Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri

25 August 2023

Credit Rating

Long-term (National):

(TR) AA

Outlook:

Stable

Short-term (National):

(TR) A1+

Outlook:

Stable

Expiry Date:

25 August 2024

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

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İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Rating Summary

İş Gayrimenkul Yatırım Ortaklığı A.Ş. ("İş REIC" or "the Company") is an establishment that invests in real estate, real estate projects, real estate backed securities and capital market instruments within the framework of the Capital Markets Board ("CMB") regulations. Founded in 1999, the Company was offered to public in the same year and is listed on Borsa Istanbul. Türkiye İş Bankası A.Ş. (İşBank) controls the capital and management of the Company.

As of the first six months of 2023, 94% of the Company's portfolio investments are in the real estate sector, stocks on sale, consisting of immovables which rental income is obtained from, projects and land investments. İş REIC's real estate investments are predominantly located in Istanbul, and the value-based geographical distribution is Istanbul with 94.8%, Izmir 2.2%, Ankara 2.6%, and Muğla with 0.4%.

Following our comparative analysis of the sector and examination of financial/operational risks carried by the Company, as well as its domestic market position, the previous long-term rating of **(TR) AA** and the short-term rating of **(TR) A1+** has been reconfirmed.

Previous Rating (August 26, 2022): Long-term: (TR) AA Short-term: (TR) A1+

Outlook

As of year-end 2022, the Company's revenue increased by 40.6% to TL 686.9 million. 39.2% of the revenues consisted of housing sales revenues, 42.6% of rental income, 11.9% of right of construction, 5.4% of interest income from bank deposits and 1% of other income. In the same period, gross profit increased by 55.2% and net operating profit (excluding real estate valuation income) by 55.9%. Operating income increased by 570.2% to TL 8.3 billion, of which TL 7.9 billion consisted of investment property valuation income. Consequently, net profit increased by 528.9% to TL 8.4 billion.

In the same period, the Company's current assets increased by 273.2% to TL 1.8 billion. Fixed assets increased by 151.9% to TL 15.6 billion as a result of the revaluation and the short-term liabilities increased by 248.7% to TL 3.5 billion. Financial liabilities accounted for 97.4% of short-term liabilities. The Company's net debt stands at TL 2 billion and the available unused credit lines are adequate. İş REIC has diversified its financial borrowing with bank loans and capital market instruments. In 2021 and 2022, the Company's net foreign currency position is positive. Following the general shareholders' meeting where the year 2022 was discussed, no dividend distribution took place in order to optimize cash flows and kept it within the Company. The construction process of Litus Istanbul Housing Project is ongoing and the construction of IFM Project has been completed as of the reporting date. The 165-villa Kasaba Modern Project is in the license stage and project development works are ongoing in Gayrettepe Housing Project, Profilo Shopping Mall Housing Project, and Tuzla Housing Project. In addition to these projects, the Company owns 2 pieces of land with a total appraisal value of TL 78.7 million.

The Company's total portfolio of TL 22.55 billion consists of real estate, money and capital market instruments and subsidiaries. Approximately 94% of the Company's portfolio investments are in the real estate sector, consisting of immovable properties from which rental income is generated, stocks on sale, projects and land investments. The distribution of investments in the real estate sector is as follows; 56.8% office, 19.0% shopping mall, 23.6% projects, 0.3% inventory, and 0.4% land.

In addition to the aforementioned factors, İş REIC's strong ownership structure, effective risk and cost management and ability to access financing have been included in the assessment, and the Company's outlook has been determined as "Stable". On the other hand, the economic consequences of the recent extraordinary developments in global money and capital markets are closely monitored by us and their possible effects on the Company will be evaluated during the surveillance period.

