Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri

**25 November 2022**

**Credit Rating**

**Long-term (National):**

**(TR) A+**

**Outlook:**

**Stable**

**Short-term (National):**

**(TR) A1**

**Outlook:**

**Stable**

**Expiry Date:**

**25 November 2023**

**Setaş İnşaat Ticaret ve Sanayi A.Ş.**
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# SETAŞ İNŞAAT TİCARET ve SANAYİ A.Ş.

## Rating Summary

Setaş İnşaat Ticaret ve Sanayi A.Ş. "(the Company" or "Setaş"), established in 1975, is engaged in construction and contracting works. Since its establishment, the Company has been mainly involved in the infrastructure construction works of the General Directorate of State Hydraulic Works ("SHW") along with various projects of the Ministry of National Defense, Petroleum Pipeline Corporation ("BOTAŞ") and the General Directorate of Eti Mine Operations. In addition, Setaş undertook the natural gas distribution network investments of Çinigaz Doğalgaz Dağıtım Sanayi ve Ticaret A.Ş. ("Çinigaz"), a group company, in Kütahya region. Çinigaz has been authorized by the Energy Market Regulatory Authority (EMRA) to conduct natural gas distribution and sales in Kütahya province for 30 years as of 2004.

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

Previous Rating (November 26, 2021):

Long Term: (TR) A+

Short Term: (TR) A1

## Outlook

The Company's revenue increased by 69% in 2021 compared to the previous year and reached TL 83.9 million, of which TL 83 million was accounted for by taking into account the completion percentage in accordance with the Revenue from Contracts with Customers Standard (TFRS 15). Estimates and assumptions in the budgets of the projects are used in accounting for the revenues and costs of ongoing projects.

Setaş differs positively from the general outlook of the industry, where financing costs, access to financing, exchange rate movements and general purchasing power continue to be determinants. The financial ratios of the Company with no bank borrowings and foreign currency liabilities as of the end of 2021, have generally improved compared to the previous rating period.

Founded in 1975, the Company has completed TL 3.5 billion worth of contracting work since its establishment. There is an ongoing infrastructure construction project of TL 927 million in its portfolio, in which SHW is the employer. Although there is a receivables/portfolio concentration, taking into account the employer profile, there is a high progress payment collection performance.

The Company did not use bank loans, nor invested in the year 2021, but maintained its current projects.

Considering all these factors, the outlook of the Company has been determined as **"Stable"**. However, the recent extraordinary developments in the global trade environment and money markets make the potential economic consequences uncertain. In addition, there is a risk that increasing construction costs, short-term risks and uncertainties will have a negative impact on infrastructure investment decisions in the upcoming period. The developments are closely monitored by us and their possible effects on the Company will be evaluated during the surveillance period.

## Macro-Economic Outlook and Industry Data

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 2022 and 2023 are given below:

| Organization | Source | 2022 | | 2023 | |
|---|---|---|---|---|---|
| | | (Current) | (Previous) | (Current) | (Previous) |
| IMF | October 2022 World Economic Outlook Report (prev.: July 2022) | 3.2% ↔ | 3.2% | 2.7% ↓ | 2.9% |
| World Bank | June 2022 World Economic Prospects Report (prev.: January 2022) | %2.9↓ | 4.1% | %3.0↓ | 3.2% |
| OECD | June 2022 Interim Economic Outlook Report (prev.: March 2022 Economic Outlook Report) | %3.0↓ | 3.4% | %2.8↓ | 3.2% |

OECD's June 2022 Interim Economic Outlook report recalling that the world economy entered a period of strong growth after the outbreak before the war, stressed that the situation in Ukraine and supply chain disruptions adversely affected the economic recovery. The report, which stated that "Countries around the world are affected by high commodity prices, which increase inflationary pressures, restrict real incomes and spending, and further slow the recovery", added that the slowdown in growth is the price of war. The report noted that the impact of a weakening supply chain, commodity price pressures and rising interest rates will be felt throughout 2023, and that core inflation will be close to or above central bank targets in many major economies by the end of the year.

In the autumn "Global Economic Outlook Report" published by the IMF, it was stated that factors such as widespread inflation reaching its highest level in decades, the war in Ukraine and the slowdown in China have worsened the global economic outlook. In addition, it was emphasized that the Fed's monetary tightening will be felt globally, and the rise of the dollar will further increase inflationary pressures and indebtedness levels in emerging and developed markets.

