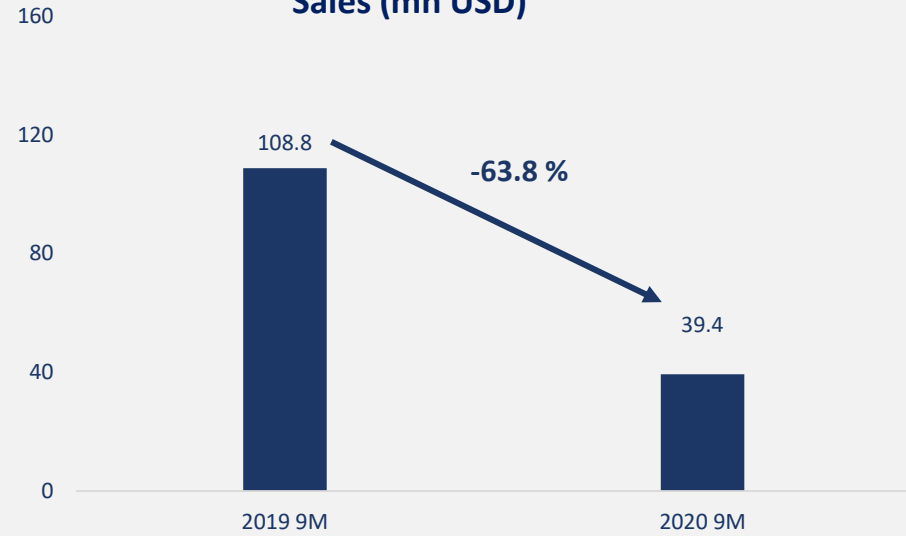


EBITDA Margin

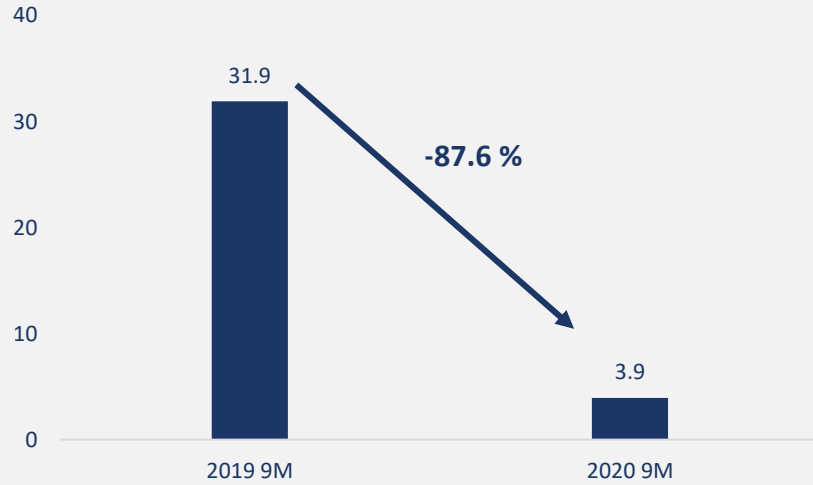


FINANCIAL OVERVIEW (USD Terms)

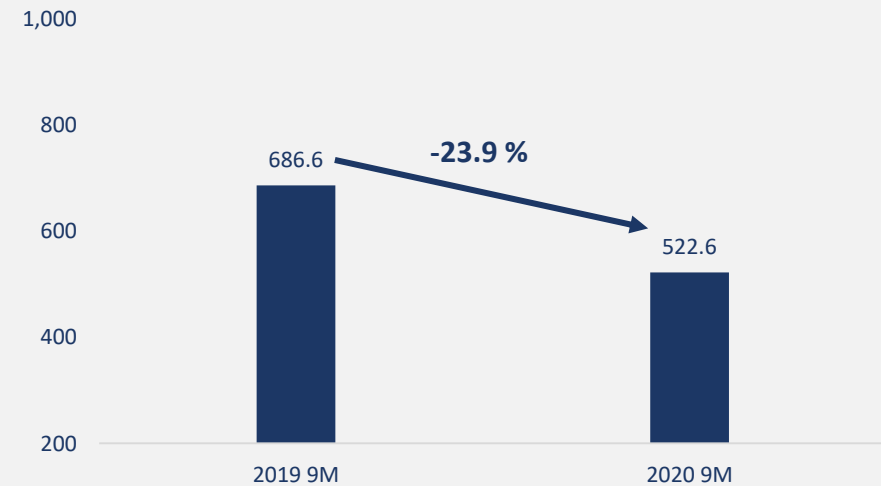
Sales (mn USD)