Macroeconomic Outlook – August 2023

The most current and previous global growth projections of international organizations such as the International Monetary Fund (IMF), the World Bank and the Organization for Economic Development and Cooperation (OECD) for 2023 and 2024 are given below:

Organization	Source	2023		2024	
		(Current)	(Previous)	(Current)	(Previous)
IMF	July 2023 World Economic Outlook Report (prev.: April 2023)	%3,0↑	%2,8	%3,0↓	%3,1
World Bank	April 2023 World Economic Prospects Report (prev.: January 2023)	%2,0↑	%1,7	%2,7↓	%3,0
OECD	March 2023 Interim Report (prev.: November 2022 Interim Report)	%2,6↑	%2,2	%2,9↑	%2,7

According to the July 2023 "Global Economic Outlook Report" published by the IMF, the global recovery observed in the aftermath of the Covid-19 epidemic and Russia's invasion of Ukraine showed signs of a slow-down. It was pointed out that the forces hindering last year's growth were persisting. The report noted that the ongoing high inflation continued to erode the purchasing power of households, and that the central banks' tightening policy against inflation limited economic activity by increasing the cost of borrowing.

Fitch Ratings increased its growth expectation for the global economy from 2.0% to 2.4% for 2023.

The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.2% in July on a seasonally adjusted basis, the same increase as in June, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all-items index increased by 3.2% before seasonal adjustment.

In July, the US Federal Reserve (FED) increased the policy rate by 25 basis points, in line with expectations, to the range of 5.25-5.50%, the highest level in 22 years.

According to the US Department of Commerce's preliminary data on Gross Domestic Product (GDP) for the April-June period, GDP in the US increased by 2.4% annually in the second quarter of this year.

In the 2023 Spring Economic Expectations Report published by the European Commission, the inflation expectation for the Eurozone has been increased from 5.6% to 5.8% for 2023. In the report, it was predicted that the EU economy will grow by 1.0% in 2023, 1.7% in 2024, and the Eurozone economy by 1.1% in 2023 and 1.6% in 2024.

In September 2022, the European Central Bank (ECB) increased its rates by 75 basis points for the first time in its history, giving the signal that rate increases would continue in the upcoming meetings. In 2022, it increased its policy rate to a total of 2.5% after consecutive increases of four times in a row. In 2023, after increasing its policy rate by 50 basis points each in the first two meetings, the ECB increased the interest rate further by 25 basis points in May to a total of 3.75%. In June and July, the bank increased the overnight deposit rate by 25 basis points each. As a result, the interest rate paid by the ECB on banks' deposits was increased from 3.75% to 4.25%. This was the highest rate since 2000, when euro notes and coins were not yet in circulation.

The table below gives the last official growth forecasts of the IMF, OECD and World Bank for 2023-2024 for Turkey, which grew by 5.6% in 2022. The World Bank stated in its Global Economic Prospects report that the 2023 growth forecast for Turkey is 3.2%, 4.3% for 2025 and 4.1% for 2024. In the OECD Economic Outlook report, the GDP growth forecast for Turkey for 2023 was increased from 2.8% to 3.6% and deccreased from 3.8% to 3.7% for 2024. In the IMF's Global Economic Outlook report for April, it has estimated that the Turkish economy will grow by 2.7% this year and 3.6% in 2024.

Organization	Source	2023		2024	
		(Current)	(Previous)	(Current)	(Previous)
IMF	July 2023 World Economic Outlook Report (prev April 2022)	3.0%↑	2.7%	2.8%↓	3.6%
World Bank	June 2023 Economic Update Report (prev.: January 2023)	3.2%↑	2.7%	4.3%↑	4.0%
OECD	June 2023 Interim Report (prev.: March 2023 Interim Report)	3.6%↑	2.8%	3.7%↓	3.8%

The Central Bank of Turkey (CBT) Money Market Board, after keeping the policy rate steady at 14% in the first 7 meetings of 2022, decided to reduce the policy rate by 100 basis points in each consecutive meeting in August and September. Stating the importance to support financial conditions by maintaining the momentum achieved in industrial production and the upward trend in employment at a time when uncertainties and geopolitical risks for global growth are increasing, declared its decision to lower the funding rate to 12%. In the October and November meeting, the Board decided to further reduce its policy rate by 150 basis points in each meeting lowering it to 9%. Thus, the policy rate was reduced to single digits after 2 years. After lowering the policy rate by 50 basis points and bringing it down to 8.5% in its February 2023 meeting, the Board kept the policy rate constant in the following March, April and May meetings. After the appointment of a new governor In June, the CBT increased its policy rate by 650 basis points to 15%. Thus, interest rates were increased for the first time since March 2021.

