Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri

24 April 2024

Credit Rating

Long-term (National):

(TR) AA-

Outlook:

Stable

Short-term (National):

(TR) A1+

Outlook:

Stable

Expiry Date:

24 April 2025

Naturelgaz Sanayi ve Ticaret A.Ş.

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NATURELGAZ SAN. VE TİC. A.Ş.

Rating Summary

Naturelgaz Sanayi ve Ticaret A.Ş. ("Naturelgaz", "the Company") was established in 2004 to operate in the Compressed Natural Gas (CNG) industry. The main field of activity of the Company is the purchase, compression and delivery of natural gas for CNG in the off-grid natural gas industry, and the purchase, transportation and delivery of gas in the Liquefied Natural Gas ("LNG") sector.

The Company has 4 main business lines: Bulk (Industrial) CNG and LNG, Citygas, Auto CNG, and Well CNG. Off-grid CNG and LNG systems are used to meet the natural gas demand in regions that have no pipeline access. As of the date of our report, Naturelgaz has a total of 16 facilities, including 13 Industrial CNG filling facilities and 3 Auto CNG stations. In addition, the Company serves its customers at a total of 17 facilities under a cooperation agreement with an Industrial CNG filling facility located at Erzurum.

Naturelgaz shares have been on public offer since April 2021 and are traded on the Borsa Istanbul under the ticker symbol "NTGAZ". The main shareholder of the Company is Global Yatırım Holding A.Ş. with a 60.0% stake and 40% of its shares are publicly traded.

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

Previous Rating (January 9, 2023): Long Term: **(TR) AA-**

Short Term: **(TR) A1+**

Outlook

The main field of activity of the Company, which was established in 2004, is the purchase, compression, and delivery of natural gas for CNG in the off-grid natural gas industry, and the purchase, transportation, and delivery of gas in the Liquefied Natural Gas ("LNG") sector. Naturelgaz operates in the off-grid natural gas sector with Industrial CNG and LNG products.

The Company reflects the increase in natural gas acquisition costs directly (pass-through) to sales prices. 'Gross Profit / Sales Volume' and 'EBITDA / Sales Volume' ratios are monitored to track industry performance as revenues fluctuate due to changes in CNG and LNG prices. Performance gross profitability (Gross Profit / Sales Volume), calculated based on the sales volumes and financial statements declared by the Company, was realized as TL 3.1/Sm³ at the end of 2023 (2022: TL 7.9/Sm³). In the same period, EBITDA / Sales Volume was achieved at TL 2.8/Sm³ (2022: TL 7.2/Sm³).

In accordance with the decision taken by the Public Oversight, Accounting and Auditing Standards Authority (POA), companies applying Turkish Financial Reporting Standards (TFRS) are required to present their financial statements for the annual reporting period ending on or after December 31, 2023 adjusted for the effects of inflation in accordance with the relevant accounting principles. In this context, the annual financial statements of Naturelgaz for 2023 and 2022 have been adjusted for inflation.

The Company's sales in 2023 amounted to TL 4.0 billion (2022: TL 7.0 billion), down 42.3% YoY. In the same period, gross profit declined by 56.5% to TL 783.4 million (2022: TL 1.8 billion). Net profit decreased by 91.3% to TL 96.5 million at the end of 2023 compared to the end of the previous year (2022: TL 1.1 billion). Within this period, gross profitability and net profitability were realized as 19.4% and 2.4%, respectively (2022: 25.7% and 15.8%).

According to the information published in the Company's Annual Report, sales volume in CNG, LNG, City Gas, and Auto CNG grew by 10.2% YoY to 251.1 million Sm³ at the end of 2023 (2022: 227.9 million Sm³). On the other hand, the decline in revenues is related to the decline in natural gas pricing margins. Looking at the weighted average sales prices of LNG across Turkey, it can be seen that the pricing decreased from TL 22.5/m³ in January 2023 to TL 16.9/m³ in December 2023.