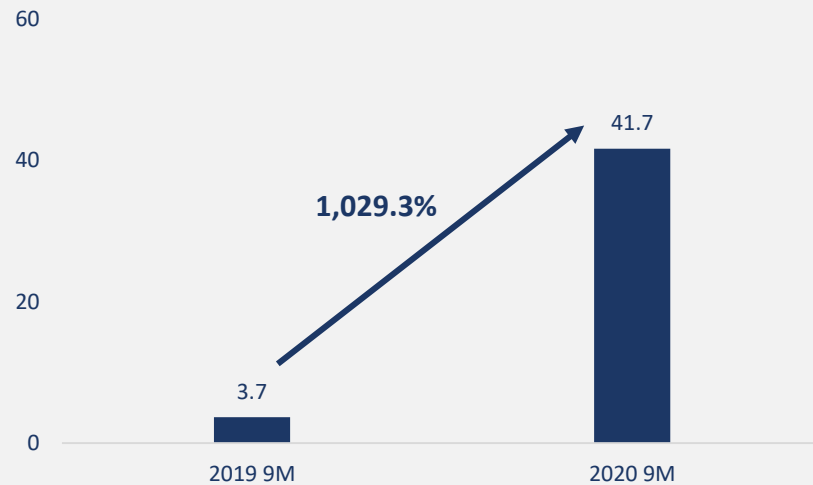
Consolidated EBITDA (mn USD)



Parent Shareholders' Equity (mn USD)

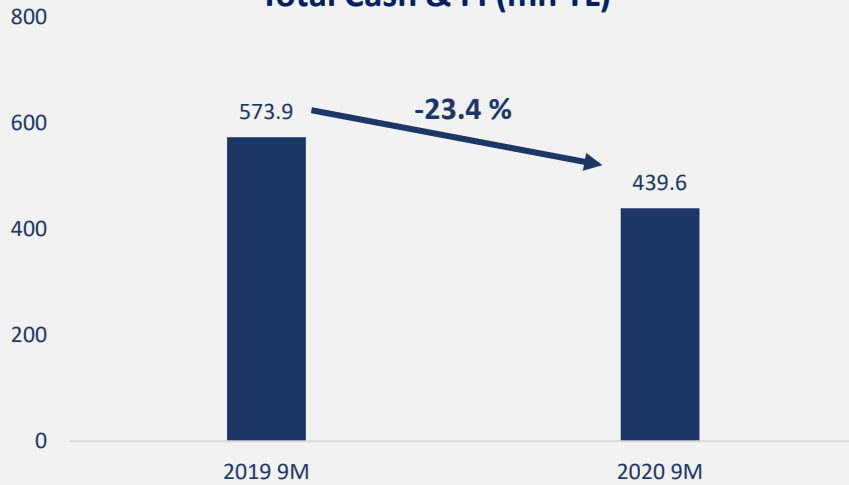


Net Debt/Ebitda x

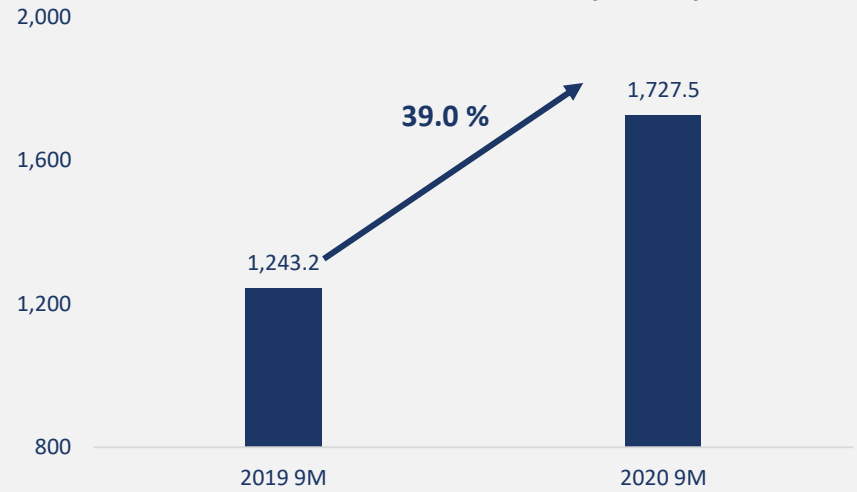


FINANCIAL OVERVIEW (TL Terms)