The international credit rating agency Fitch Ratings, has reduced its 2022 global economic growth forecast from 2,9% to 2,4%. The report noted that the gas crisis in Europe, rising inflation and a sharp acceleration in tightening monetary policy globally have dealt a heavy blow to economic prospects. It was also pointed out that the Eurozone and the UK are expected to enter recession at the end of this year, and the United States is expected to experience a mild recession in mid-2023. International credit rating agency Moody's revised upwards Turkey's growth figures for 2022 and estimated that Turkey will grow by 5.3% in 2022 and by 2% in 2023.

The US inflation rate, which started the past year with 1.5%, rose to 5.0% by May and continued with an increasing pace scoring an annual increase of 9.1% in June 2022, the highest rate recorded since November 1981. The inflation rate was realized as 7.7% in November. The FED which increased its policy rate to the 0,25-0,50% range in its FOMC March meeting, for the first time since November 2018, further increased its policy rate by 50 basis points at the May meeting, and consecutively 75 basis points at the June, July, September and November meetings, resulting in a total of 375 basis points. Thus, the funding rate reached the 3.75%-4.00% range. In the meeting minutes published by the FOMC, it was stated that continued interest rate hikes would be appropriate to achieve a severely restrictive policy stance to reach the inflation target of 2% in the long run.

The US gross domestic product grew by 6.9% in the last quarter of 2021, while it recorded the strongest growth since 1984 with 5.7% last year due to the impact of the post-epidemic recovery. In the third quarter of this year, it grew by 2.6% on an annualized basis.

In the European Economic Forecasts 2022 Summer Report published by the European Union Commission, the projected growth rate for the EU for the end of 2022 was set at 2.7%, whereas for the Eurozone to 2.6%. The projected growth rate % for the EU for 2023 was set at 1.5%. The inflation rate for the year 2023 was projected to be 4%.

In September 2022, the European Central Bank (ECB) decided to increase interest rates by 75 basis points for the first time in its history, giving the signal that the increases would continue in the upcoming meetings. The bank, which increased interest rates by 75 basis points in October, increased the main refinancing rate to 2 percent, the marginal lending facility to 2.25 percent and the deposit rate to 1.50 percent.

The International Monetary Fund (IMF) Executive Board warned in a briefing about the effects of the Russian-Ukrainian war and the potential financial aids for the affected countries, that inflationary pressures on wheat and other grains, including energy and commodity prices, will be rising. According to the statement, as the world is trying to recover from supply chain disruptions caused by the Covid-19 pandemic, the recent developments have further increased uncertainties. It was also stated that with the sanctions imposed on the Russian Federation, the ability to pay for imports and engage in cross-border financial transactions was impaired significantly. As a result, the ongoing war and related sanctions is expected to have serious contractional effects on the global economy.

The table below gives the last official growth forecasts of the IMF, OECD and World Bank for 2022-2023 for Turkey, which grew by 11% in 2021. The World Bank stated in its Global Economic Prospects report that the that the 2022 growth forecast for Turkey is 4.7%, 3.2% for 2023 and 4.0% for 2024. In the OECD Economic Outlook report, the GDP growth forecast for Turkey for 2022 was increased from 3.3% to 3.7% and reduced from 3.9% to 3.0% for 2023. In the assessment, it was stated that growth will remain moderate during the projection period after a strong recovery in 2021. In its World Economic Outlook report for October, the IMF revised Turkey's growth forecast for 2022 from 4.0% to 5.0%. The forecast for 2023 was reduced from 3.5% to 3.0%.

| Organization | Source | 2022 | | 2023 | |
|---|---|---|---|---|---|
| | | (Current) | (Previous) | (Current) | (Previous) |
| **IMF** | October 2022 World Economic Outlook Report (prev.: July 2022) | **5.0%↑** | **4.0%** | **3.0%↓** | **3.5%** |
| **World Bank** | October 2022 Economic Update Spring Report (prev.: June 2022) | **4.7%↑** | **2.3%** | **3.2%↔** | **3.2%** |
| **OECD** | June 2022 Economic Outlook Report (prev.: November 2021 Interim Report) | **3.7%↑** | **3.3%** | **3.0%↓** | **3.9%** |

The international rating agency S&P has reduced its GDP growth forecast for Turkey for 2022 from 3.7% to 2.4%, for 2023 from 3.1% to 2.9% and for 2024 from 3.0% to 3.3%.