Turkey's five-year credit default swap (CDS) premium dropped to 493 basis points in June 2023, reaching its lowest level since 2021. Turkey's CDS premium which briefly hiked from 494 to 700 after the recent elections, with the appointment of a new CBT governor, is continuing its decrasing trend.

Within the framework of the 2023 external financing program, 2.5 billion USD worth of treasury bonds with a maturity of 2030, were issued in April, with a coupon rate of 9.3%. With this bond issuance, a total of 7.5 billion dollars financing was obtained from international capital markets in 2023.

According to the results of the Foreign Trade Expectation Survey performed quarterly by the Ministry of Commerce, the Export Expectation Index for the 3rd quarter of 2023 increased by 4.2 points compared to the previous quarter, to 109.5. The Import Expectation Index, on the other hand, decreased by 3 points compared to the previous quarter to 105.3.

The main macroeconomic developments in Turkey as of our reporting date can be summarized as follows:

Indicator	Current Value	Previous Value	Summary
Growth (TUIK)	2023-Q1 **4.0%**	2022-Q4 **5.6%**	GDP with chain linked volume index increased by 4.0% compared with the same quarter of the previous year in the first quarter of 2023. When the activities which constitute gross domestic product were analyzed; the value added increased by 12.4% in services, 12.0% in professional, administrative and support service activities, 11.2% in financial and insurance, 8.1% in information and communication, 7.8% in other service activities, 5.1% in construction, 3.6% in public administration, education, human health and social work activities and 1.4% in real estate activities. Industry sector and agriculture, forestry and fishing decreased by 0.7% and 3.8%, respectively.
Unemployment (TUIK)	2023/06 **9.6%**	2023/05 **9.5%**	15 years old and over increased by 2 thousand to 3 million 337 thousand persons in June 2023 compared to the previous month. As the unemployment rate estimated 9.6% with 0.1 percentage point increase compared to the previous month. The number of employed persons decreased by 363 thousand to 31 million 291 thousand persons in June 2023 compared to the previous month. The employment rate occurred as 47.8% with 0.6 percentage point decrease.
Inflation **CPI** **PPI** (TUIK)	2023/07 **47.8%** **44.5%**	2023/06 **38.2%** **40.4%**	The rise in CPI n the previous month by 9.49%, on December of the previous year by 31.14%, on same month of the previous year by 47.83% and on the twelve months moving averages basis by 57.45% in July 2023. PPI increased by 8.23% on monthly basis, by 24.27% on December of the previous year basis, by 44.50% on same month of the previous year basis and by 78.51% on the twelve months moving averages basis in July 2023.
Industrial Production Index (TUIK)	2023/06 **0.6%**	2023/05 **-0.2%**	Industrial production increased by 0.6% annually in June 2023. When the subsectors of the industry were examined, mining and quarrying index decreased by 11.6%, manufacturing index increased by 2.1% and electricity, gas, steam and air conditioning supply index decreased by 3.4% in June 2023, compared with same month of previous year.
Car & Light Commercial Vehicle Sales (ODD)	2023/07 **668,828**	2023/06 **555,867**	In the January-July period of 2023, Turkey's passenger car and light commercial vehicle total market increased by %63.1 compared to previous year, to 668,828 units. Passenger car and light commercial vehicle market increased by %115.4 compared to July 2022, to 112,459 units.
Housing Sales (TUIK)	2023/07 **109,548**	2023/06 **83,636**	In july, house sales increased by 16.7% compared to the same month of the previous year and became 109,548. Istanbul got the highest share with 15,724 units sold (14.4%).
Turkish PMI (ISO-IHS Markit)	2023/07 **49.9**	2023/06 **51.5**	The headline PMI dipped fractionally below the 50.0 no-change mark in July. At 49.9, down from 51.5 in June, the index signalled broadly stable business conditions and ended a six-month sequence of expansion.
Eurozone PMI (IHS Markit)	2023/07 **42,7**	2023/06 **43.4**	Eurozone Manufacturing Purchasing Managers Index (PMI), announced by IHS Markit, decreased to 42.7 points in July from 43.4 points in June.