Total Cash & FI (mn TL)

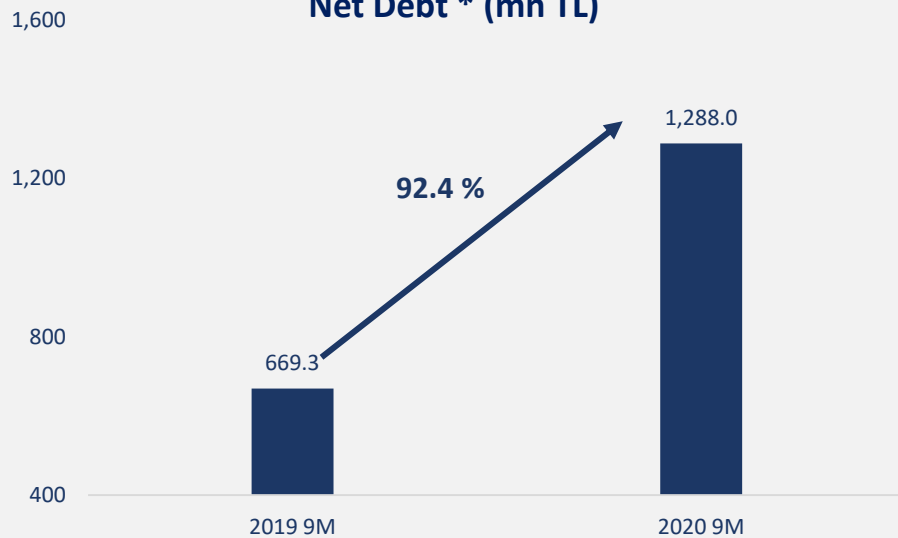


Total Financial Debt * (mn TL)



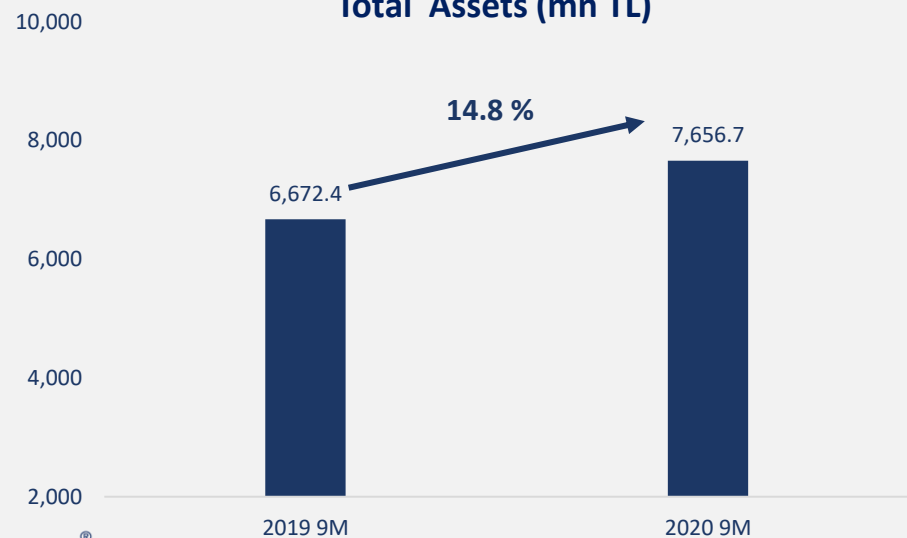
* Total financial debt is calculated for only bank and financial institutional loans. The right of use liabilities has not been showed.

Net Debt * (mn TL)



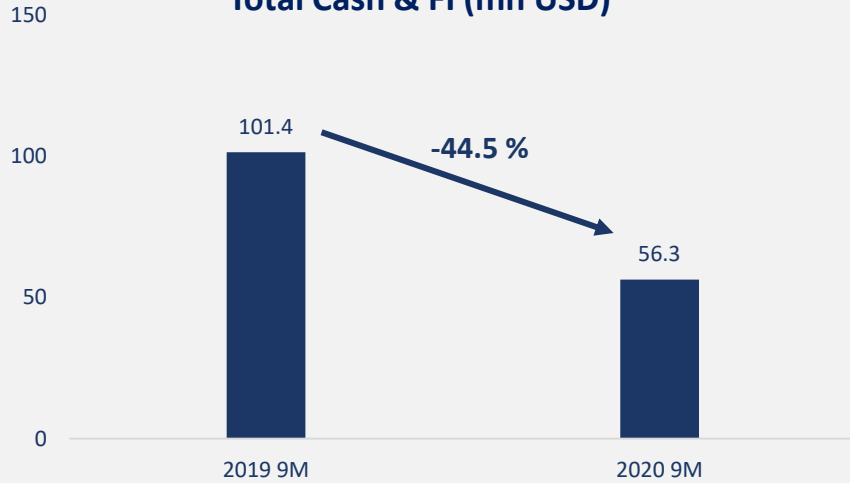
* Net debt is calculated for only bank and financial institutional loans minus total cash and FI. The right of use liabilities has not been showed.