After raising the policy rate to 19% with an increase of 200 bps at the March 2021 meeting, the CBT lowered it by 100 bps to 18% at the September MPC meeting, the first rate cut in 1.5 years. The MPC lowered the policy rate by 200 basis points at the October meeting, followed by 100 basis points each in the November and December meetings, to 14%. After keeping the policy rate steady at 14% in the first 7 meetings of 2022, the Board decided to reduce the policy rate by 100 basis points in each consecutive meetings in August and September by specifying %12 has decided to be downloaded and stated that it is important to support financial conditions in terms of 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. The CBT decided to reduce the policy interest rate by 150 basis points to 10.5% at the October meeting.

The USD/TL rate, which was 8.63 before the interest rate cut in September, spiked to 18.36 after the last interest rate cut in December. With the government's prompt implementation of the "Currency protected TL time deposits" program, the exchange rate dropped rapidly and the 2021 year-end USD/TL rate came down to 13.33. However, as a result of increased risks following the Russian invasion of Ukraine, the exchange rates moved into a steady upward trend again.

Turkey's five-year credit default swap (CDS) premiums at the beginning of November it was 652.8. Turkey's lowest CDS premium in 2022 was recorded in February 13th with 509.51, and the highest was recorded on July 16th, 2022 with a score of 908.4. The latest bond issuance in USD by the Turkish Treasury issued within the framework of the external financing program for 2022, was in March, with a coupon rate of 8.6%. As the FED is expected to tighten its monetary policy, the expectations are that the Turkish CDS premiums and borrowing costs might rise further.

In the last inflation report of the year, the Central Bank raised its inflation forecasts. Accordingly, the 2022 CPI inflation forecast was increased from 60.4% to 65.2% and the 2023 year-end forecast was increased from 19.2% to 22.3%. For the end of 2024, it has been predicted that inflation will continue its downward trend, decreasing to 8.8%.

According to the results of the Foreign Trade Expectation Survey performed quarterly by the Ministry of Commerce, the Export Expectation Index for the 4th quarter of 2022 decreased by 11 points compared to the previous quarter, to 108.1. The Import Expectation Index, on the other hand, increased by 5.1 points compared to the previous quarter to 113.7.

The main macro-economic developments in Turkey as of our reporting date can be summarized as follows:

| Indicator | Current Value | Previous Value | Summary |
|---|---|---|---|
| **Growth**<br>(TUIK) | 2022-Q2<br>**7.6%** | 2022-Q1<br>**7.3%** | The GDP chained volume index increased by 7.6% compared to the same quarter of the previous year. Analyzing its constituent parts, financial and insurance activities make up %26,6, service activities 18.1%, professional, administrative and support service activities %11,0, industry 7.8%, information and communication activities 5.3%, real estate activities 4.1%, other service activities %1.9 and public administration, education, human health and social work activities 1.7%. Agriculture, forestry and fishing decreased by 2.9% and the construction sector decreased by 10.9%. |