The Company's Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)[1] decreased by 57.3% to TL 699.2 million at the end of 2023 (2022: TL 1.6 billion). The EBITDA margin of 23.4% in 2022 shrank to 17.3% at the end of 2023. The Company continues to invest and generate free cash with the positive operating cash generated in the last 3 years. Naturelgaz has a cash surplus of TL 159.7 million as of the end of 2023 and has no net financial debt.

The net foreign currency position of the Company, which provides services only in Turkey, amounted to TL (-) 29.7 million at the end of 2023 (2022: TL (-) 49.2 million).

Taking all these factors into account, as well as the Company's market position, shareholding structure and sector experience, the Company's short and long-term outlook has been confirmed as "Stable."

[1] EBITDA: Net Operating Profit + Depreciation

Macro-Economic Outlook and Industry Data

World: 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	2024		2025	
		(Current)	(Previous)	(Current)	(Previous)
IMF	January 2024 World Economic Outlook Report (prev.: October 2023)	**%3.1↑**	**%2.9**	**%3.2↔**	**%3.2**
World Bank	January 2024 World Economic Prospects Report (prev.: June 2023)	**%2.4↔**	**%2.4**	**%2.7↓**	**%3.0**
OECD	February 2024 Interim Report (prev.: November 2023)	**%2.9↔**	**%2,7**	**%3.0↔**	**%3.0**

The "World Economic Outlook" published by the International Monetary Fund (IMF) in October 2023 emphasizes that the global recovery, following the shocks caused by the Covid-19 pandemic and the Russia-Ukraine conflict, continues to be slow and uneven. The implementation of tight monetary policies has resulted in a deceleration of economic activity, leading to downward revisions in growth forecasts. Despite the observed efficacy as a result of monetary contraction, and declining commodity prices, global inflation continues to follow a resilient downward trend, with the attainment of targets not expected until 2025. The report indicates that the continuation of tight monetary policies and communication is necessary to anchor inflation expectations to target levels. Despite early progress in economic resilience and inflation reduction at the beginning of the year, it is too soon to take comfort.

The international credit rating agency Fitch Ratings announced that it raised its growth forecast for 2024 by 0.3 percentage points to 2.4% due to improved short-term growth prospects, while maintaining its 2.5% growth forecast for 2025.

At its January 2024 meeting, the US Federal Reserve kept the policy rate unchanged at 5.25-5.50%. Thus, interest rates remained unchanged for the 5th meeting in a row and remained at a 23-year high.

Real gross domestic product (GDP) increased at an annual rate of 3.4% in the fourth quarter of 2023, according to the "third" estimate released by the Bureau of Economic Analysis.

Turkey: The table below shows the latest official growth forecasts of the IMF, OECD and World Bank for 2024-2025 for the Turkish economy, which grew by 4.5% in 2023. In its Global Economic Prospects report, the World Bank set its growth forecast for Turkey at 3.1% for 2024 and 3.9% for 2025. In its Economic Outlook report, the OECD set its GDP growth forecast for Turkey at 2.9% for 2024 and 3.1% for 2025. In its Global Economic Outlook report, the IMF forecasts that the Turkish economy will grow by 3.1% this year and 3.2% in 2025.

Organization	Source	2024		2025	
		(Current)	(Previous)	(Current)	(Previous)
IMF	January 2024 World Economic Outlook Report (prev: October 2022)	**%3.1↓**	**%3.25**	**%3.2↔**	**%3.2**
World Bank	January 2024 Economic Update Report (prev.: June 2023)	**%3.1↓**	**%4.3**	**%3.9**	**-**
OECD	February 2024 Interim Report (prev.: November 2023)	**%2.9↔**	**%2.9**	**%3.1↓**	**%3.2**

In September, October and November, the Central Bank raised its policy rate by 500 basis points each, and by 250 basis points in December and January 2024 reaching up to 45%. The CBRT kept interest rates unchanged at 45% in February and raised them by 500 basis points to 50% in March.

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 2nd quarter of 2024 decreased by 18.4 points compared to the previous quarter, to 123.3. The Import Expectation Index, on the other hand, decreased by 10.1 points compared to the previous quarter to 104.5.