Indicator	Current Value	Previous Value	Summary
Consumer Confidence Index (TUIK, CBT)	2023/07 **80.1**	2023/06 **85.1**	Consumer confidence index, calculated from the results of the consumer tendency survey carried out in cooperation with the Turkish Statistical Institute and Central Bank of the Republic of Türkiye, which was 85.1 in June decreased by 5.9% in July to 80.1.
Banking Sector NPL Ratio BRSA)	2023/06 **1.64%**	2023/05 **1.75%**	The asset size of the Turkish Banking Sector in Jun 2023 increased by 33.1% compared to the end of 2022 reaching TL 19,102,389million, loans increased by 32.0% to TL 10,009,615 million and securities increased by 35.8% to TL 3,220,021 million. In this period, the NPL ratio of loans was 1.64%.
Budget Balance (TL Billion) (Min. of Treasury and Finance)	2023/07 **48,6**	2023/06 **-219,6**	In July 2023, the central government budget expenditures were TL 455.8 billion, budget revenues were TL 504.4 billion and the budget surplus was TL 48.6 billion. The primary budget expenditures were realized as TL 418.1 billion and the primary surplus was TL 86.3 billion.
Current Account Balance ($ Million) (CBT)	2023/06 **674**	2023/05 **-7,933**	In June, current account recorded net surplus of USD 674 million. Gold and energy excluded current account indicated net surplus of USD 5,584 million.

In Turkey, house sales decreased by 0.4% year-on-year to 1,485,622 units in 2022. Istanbul had the highest share in house sales with 17.5%. Looking at the figures of the last 3 years, total house sales figures for 2020, 2021 and 2022 followed a parallel course. While 31.1% of the sales were first-hand sales, the share of second-hand house sales was 69%, and the distribution parallel to the previous year was maintained. According to the sales figures released by TUIK (Turkish Statistical Institute), house sales in the first six months of 2023 decreased by 22% compared to the same period of the previous year, totaling 565,779 units. In the first six months of 2022, mortgaged sales accounted for 23% of total sales in Turkey, while in the same period of 2023, the share of mortgaged sales in all sales was 21%. In the first six months of 2023, the number of mortgaged sales decreased by 29% year-on-year to 121,530 units. While the share of second-hand house sales in all sales in Turkey was 71% in the first six months of 2022, the share of second-hand house sales in the same period of 2023 was similarly realized as 70%. In the first six months of 2023, 171,158 first-hand sales were realized, a decrease of 18% compared to the same period of the previous year.

In the office market, demand for new and safe office buildings has increased as a result of the sensitization following the earthquake in February. Accordingly, leasing transactions are favored and vacancy rates are decreasing. Start-ups or companies that do not want to bear the initial investment costs continue to prefer serviced offices. Serviced office companies, on the other hand, are expanding their existing offices and opening new branches, especially in areas with central business districts and high demand.

According to the latest data released by AYD (Council of Shopping Centers - Turkey), Shopping Mall Retail Turnover Index increased by 114.6% to 1989 in June 2023, compared to the same month of the previous year (not inflation-adjusted). Compared to the same month of the previous year, the Number of Visits Index increased by 21.9% to 100 in June 2023. Compared to the month of May, an increase of 11.1% was observed.