Total Assets (mn TL)

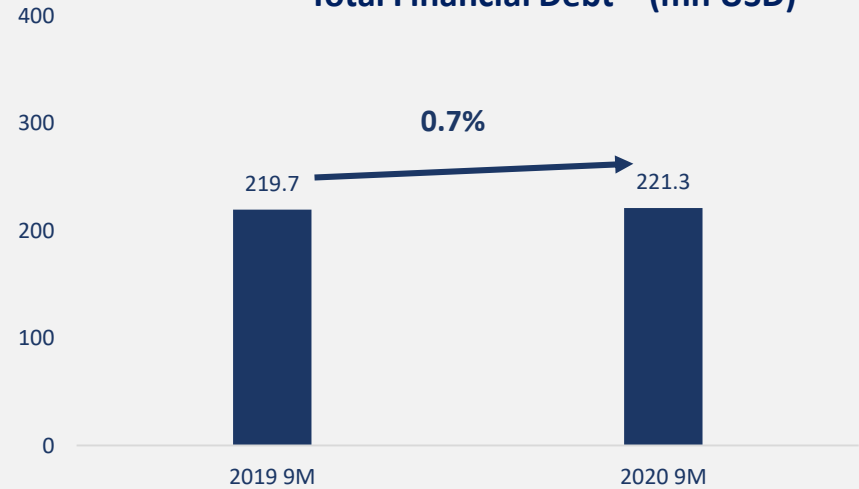


FINANCIAL OVERVIEW (USD Terms)

Total Cash & FI (mn USD)

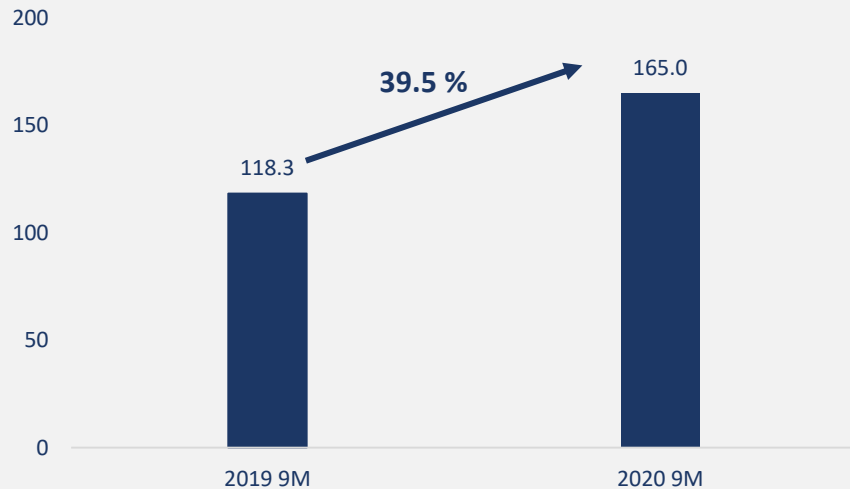


Total Financial Debt * (mn USD)