| Indicator | Current Value | Previous Value | Summary |
|---|---|---|---|
| **Unemployment**<br>(TUIK) | 2022/09<br>**10.1%** | 2022/08<br>**9.8%** | The number of unemployed aged 15 years old and above increased by 120,000 to 3,482,000 in September 2022 compared to the previous month. The unemployment rate increased by 0.3% to 10.1% compared to the previous month. The number of employed decreased by 54,000 to 30,867,000 in September 2022 compared to the previous month. The employment rate was realized as 47.6% with 0.1% decrease. |
| **Inflation**<br>**CPI**<br>**PPI**<br>(TUIK) | 2022/10<br>**85.5%**<br>**157.7%** | 2022/09<br>**83.5%**<br>**151.5%** | The rise in CPI in October was 3.54% compared to the previous month, 57.8% compared to December of the previous year and 85.51% compared to the same month of 2021. The 12-month weighted average was an increase of 65.26%. PPI increased by 7.83% in October compared to the previous month, by 96.74% compared to December of the previous year and 157.69% compared to the same month of 2021. The 12-month weighted average was an increase of 122.93%. |
| **Industrial Production Index**<br>(TUIK) | 2022/09<br>**0.4%** | 2022/08<br>**1.0%** | The Industrial Production Index increased by 0.4% in September of 2022 compared to the same month last year. When the subsectors of the industry were examined, while mining and quarrying index decreased by 16.5%, manufacturing index increased by 1.7% and electricity, gas, steam and air conditioning supply index increased by 2.4% in September 2022, compared with previous month. |
| **Car & Light Commercial Vehicle Sales**<br>(ODD) | 2022/10<br>**585,752** | 2022/09<br>**520,530** | The Turkish automobile and light commercial vehicles total market in January-October 2022 decreased by 4.7 % YoY and amounted to 585,752 units. On the other hand, in October 2022 passenger car and light commercial vehicle market increased by %14.9 compared to October 2021, to 65,222 units. |
| **Housing Sales**<br>(TUIK) | 2022/10<br>**102,660** | 2022/09<br>**113,402** | Residential sales in Turkey decreased by 25.3% in October 2022 compared to the same month of the previous year with 102,660 units. Istanbul got the highest share with 16,987 units sold (16.5%). |
| **Turkish PMI**<br>(ISO-IHS Markit) | 2022/10<br>**46.4** | 2022/09<br>**46.9** | The headline PMI dipped to 46.4 in October from 46.9 in September, thereby posting below the 50.0 no-change mark for the eighth consecutive month and signaling a solid moderation in the health of the sector. In fact, the latest slowdown was the most pronounced since May 2020. |
| **Eurozone PMI**<br>(IHS Markit) | 2022/10<br>**46.4** | 2022/09<br>**48.4** | Eurozone Manufacturing Purchasing Managers Index (PMI), announced by IHS Markit, decreased to 46.4 points in October from 48.4 points in September. |
| **Consumer Confidence Index**<br>(TUIK, CBT) | 2022/10<br>**76.2** | 2022/09<br>**72.4** | Seasonally adjusted 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 Turkey increased by 5.3% in October compared to the previous month. The index became 76.2 in October while it was 72.4 in September. |
| **Banking Sector NPL Ratio**<br>(BRSA) | 2022/09<br>**2.28%** | 2022/08<br>**2.38%** | The asset size of the Turkish Banking Sector in September 2022 increased by 42.2% compared to the end of 2021 reaching TL 13,099,876 million, loans increased by 39.5% to TL 6,835,941 million and securities by 44.2% to TL 2,129,777 million. In this period, the NPL ratio of loans was 2.28%. |
| **Budget Balance** (TL Billion)<br>(Min. of Treasury and Finance) | 2022/10<br>**-83,3** | 2022/09<br>**-78.6** | In October 2022, the central government budget expenditures were TL 307.4 billion, budget revenues were TL 224.2 billion and the budget deficit was TL 83.3 billion. The primary budget expenditures were realized as TL 246.3 billion and the primary deficit was TL 22.1 billion. |
| **Current Account Balance**<br>($ Million) (CBT) | 2022/09<br>**-2,966** | 2022/08<br>**-3,112** | The current account recorded a deficit of USD 2,966 million, against a surplus of USD 2,719 million observed in September of 2021, bringing the 12-month rolling deficit to USD 39,164 million. |

## Company Overview

Setaş, which was established in 1975 to perform construction & contracting works, has completed complex projects such as the large irrigation constructions of SHW, the Konya Military Armory Construction of the Ministry of National Defense, the construction in Ankara again belonging to the Ministry of National Defense, and the natural gas pipeline construction of Botaş. Hence, we consider that the Company has the task completion competency. In addition, another company affiliated to the same group as Setaş, Çinigaz, has obtained a distribution license from EMRA to distribute and sell natural gas for 30 years in Kütahya region starting from 2004. Setaş has undertaken the natural gas distribution network investments of Çinigaz since then.

As of December 31, 2021, the total cost of the construction & contracting works completed by the Company, converted according to D-PPI, is TL 3.5 billion. Also, as of the date of our report, there is an ongoing infrastructure construction project of TL 927 million in the portfolio of the company, of which SHW is the employer.

The current shareholding structure of the company, which employs an average of 50 personnel in 2021 according to the independent audit report, is given below:

| Shareholder | Ownership Interest (TL) | Ownership Interest (%) |
|---|---:|---:|
| Abdullah Rasim AKDOĞAN | 51,840,000 | 81 |
| Akın Can AKDOĞAN | 10,880,000 | 17 |
| Mehmet Yılmaz AKDOĞAN | 1,280,000 | 2 |
| **Total** | **64,000,000** | **100** |

Setaş also holds the entire capital of Set Varlık Kiralama A.Ş. (“Set Varlık”). Set Varlık was established in 2016 within the framework of the provisions of the Capital Markets Law numbered 6362 and the Communiqué on Lease Certificates (III-61.1) of the Capital Markets Board to issue lease certificates in which Setaş is the only fund benefitor.