Company Overview

The main shareholder of the Company which started its operations in 1999 is Türkiye İş Bankası A.Ş. As of June 30, 2023, the Company has 74 employees (12/2022: 72). Capital structure of the Company as of June 30, 2023 is as follows:

Shareholder	Ownership Interest (TL)	Ownership Interest (%)
Türkiye İş Bankası A.Ş.	499,138,159	52.06
Anadolu Hayat Emeklilik A.Ş.	67,476,714	7.04
Other	392,135,127	40.90
Total	**958,750,000**	**100.00**

As of June 30, 2023, the nominal value of the Company's shares in circulation is approximately TL 355.6 million, and the ratio of these shares to the capital is 37.09%.

The formation of the Board of Directors as of the date of our report is as follows:

Members	Title
Can Yücel	Chairperson of the Board
Kubilay Akyol	Vice-chairperson
Ömer Barlas Ülkü	Board Member / General Manager
Özcal Korkmaz	Board Member
Murat Karluk Çetinkaya	Board Member
Murat Doğan	Board Member
Prof. Arzu Erdem	Independent Board Member
Prof. Oğuz Cem Çelik	Independent Board Member
İlkay Arıkan	Independent Board Member

İş REIC went public in 1999 and its shares are traded in the Stars Market of Borsa Istanbul under the "ISGYO" ticker code. The Company is a constituent of BIST 100 (XU100), BIST All Shares (XUTUM), BIST Stars (XYLDZ), BIST Real Estate Investment Trusts (XGMYO), BIST Financial (XUMAL) and BIST 100-30 (XYUZO) indices.

As of June 2023, approximately 94% of the Company's portfolio investments are in the real estate sector, consisting of immovables from which rental income is obtained, stocks for sale, projects, and land investments.

The distribution of investments in the real estate sector is as follows; 56.8% office, 19.0% shopping mall, 23.6% projects, 0.3% inventory, and 0.4% land. İş REIC's real estate investments are predominantly located in Istanbul, and the geographical distribution in terms of value is Istanbul with 94.8%, Izmir 2.2%, Ankara 2.6%, and Muğla with 0.4%.

The immovables from which rental income and right of construction are obtained consist of office and shopping center investments and the distribution of the said investments on the basis of appraisement value is 75% office and 25% shopping mall. The immovables and appraisement values from which rental income and right of construction income are obtained are presented in the table below.

Buildings	Appraisement Date	Appraisement Value	Breakdown
Offices		**12.044.415.000**	**74,91%**
Istanbul İş Towers - Tower-2&3	16.06.2023	5.217.200.000	32,45%
Tuzla Technology and Operations Center (TUTOM)	20.06.2023	5.117.295.000	31,83%
Maslak Office Building	20.06.2023	675.000.000	4,20%
Ankara İş Tower	9.06.2023	544.920.000	3,39%
Taksim Office Lamartine	20.06.2023	490.000.000	3,05%
Retail		**4.034.495.000**	**25,09%**
Kanyon Shopping Mall	23.06.2023	1.735.000.000	10,79%
Marmara Park Shopping Mall	20.06.2023	1.298.000.000	8,07%
Ege Perla Shopping Mall	19.06.2023	471.250.000	2,93%
İş Towers-Tower Bazaar	16.06.2023	333.040.000	2,07%
Tuzla Meydan Çarşı	20.06.2023	111.715.000	0,69%
Mallmarine Shopping Mall	21.06.2023	85.490.000	0,53%
Total		**16.078.910.000**	**100,00%**

As of June 30,2023, residential sale details are as follows; 10 out of 98 units in Litus Istanbul Project, 942 out of 975 units in Kartal Manzara Adalar Project and 237 out of 243 units in Izmir Ege Perla Project have been sold. The projects under development as of the reporting date are as follows; Litus Istanbul Housing Project, Kasaba Modern Project, Gayrettepe Housing Project, Profilo Shopping Mall Housing Project, and Tuzla Housing Project. For the Profilo Shopping Center Housing Project, a "Revenue Sharing in Return for Land Share and Construction Contract in Return for Flats" has been signed with Artaş İnşaat. Within the scope of the said agreement, the entire project cost will be covered by Artaş and 40% of all revenues to be generated within the scope of sales (not less than USD 65 million + VAT) will be paid to İş REIC as revenue share in return for land price.