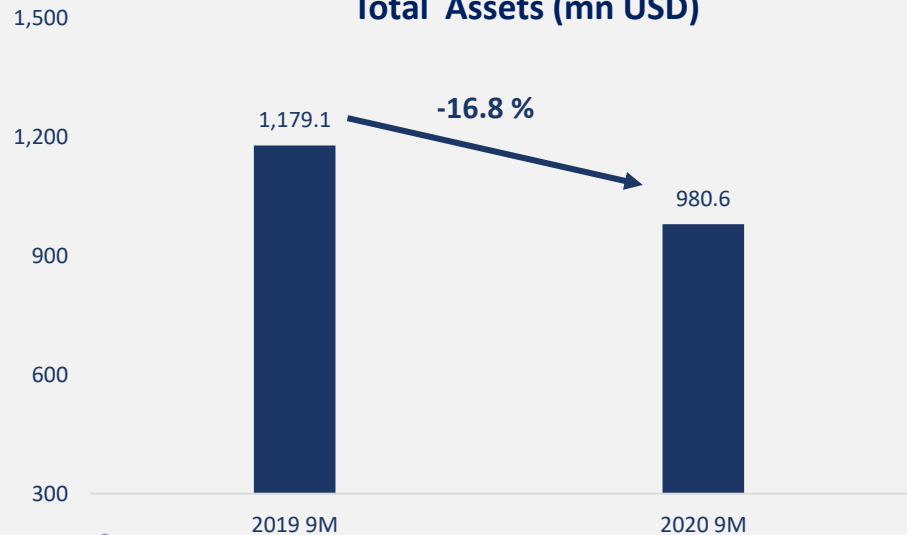


* Total financial debt is calculated for only bank and financial institutional loans. The right of use liabilities has not been showed.

Net Debt * (mn USD)



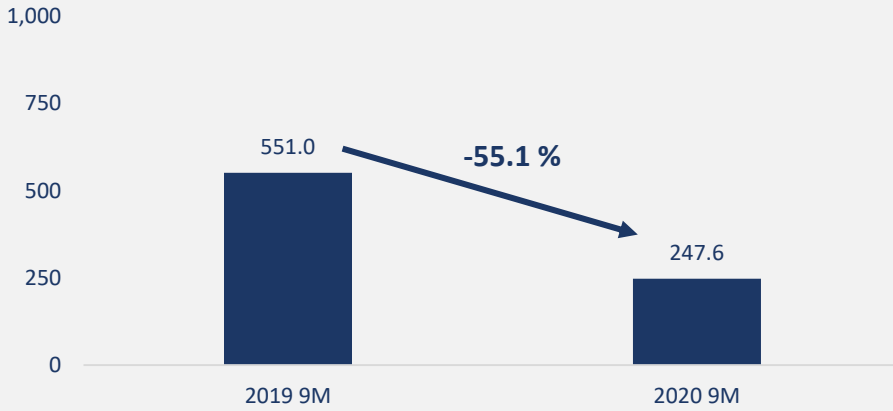
Total Assets (mn USD)



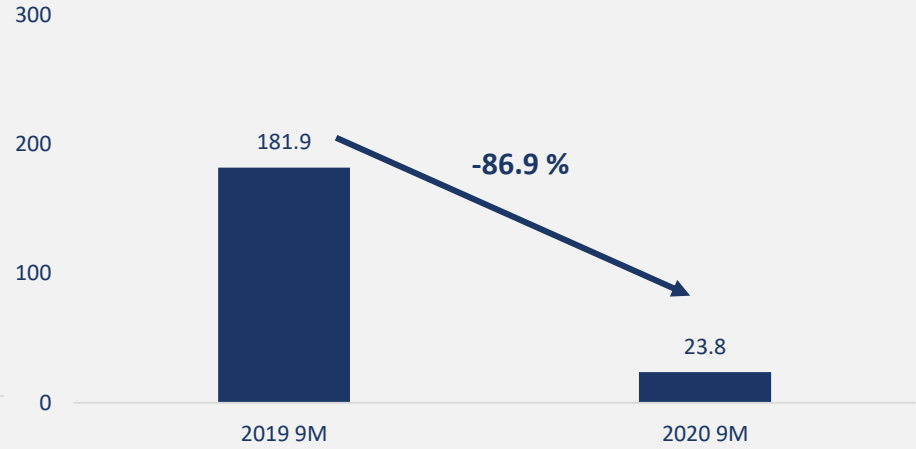
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OPERATIONAL OVERVIEW (TL Terms)