World Bank Turkey Country Director Humberto Lopez stated that in addition to the ongoing 17 billion USD program extended to Turkey, an additional 18 billion dollars operation is envisaged to be presented to the World Bank Board of Directors within the next three years.

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-Q4 **4.5%**	2023-Q3 **5.9%**	GDP 2023 fourth quarter first estimate; As a chained volume index, it increased by 4.5% compared to the same quarter of the previous year. When the activities which constitute gross domestic product were analyzed; the total value added increased by 9.0% in financial and insurance activities, 7.8% in construction, 6.4% in services, 4.6% in other service activities, 3.8% in public administration, education, human health and social work activities, 2.7% in real estate activities, 1.3% in information and communication activities, 1.2% in professional, administrative and support service activities and 0.8% in industry respectively. Agriculture sector decreased by 0.2%.
Unemployment (TUIK)	2024/02 **8.7%**	2024/01 **9.1%**	15 years old and over decreased by 109 thousand to 3 million 78 thousand persons in February 2024 compared to the previous month. As the unemployment rate estimated 8.7% with decreased by 0.3 percentage point compared to the previous month. The number of employed persons increased by 147 thousand to 32 million 423 thousand persons in February 2024 compared to the previous month. The employment rate occurred as 49.3% with increased by 0.2 percentage point.
Inflation **CPI** **PPI** (TUIK)	2024/03 **68.50%** **51.47%**	2024/02 **67.07%** **47.29%**	CPI on the previous month by 3.16%, on December of the previous year by 15.06%, on same month of the previous year by 68.50% and on the twelve months moving averages basis by 57.50% in March 2024. PPI increased by 3.29% on monthly basis, increased by 11.59% on December of the previous year basis, increased by 51.47% on same month of the previous year basis and increased by 45.28% on the twelve months moving averages basis in March 2024.
Industrial Production Index (TUIK)	2024/02 **11.5%**	2024/02 **1.1%**	Industrial production increased by 1.1% annually in January 2024. When the subsectors of the industry were examined, while mining and quarrying index increased by 12.8%, manufacturing index increased by 11.9% and electricity, gas, steam and air conditioning supply index increased by 7.7% in February 2024, compared with same month of previous year.
Car & Light Commercial Vehicle Sales (ODD)	2024/03 **109,828**	2024/02 **105,990**	In January-March 2024, Turkey's passenger car and light commercial vehicle total market increased by %25.2 compared to previous year, to 295,519 units. Passenger car sales went up by %33.05 in January-March 2024, compared to previous year, to 233,389 units while light commercial vehicle sales went up by %2.6 to 62,130 units.
Housing Sales (TUIK)	2024/03 **105,394**	2024/02 **93,902**	In Türkiye, house sales decreased by 0.1% in March compared to the same month of the previous year and became 105 thousand 394. İstanbul had the highest share with 18.1% and 19 thousand 40 house sales.
Turkish PMI (ISO-IHS Markit)	2024/03 **50.0**	2024/02 **50.2**	The headline PMI posted at the 50.0 no-change mark in March, ticking down slightly from a reading of 50.2 in February. Business conditions were therefore stable overall during the month.
Eurozone PMI (IHS Markit)	2024/03 **46.1**	2024/02 **46.5**	Eurozone Manufacturing Purchasing Managers Index (PMI), announced by IHS Markit, decreased from 46.5 in February to 46.1 points in March.
Consumer Confidence Index (TUIK, CBT)	2024/03 **79.4**	2024/02 **79.3**	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 79.3 in February increased by 0.02% in March to 79.4.
Banking Sector NPL Ratio (BRSA)	2024/02 **1.55%**	2024/01 **1.60%**	The asset size of the Turkish Banking Sector in January 2024 increased by 4.7 % compared to the end of 2023 reaching TL 24,662,011 million, loans increased by 5.9 % to TL 12,365,518 million and securities increased by 7.3% to TL 4,259,295 million. In this period, the NPL ratio of loans was 1.55%.
Budget Balance (TL Billion) (Min. of Treasury and Finance)	2024/02 **-153.8**	2024/01 **-150.7**	In February 2024, the central government budget expenditures were TL 689,9 billion, budget revenues were TL 536.1 billion and the budget deficit was TL 153.8 billion. The primary budget expenditures were realized as TL 635.1 billion and the primary deficit was TL 99 billion.
Current Account Balance ($ Million) (CBT)	2024/01 **-2,556**	2023/12 **-2,091**	In January, current account recorded net deficit of USD 2,556 million. Gold and energy excluded current account indicated net surplus of USD 3,595 million.