İş REIC securities traded in the Debt Securities Market as of the report date are as follows.

ISIN	Securities Traded	Redemption Date	Amount Issued (TL '000')
TRFISGYA2318	Commercial Paper	Dec. 04, 2023	250,000
TRSISGY12519	Bond	Jan. 22, 2025	500,000
TRSISGYE2319	Bond	Oct. 03, 2023	100,000

İş REIC applied for permission to the Capital Markets Board on August 11, 2023 within the scope of the issuance ceiling of TL 5 billion.

Key Financial Indicators

Income Statement	2020/12	2021/12	2022/12	2021 %		2022 %	
Sales revenue	**552.679**	**488.577**	**686.936**	**(11,6%)**	▼	**40,6%**	▲
COGS	356.313	200.955	240.443	**(43,6%)**	▼	**19,6%**	▲
Gross operational profit	**196.366**	**287.622**	**446.493**	**46,5%**	▲	**55,2%**	▲
Operational costs (R&D+Sales+Admin. Costs)	37.611	44.756	67.762	**19,0%**	▲	**51,4%**	▲
Net operational profit	**158.755**	**242.865**	**378.731**	**53,0%**	▲	**55,9%**	▲
Other operational costs	282.965	1.234.781	8.275.634	**336,4%**	▲	**570,2%**	▲
Operational profit	**441.720**	**1.477.646**	**8.654.364**	**234,5%**	▲	**485,7%**	▲
Profit/Loss from investments	-	-	18.943		—		—
Net capital gains by equity method	2.044	1.983	5.074	**(3,0%)**	▼	**155,9%**	▲
Profit Before Interest	**443.764**	**1.479.629**	**8.678.382**	**233,4%**	▲	**486,5%**	▲
İnterest income	10.929	46.194	-	**322,7%**	▲	**(100,0%)**	▼
Interest expenses	188.191	195.903	314.193	**4,1%**	▲	**60,4%**	▲
Net Monetary Position Gains (Losses)	-	-	-		—		—
Net Income before tax	**266.502**	**1.329.920**	**8.364.189**	**399,0%**	▲	**528,9%**	▲
Taxes	-	-	-		—		—
Ongoing operations net income	**266.502**	**1.329.920**	**8.364.189**	**399,0%**	▲	**528,9%**	▲
Net income from terminated operations	-	-	-		—		—
Net Income	**266.502**	**1.329.920**	**8.364.189**	**399,0%**	▲	**528,9%**	▲

As of year-end 2022, the Company's sales increased by 40.6% to TL 687 million. The breakdown of revenues shows that 39.2% consisted of housing sales, 42.6% of rental income, 11.9% of right of construction and 6.3% of other miscellaneous income. The fact that the increase in cost of sales lagged behind the increase in revenues had a positive impact on gross profit, increasing by 55.2% to TL 446.5 million. Net profit increased by 528.9% to TL 8.4 billion (2021: 399%) due to the revaluation of the Company's real estate properties.