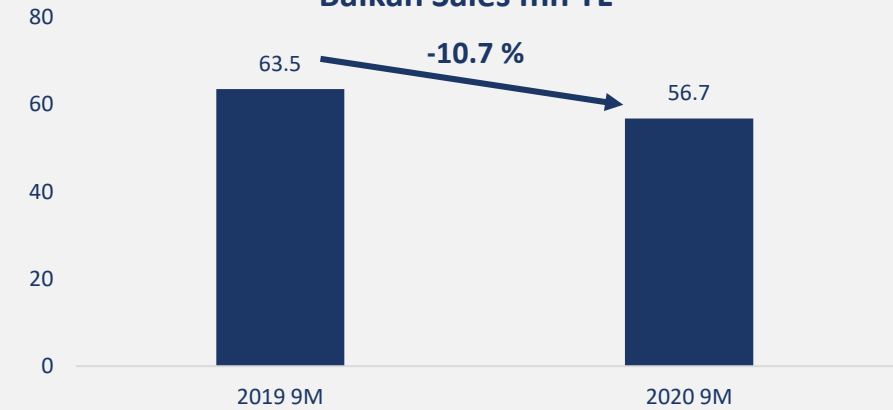
TRNC Sales mn TL



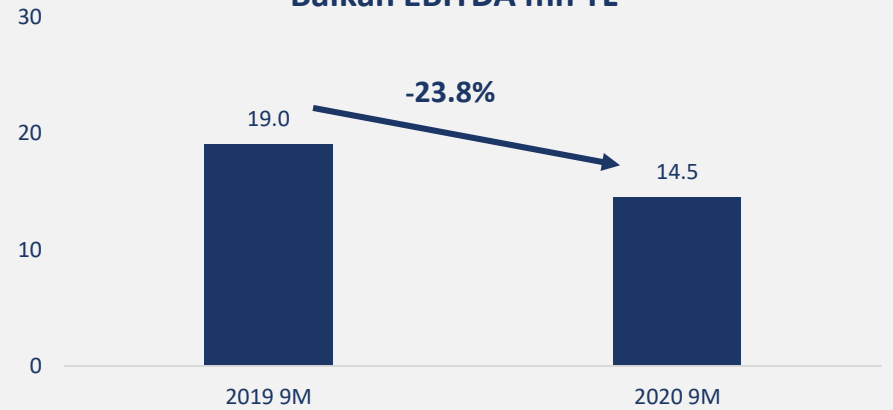
TRNC EBITDA mn TL



Balkan Sales mn TL

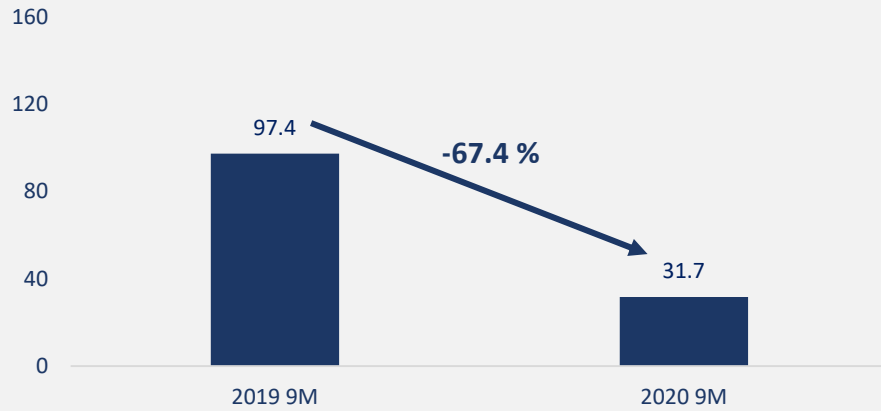


Balkan EBITDA mn TL

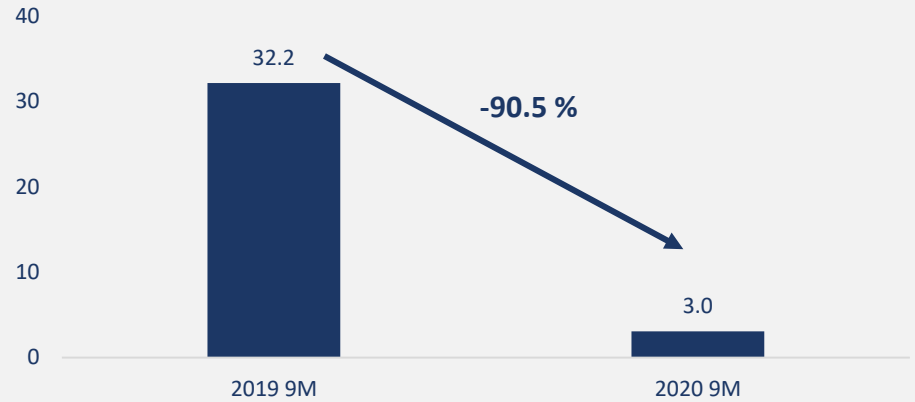


OPERATIONAL OVERVIEW (USD Terms)