According to the Petroleum Pipeline Corporation (BOTAŞ), the demand for natural gas decreased last year due to higher-than-expected temperatures. In 2023, the amount of natural gas supplied to the Turkish system was recorded as 51.5 billion cubic meters (2022: 56.1 billion cubic meters).

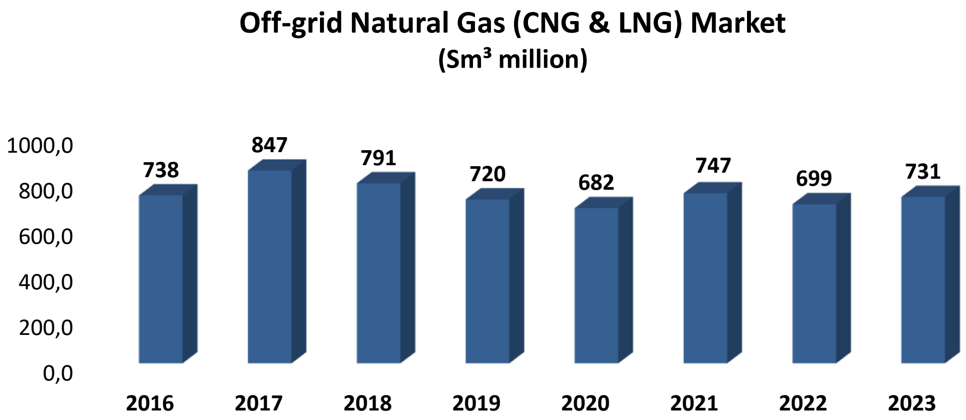
Approximately 99.3% of the natural gas consumed in Turkey is imported. Natural gas imports are mainly carried out by BOTAŞ and other licensed companies. Analyzing the amount of natural gas imports by type of gas, approximately 72% of the natural gas imported in 2023 was piped gas and 28% was LNG.

The following table shows the quantitative distribution of the natural gas market on a year-by-year basis.

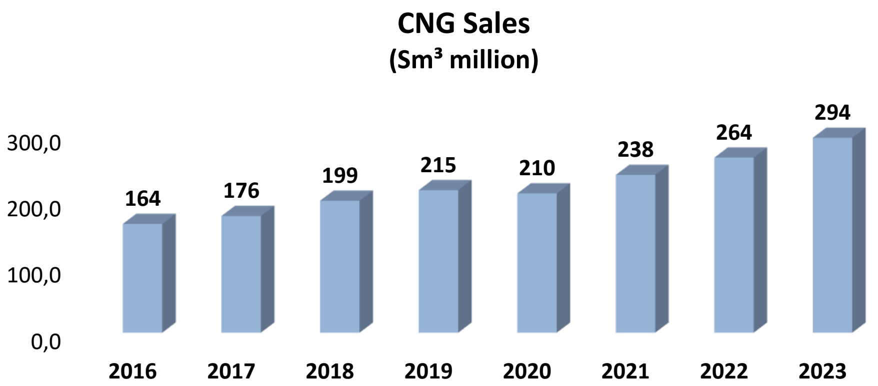
Natural Gas Market Outlook (Sm3 million)				
	2021	2022	2023	2023 Δ
Imports	58,703.9	54,661.7	50,483.8	-7.6%
Production	394.4	379.8	807.3	112.5%
Export	382.9	581.4	896.3	54.2%
Consumption	59,854.2	52,909.7	50,001.2	-5.5%

Source: EMRA

The size of the off-grid natural gas market in which Naturelgaz operates is presented in the table below. Since the CNG used in the Auto CNG business line is procured from the pipeline, and since the Well CNG operations, another sector in which the Company operates, are classified by EMRA as a transmission operation, not a sale, they are not included in the market stats.