Balance Sheet	2020/12	2021/12	2022/12	2021 %		2022 %	
Current Assets	**464.910**	**492.262**	**1.837.080**	**5,9%**	▲	**273,19%**	▲
Cash and similar financial investments	59.156	138.563	1.375.063	**134,2%**	▲	**892,37%**	▲
Trade receivables	125.644	109.092	144.545	**(13,2%)**	▼	**32,50%**	▲
Other receivables	6.374	5.561	9.028	**(12,8%)**	▼	**62,35%**	▲
Inventories	234.619	139.873	58.509	**(40,4%)**	▼	**(58,17%)**	▼
Other current assets	39.116	99.172	249.934	**153,5%**	▲	**152,02%**	▲
Fixed assets	**4.760.496**	**6.184.060**	**15.580.140**	**29,9%**	▲	**151,94%**	▲
Tangible assets	41.395	55.493	143.598	**34,1%**	▲	**158,77%**	▲
Intangible assets	940	1.250	2.654	**33,0%**	▲	**112,33%**	▲
Financial investments	230.572	272.785	555.334	**18,3%**	▲	**103,58%**	▲
Valuation of equity investments	4.285	5.768	10.342	**34,6%**	▲	**79,29%**	▲
Investment Properties	3.942.624	4.979.646	12.077.815	**26,3%**	▲	**142,54%**	▲
Inventories	200.107	381.237	1.043.172	**90,5%**	▲	**173,63%**	▲
Other fixed assets	340.572	487.881	1.747.225	**43,3%**	▲	**258,13%**	▲
Total Assets	**5.225.405**	**6.676.321**	**17.417.219**	**27,8%**	▲	**160,88%**	▲
					—		—
Short term liabilities	**962.553**	**1.000.398**	**3.488.283**	**3,9%**	▲	**248,69%**	▲
Short term financial loans	446.021	840.482	2.783.058	**88,4%**	▲	**231,13%**	▲
Current portion of long term loans	437.419	5.646	615.430	**(98,7%)**	▼	**10.800,9%**	▲
Trade payables	8.041	10.550	18.433	**31,2%**	▲	**74,7%**	▲
Other Financial Loans	-	-	-		—		—
Other Short Term Liabilities	71.071	143.720	71.363	**102,2%**	▲	**(50,3%)**	▼
Long term liabilities	**131.899**	**200.260**	**8.700**	**51,8%**	▲	**(95,7%)**	▼
Long term financial loans	129.538	197.107	-	**52,2%**	▲	**(100,0%)**	▼
Other Financial Loans	-	-	-		—		—
Other Long Term Liabilities	2.361	3.153	8.700	**33,6%**	▲	**175,9%**	▲
Equity	**4.130.954**	**5.475.663**	**13.920.236**	**32,6%**	▲	**154,2%**	▲
Paid-in capital	958.750	958.750	958.750	**0,0%**	—	**0,0%**	—
Other equity	281.362	296.151	376.535	**5,3%**	▲	**27,1%**	▲
Legal capital reserves	70.942	71.191	77.793	**0,4%**	▲	**9,3%**	▲
Retained earnings	2.553.398	2.819.651	4.142.969	**10,4%**	▲	**46,9%**	▲
Net Income	266.502	1.329.920	8.364.189	**399,0%**	▲	**528,9%**	▲
Total Liabilities & Equity	**5.225.405**	**6.676.321**	**17.417.219**	**27,8%**	▲	**160,9%**	▲

As of year-end 2022, current assets increased by 273.2% to TL 1.8 billion. The largest item of current assets is cash and financial investments, which is mainly held in TL and foreign currency denominated time deposits. In the same period, fixed assets increased by 151.9% to TL 15.6 billion. Short-term liabilities increased by 248.7% to TL 3.5 billion. Following revaluation, the Company's net profit increased by 588.9% to TL 8.4 billion.