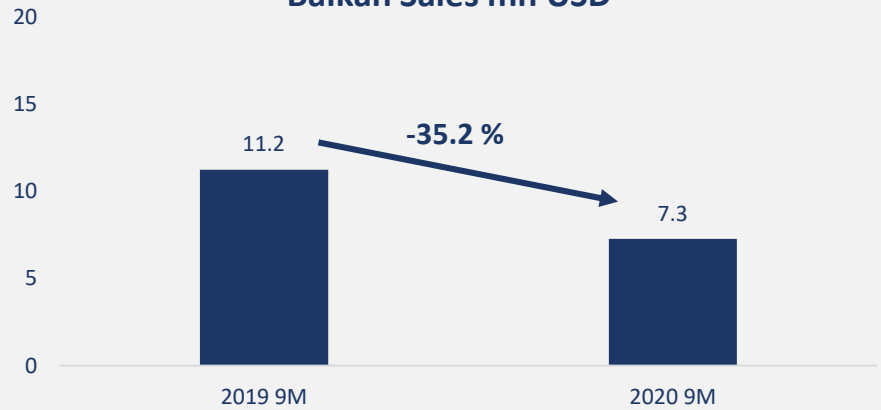
TRNC Sales mn USD



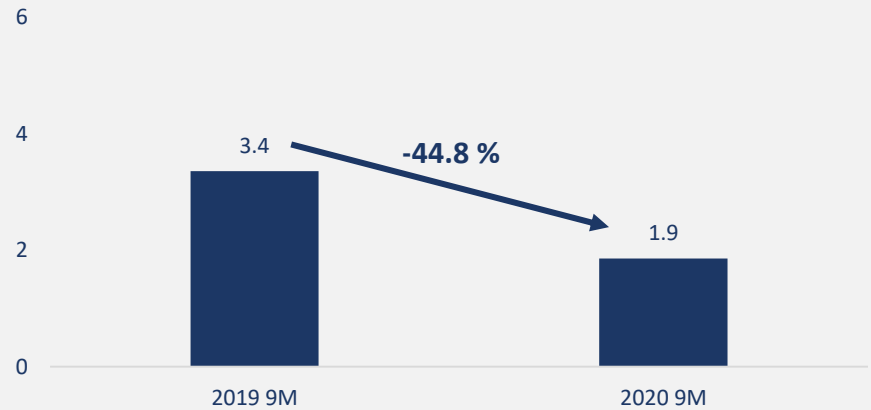
TRNC EBITDA mn USD



Balkan Sales mn USD



Balkan EBITDA mn USD



REVENUES BREAKDOWN

<u>2020 9M mn TL</u>	<u>Northern Cyprus</u>	<u>%</u>	<u>Croatia</u>	<u>%</u>	<u>Montenegro</u>	<u>%</u>	<u>Bulgaria</u>	<u>%</u>	<u>Publication</u>	<u>%</u>	<u>Holding & Others</u>	<u>%</u>	<u>Elimination</u>	<u>Total</u>
Sales	247.6	80.5%	0.0	0.0%	27.3	8.9%	29.5	9.6%	3.3	1.1%	9.3	3.0%	-9.2	307.6
EBITDA	23.8	77.2%	-2.9	-9.3%	2.3	7.5%	15.0	48.8%	1.0	3.3%	-12.6	-41.0%	4.2	30.8
Net Income	-532.5	107.7%	-4.0	0.8%	3.0	-0.6%	11.1	-2.3%	0.2	-0.1%	33.3	-6.7%	-5.6	-494.4
<u>2019 9M mn TL</u>	<u>KKTC</u>	<u>%</u>	<u>Croatia</u>	<u>%</u>	<u>Montenegro</u>	<u>%</u>	<u>Bulgaria</u>	<u>%</u>	<u>Publication</u>	<u>%</u>	<u>Holding & Others</u>	<u>%</u>	<u>Elimination</u>	<u>Total</u>
Sales	551.0	89.5%	6.7	1.1%	26.1	4.2%	30.7	5.0%	2.9	0.5%	81.2	13.2%	-83.1	615.5
EBITDA	181.9	100.8%	0.8	0.4%	5.1	2.8%	13.2	7.3%	0.9	0.5%	47.6	26.3%	-68.8	180.6
Net Income	-34.1	99.3%	-2.2	6.3%	4.2	-12.2%	5.6	-16.4%	0.2	-0.7%	59.4	-173.1%	-67.5	-34.3