In 2023, the size of the off-grid natural gas market, consisting of CNG and LNG, increased by 4.6% compared to the previous year and was realized as 731 million Sm³. CNG accounts for 294 million Sm³ of this market, with its share increasing from 37.8% in the previous year to 40.2% in 2023.



In Turkey, there are 18 license holders in the off-grid CNG sector, and 7 licensees in the off-grid LNG sector. These companies are also allowed to operate in the City Gas business line.

Company Overview

Naturelgaz Sanayi ve Ticaret A.Ş. ("Naturelgaz", "the Company") was established in 2004 to operate in the Compressed Natural Gas (CNG) industry. The main field of activity of the Company is the purchase, compression and delivery of natural gas for CNG in the off-grid natural gas industry, and the purchase, transportation and delivery of gas in the Liquefied Natural Gas ("LNG") sector. The Company has 4 main business lines: Bulk (Industrial) CNG and LNG, Citygas, Auto CNG, and Well CNG. Off-grid CNG and LNG systems are used to meet the natural gas demand in regions that have no pipeline access.

As 2023, Naturelgaz has a total of 16 facilities, including 13 Industrial CNG filling facilities and 3 Auto CNG stations. In addition, it serves its customers in a total of 17 facilities with a cooperation agreement in 1 Industrial CNG filling facility located at Erzurum. In the city gas business, the Company distributes to 119 counties and towns across the country. As of the date of our report, the total number of employees is 273 (2022: 239).

The acceptance procedures of the Solar Power Plant ("SPP") with a total installed capacity of 2,421.98 kWp, located in Karatay District of Konya Province, which the Company completed in 2022, were completed in April 2023 and the plant was commissioned. It has been declared by the Company officials that the SPP investment is expected to generate 3,991 MWh of electricity annually.

Within the registered capital ceiling of TL 3.5 billion, the Company's issued capital of TL 115 million was increased by 100% to TL 230 million, all of which was funded from internal resources. Global Yatırım Holding A.Ş. sold its shares with a nominal value of TL 23 million (10.00% of the issued capital) to institutional investors and consequently the Holding's shareholding in Naturelgaz decreased to 60%, while Naturelgaz's free float increased to 40%.

As of April 2021, the Company's shares were offered to the public and are traded on Borsa Istanbul under the ticker symbol "NTGAZ".

Shareholders	Share in Paid-in Capital (TL)	Share in Total Capital (%)
Global Yatırım Holding A.Ş.	138,000,000	60.00
Other	92,000,000	40.00
Paid-in Capital	**230,000,000**	**100.00**

The controlling shareholder, Global Yatırım Holding A.Ş., is a holding company operating in 13 countries on 4 continents, investing in different sectors such as port management, electricity generation, off-grid natural gas, mining, real estate development, brokerage services and asset management. With a share capital of TL 650 million, the Holding has been traded in Borsa Istanbul since 2011 under the ticker "GLYHO".

The current Board structure of Naturelgaz:

Members of the Board	Title
Mehmet Kutman	Chairman of the Board
Serdar Kırmaz	Vice-chairman
Ayşegül Bensel	Board Member
Erol Göker	Board Member
Mehmet Ali Deniz	Board Member
Faruk Bostancı	Independent Board Member
Mustafa Karahan	Independent Board Member

The Company has a 0.67% share in the Enerji Piyasaları İşletme A.Ş. and does not have any subsidiaries or affiliates in which it holds more than 5% of the capital.

According to the 2023 year-end market figures calculated by Naturelgaz based on EMRA Natural Gas Market Monthly Sector Reports, excluding Auto CNG, Naturelgaz's share in the total off-grid natural gas market was 34.3%, its share in the bulk CNG product was 23.2%, in the transported CNG product was 84.2%, and its market share in the city gas product was 77.5%.