Financial Ratios

Main Financial Ratios	2020/12	2021/12	2022/12	2022/6	2023/6
Liquidity					
Net working capital / Total Assets	-9,5%	-7,6%	-9,5%	-12,5%	-9,5%
Current ratio - Current assets / Short-term liabilities)	48,3%	49,2%	52,7%	43,6%	49,1%
Acid-test ratio - (Current assets-Inventories) / Short-term liabilities	23,9%	35,2%	51,0%	35,9%	47,9%
Cash ratio - Cash & equivalents / Short-term liabilities	6,1%	13,9%	39,4%	22,1%	13,9%
Inventories / Current Assets	50,5%	28,4%	3,2%	17,8%	2,5%
Inventories / Total Assets	4,5%	2,1%	0,3%	1,7%	0,2%
Financial structure					
Leverage ratio - Liabilities / Equity	26,5%	21,9%	25,1%	31,2%	23,1%
Debt ratio - Liabilities / Total Assets	20,9%	18,0%	20,1%	23,8%	18,7%
Short-term liabilities / Liabilities	87,9%	83,3%	99,8%	93,1%	99,7%
Short-term liabilities / Total Assets	18,4%	15,0%	20,0%	22,2%	18,7%
Short-term financial liabilities / Short-term liabilities	91,8%	84,6%	97,4%	87,7%	91,1%
Financial debt / Total Assets	19,4%	15,6%	19,5%	21,0%	17,0%
Net Finansal Borç/Özkaynak	23,1%	16,5%	14,5%	21,1%	17,7%
Operational ratios					
Receivables turnover rate - Revenues / Trade Receivables	439,9%	447,9%	475,2%	258,1%	204,3%
Inventories turnover rate - COGS / Inventories	151,9%	143,7%	411,0%	69,4%	130,5%
Trade payables turnover rate - COGS / Trade payables	4431,1%	1904,8%	1304,4%	648,7%	177,8%
Current assets turnover rate - Revenues / Current assets	118,9%	99,3%	37,4%	43,8%	17,2%
Working capital turnover rate - Revenues / Net working capital	-111,1%	-96,2%	-41,6%	-33,9%	-16,6%
Tangible assets turnover rate - Revenues / Tangible assets	1335,1%	880,4%	478,4%	567,7%	187,9%
Equity turnover rate - Revenues / Equity	13,4%	8,9%	4,9%	5,5%	1,9%
Asset turnover rate - Revenues / Total Assets	10,6%	7,3%	3,9%	4,2%	1,6%
Profitability					
Gross operating profit margin - GOP / Revenues	35,5%	58,9%	65,0%	71,8%	80,8%
EBITDA Margin (1) - (Operational profit + Depreciation) / Revenues	80,3%	302,9%	1260,4%	67,3%	1378,8%
EBITDA Margin (2) - (GOP - Oper. Costs + Depreciation) / Revenues	29,1%	50,2%	55,6%	61,1%	63,3%
Operational profit margin - Operational profit / Revenues	79,9%	302,4%	1259,9%	66,8%	1377,5%
Net profit margin - Net Income / Revenues	48,2%	272,2%	1217,6%	42,8%	1316,1%
COGS / Revenues	64,5%	41,1%	35,0%	28,2%	19,2%
Operational Costs / Revenues	6,8%	9,2%	9,9%	11,2%	18,7%
Asset profitability - Net Income / Total Assets	5,1%	19,9%	48,0%	1,8%	20,8%
Equity profitability - Net Income / Equity	6,5%	24,3%	60,1%	2,4%	25,6%

Corporate Governance

The Company has provided substantial compliance with the CMB's Corporate Governance Principles and has implemented all of the necessary policies and measures. Management and internal control mechanisms have been created effectively and are in operation. All of the corporate governance risks are identified and managed actively. The rights of shareholders and stakeholders are respected in a fair manner and public disclosure and transparency is at superior levels. Structure and operation of the board of directors is in the category of best practice.

Methodology

SAHA's credit rating methodology is composed of quantitative and qualitative sections contributing to the final grade with specific weights. The quantitative analysis components consist of the Company's performance compared to industry peers, analysis of the financial risks, and the assessment of cash flow projections. Comparative performance analysis determines the relative position of the Company as compared with industry peers' financial performances and industry averages. The financial risk analysis of our methodology 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 evaluates the Company's performance with respect to its capability to fulfill its obligations under the future projections of a base and a stress scenario.

The qualitative analysis covers operational issues such as industry and company risk as well as administrative risks in the context of corporate governance practices. The industry analysis evaluates factors like the nature and rate of growth of the industry, its competitive structure, structural analysis of customers and creditors, and sensitivity of the sector to risks at home and abroad. The company analysis evaluates market share and efficiency, trends and volatilities in key performance indicators, cost structure, service quality, organizational stability, access to domestic and foreign funding sources, off-balance sheet liabilities, accounting practices, and parent / subsidiary company relationships if any.

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

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