BIST 100 & NTHOL PERFORMANCE

2019 9M

2020 9M



01.10.2018 BIST 100: 985.37

NTHOL: 2.05

01.10.2019 BIST 100: 1,038.77

NTHOL: 1.78

30.09.2019 BIST 100: 1,050.33
+6.59 %

NTHOL: 1.80 -
-12.20 %

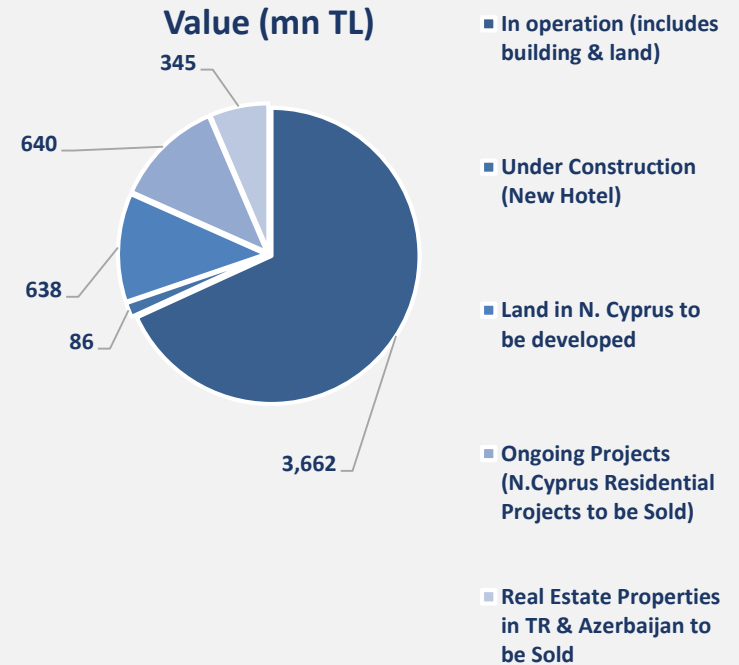
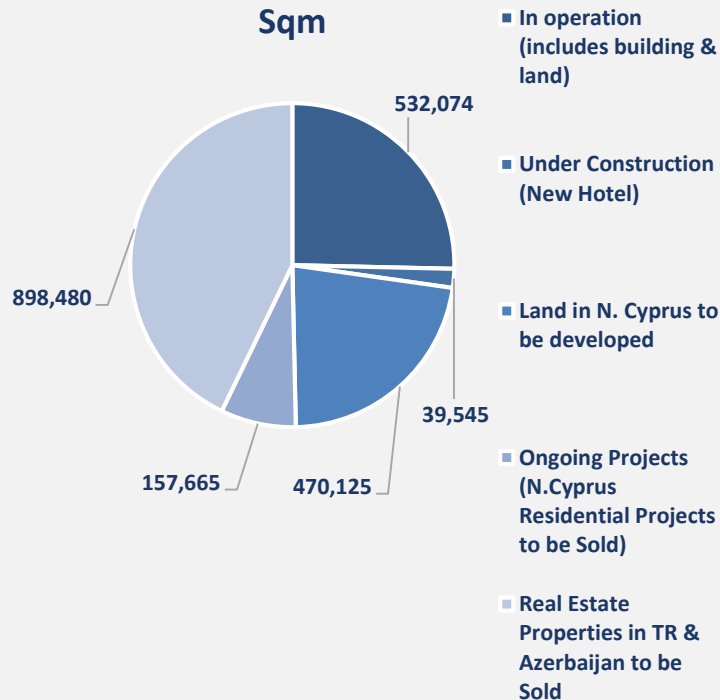
30.09.2020 BIST 100: 1,145.24
+10.25 %

NTHOL: 2.38
+33.71 %

PROPERTIES BREAKDOWN (2020 9M)

Properties Breakdown	Sqm	%
In operation (includes building & land)	532,074	25.4
Under Construction (New Hotel)	39,545	1.9
Land in N. Cyprus to be developed	470,125	22.4
Ongoing Projects (N.Cyprus Residential Projects to be Sold)	157,665	7.5
Real Estate Properties in TR & Azerbaijan to be Sold	898,480	42.8
Total	2,097,888	100.0

Properties Breakdown	Value (mn TL)	%
In operation (includes building & land)	3,662	68.2
Under Construction (New Hotel)	86	1.6
Land in N. Cyprus to be developed	638	11.9
Ongoing Projects (N.Cyprus Residential Projects to be Sold)	640	11.9
Real Estate Properties in TR & Azerbaijan to be Sold	345	6.4
Total	5,371	100.0



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