Annual sales volume of Naturelgaz:

Sales Volume (Sm³ million)	2021	2022	2023	2023 Δ
Bulk CNG	140.9	151	130.1	-13.8%
City Gas	45.5	70.1	117.6	67.8%
LNG	11	5.4	3	-44.4%
Auto CNG	5.6	2	0.4	-80.0%
Total	**203.0**	**228.5**	**251.1**	**9.9%**

Key Financial Indicators

(TL '000')

Income Statement	2022/12	2023/12	2023 %	
Sales	**7,003,678**	**4,041,498**	**(42.3%)**	▼
CGS	5,201,230	3,258,135	**(37.4%)**	▼
Gross Profit	**1,802,448**	**783,363**	**(56.5%)**	▼
Operating Expenses (R&D+Marketing+Gen. Exp)	406,951	410,087	**0.8%**	▲
Net Real Operating Profit	**1,395,497**	**373,276**	**(73.3%)**	▼
Other Real Operating Income/Loss	(13,387)	11,313	**184.5%**	▲
Real Operating Income	**1,382,109**	**384,590**	**(72.2%)**	▼
Net Income/Loss from Investments	28,350	29,230	**3.1%**	▲
Pre-financing Operating Profit	**1,410,459**	**413,820**	**(70.7%)**	▼
Financing Income	16,296	64,939	**298.5%**	▲
Financing Expense	56,679	35,458	**(37.4%)**	▼
Gain (Loss) on Net Monetary Position	(147,810)	(322,695)	**(118.3%)**	▼
Pre-tax Profit	**1,222,266**	**120,606**	**(90.1%)**	▼
Tax	114,453	24,103	**(78.9%)**	▼
Net Profit or Loss	**1,107,813**	**96,504**	**(91.3%)**	▼

Balance Sheet	2022/12	2023/12	2023 %	
Current Assets	**1,701,847**	**891,549**	**(47.6%)**	▼
Cash and Financial Investments	594,212	241,870	**(59.3%)**	▼
Trade Receivables	981,979	557,490	**(43.2%)**	▼
Other Receivables	17,803	6,109	**(65.7%)**	▼
Inventory	62,923	36,547	**(41.9%)**	▼
Other Current Assets	44,931	49,532	**10.2%**	▲
Fixed Assets	**2,022,192**	**2,057,021**	**1.7%**	▲
Tangible Fixed Assets	1,814,694	1,950,712	**7.5%**	▲
Intangible Assets	13,777	10,625	**(22.9%)**	▼
Financial Investments	3,096	3,096	**0.0%**	—
Other Fixed Assets	190,625	92,589	**(51.4%)**	▼
Total Assets	**3,724,039**	**2,948,570**	**(20.8%)**	▼
Short Term Liabilities	**806,794**	**507,402**	**(37.1%)**	▼
Financial Liabilities	52,372	51,986	**(0.7%)**	▼
Trade Payables	637,850	361,526	**(43.3%)**	▼
Other ST Liabilities	116,571	93,889	**(19.5%)**	▼
Long Term Liabilities	**164,595**	**92,800**	**(43.6%)**	▼
Financial Liabilities	65,765	30,152	**(54.2%)**	▼
Other Provisions for Liabilities and Expenses	98,830	62,649	**(36.6%)**	▼
Equity	**2,752,650**	**2,348,368**	**(14.7%)**	▼
Paid-in Capital	115,000	230,000	**100.0%**	▲
Adjustment to Share Capital	570,906	841,022	**47.3%**	▲
Other Equity	367,783	-	**(100.0%)**	▼
Reserves on Retained Earnings	26,738	94,506	**253.5%**	▲
Retained Earnings	564,410	1,086,337	**92.5%**	▲
Profit	1,107,813	96,504	**(91.3%)**	▼
Total Liabilities	**3,724,039**	**2,948,570**	**(20.8%)**	▼

(Source: FINNET)

The Company reflects the increase in natural gas acquisition costs directly (pass-through) to sales prices. Gross Profit / Sales Volume and EBITDA / Sales Volume ratios are monitored to track industry performance as revenues fluctuate due to changes in CNG and LNG prices. Performance gross profitability declared by the Company and calculated based on sales volumes was realized as TL 3.1/Sm^3 at the end of 2023 (2022: TL 7.9/Sm^3). In the same period, EBITDA / Sales Volume was achieved at TL 2.8/Sm^3 (2022: TL 7.2/Sm^3).

In accordance with the decision taken by the Public Oversight, Accounting and Auditing Standards Authority (POA), companies applying Turkish Financial Reporting Standards (TFRS) are required to present their financial statements for the annual reporting period ending on or after December 31, 2023 adjusted for the effects of inflation in accordance with the relevant accounting principles. In this context, the annual financial statements of Naturelgaz for 2023 and 2022 have been adjusted for inflation.

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According to the information published in the Company's Annual Report, sales volume in CNG, LNG, City Gas, and Auto CNG grew by 10.2% YoY to 251.1 million Sm^3 at the end of 2023 (2022: 227.9 million Sm^3). On the other hand, the decline in revenue is related to the decline in natural gas pricing margins. When we look at the weighted average sales prices of liquefied natural gas (LNG) across Turkey, it is seen that the pricing increased from 11.3 TL/m^3 in January 2022 to 23.8 TL/m^3 in December, while the pricing decreased from 22.5 TL/m^3 in January 2023 to 16.9 TL/m^3 in December.

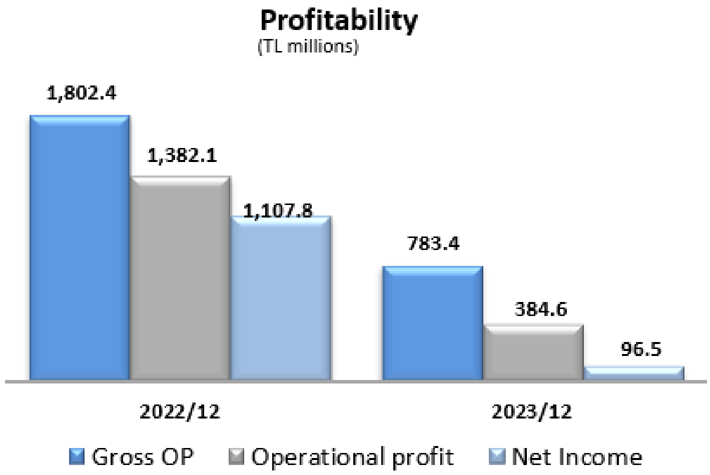
The Company's Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) decreased by 57.3% to TL 699.2 million at the end of 2023 (2022: TL 1.6 billion). EBITDA margin of 23.4% in 2022 was realized as 17.3% at the end of 2023. The Company continues to invest and generate free cash with the positive operating cash generated in the last 3 years. Naturelgaz has a cash surplus of TL 159.7 million at the end of 2023 and has no net financial debt.

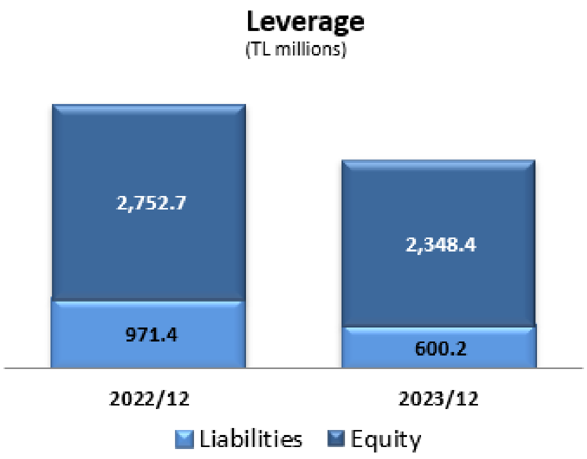
The net foreign currency position of the Company, which provides services only in Turkey, amounted to TL (-) 29.7 million at the end of 2023 (2022: TL (-) 49.2 million).

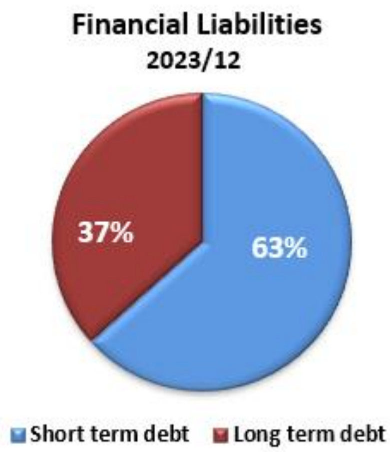
The Company's shareholders' equity decreased by 14.7% year-on-year to TL 2.3 billion and assets decreased by 20.8% to TL 2.9 billion as of end-2023.

Financial Ratios

Main Financial Ratios	2022/1	2023/1
Liquidity		
Net working capital / Total Assets	0.24	0.13
Current ratio - Current assets / Short-term liabilities)	2.11	1.76
Acid-test ratio - (Current assets-Inventories) / Short-term liabilities	2.03	1.69
Cash ratio - Cash & equivalents / Short-term liabilities	0.74	0.48
Inventories / Current Assets	0.04	0.04
Inventories / Total Assets	0.02	0.01
Financial structure		
Leverage ratio - Liabilities / Equity	0.35	0.26
Debt ratio - Liabilities / Total Assets	26.1%	20.4%
Short-term liabilities / Liabilities	83.1%	84.5%
Short-term liabilities / Total Assets	21.7%	17.2%
Short-term financial liabilities / Short-term liabilities	6.5%	10.2%
Financial debt / Total Assets	3.2%	2.8%
Net Finansal Borç/Özkaynak	-17.3%	-6.8%
Operational ratios		
Receivables turnover rate - Revenues / Trade Receivables	7.13	7.25
Trade payables turnover rate - COGS / Trade payables	8.15	9.01
Current assets turnover rate - Revenues / Current assets	4.12	4.53
Working capital turnover rate - Revenues / Net working capital	7.82	10.52
Tangible assets turnover rate - Revenues / Tangible assets	3.86	2.07
Equity turnover rate - Revenues / Equity	2.54	1.72
Asset turnover rate - Revenues / Total Assets	1.88	1.37
Profitability		
Gross operating profit margin - GOP / Revenues	25.7%	19.4%
EBITDA Margin (1) - (Operational profit + Depreciation) / Revenues	23.2%	17.6%
EBITDA Margin (2) - (GOP - Oper. Costs + Depreciation) / Revenues	23.4%	17.3%
Operational profit margin - Operational profit / Revenues	19.7%	9.5%
Net profit margin - Net Income / Revenues	15.8%	2.4%
COGS / Revenues	74.3%	80.6%
Operational Costs / Revenues	5.8%	10.1%
Asset profitability - Net Income / Total Assets	29.7%	3.3%
Equity profitability - Net Income / Equity	40.2%	4.1%







Corporate Governance

As a publicly traded company, the Company has provided substantial compliance with the Capital Markets Board's (CMB) Corporate Governance Principles and has implemented most of the necessary policies and measures. Even though a small number of improvements are needed, management and internal control mechanisms have been created effectively and are in operation. Majority of the corporate governance risks are identified and managed actively. The rights of shareholders and stakeholders are respected in a fair manner, public disclosure and transparency is at sufficient levels and structure and operation of the board of directors is built on sound basis. Some enhancements may be required in a few of these areas, although they do not represent significant risks.

Methodology

SAHA's credit rating methodology is composed of quantitative and qualitative sections contributing to the final grade 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. 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 based on 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, 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 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. According to the structured finance regulation, for asset backed securities, the top three rating degrees represent "investment worthy" securities.

Short Term	Long Term	Rating Segment	Rating Definitions
(TR) A1+	(TR) AAA (TR) AA+ (TR) AA (TR) AA-	First Degree	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	Second Degree	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+	Third Degree	High ability to fulfill financial obligations, but may be affected by adverse economic conditions and changes.
(TR) A3	(TR) BBB (TR) BBB-	Fourth Degree	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-	Fifth Degree	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-	Sixth Degree	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-	Seventh Degree	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	Default	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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