Setaş is controlled by Mr. A. Rasim Akdoğan and the Akdoğan family. Except for Setaş and Set Varlık, the companies under the control of Akdoğan Family are given below:

| Company | Scope of Activity |
|---|---|
| Çinigaz Doğalgaz Dağıtım ve San.Tic. A.Ş. | Established in 2003, the company has been authorized by the Energy Market Regulatory Authority (EMRA) to conduct natural gas distribution and sales in Kütahya province for 30 years as of 2004. Since 2005, it has been pursuing its natural gas distribution activities in Kütahya and its districts. |
| Setel Elektrik İhr. İth. ve Toptan Satış A.Ş. | Established in 2008, the company sells electricity within the scope of EMRA licenses. Depending on the market conditions, purchases are from various suppliers, primarily Enerji Piyasaları İşletmesi A.Ş. and Binatom Elektrik Üretim A.Ş. The company sells to various corporate companies as well as entities within the group. |
| Setgaz Doğalgaz İth. İhr. ve Toptan Satış A.Ş. | The company was established in 2008 to export and import natural gas within the scope of EMRA license. The company, which is inactive as of the date of this report, is expected to be operational in the coming years. |
| Binatom Elektrik Üretim A.Ş. | Established in 2002, the company produces electricity from natural gas in Gediz and Emet districts of Kütahya within the scope of the production licenses it has received from EMRA. İt purchases natural gas from Çinigaz. |

## Key Financial Indicators

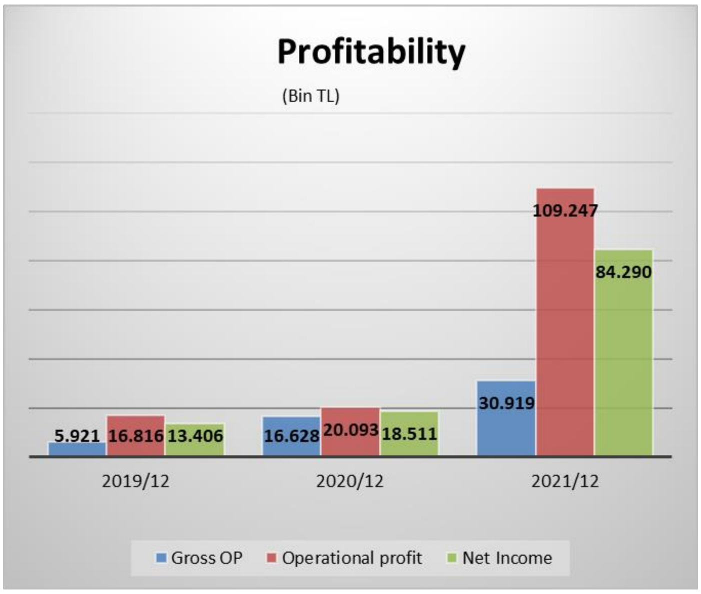
| Balance Sheet | 2019/12 | 2020/12 | 2021/12 | 2020 % | | 2021 % | |
|---|---|---|---|---|---|---|---|
| **Current Assets** | **100,124,170** | **131,245,336** | **231,590,535** | 31.1% | ▲ | 76.5% | ▲ |
| Cash and Cash Equivalents | 47,746,773 | 92,686,384 | 212,877,750 | 94.1% | ▲ | 129.7% | ▲ |
| Trade Receivables | 49,742,614 | 37,991,208 | 15,234,860 | (23.6%) | ▼ | (59.9%) | ▼ |
| Other Receivables | 694,871 | 235,952 | 1,574,997 | (66.0%) | ▼ | 567.5% | ▲ |
| Other Current Assets | 1,939,912 | 331,792 | 1,902,928 | (82.9%) | ▼ | 473.5% | ▲ |
| **Non-current Assets** | **27,981,144** | **29,194,577** | **38,647,846** | 4.3% | ▲ | 32.4% | ▲ |
| Tangible Assets | 21,872,392 | 21,727,734 | 28,802,235 | (0.7%) | ▼ | 32.6% | ▲ |
| Investment Property | 873,000 | 855,000 | 837,000 | (2.1%) | ▼ | (2.1%) | ▼ |
| Deferred Tax Assets | 5,664 | - | - | (100.0%) | ▼ | - | — |
| Other | 5,230,088 | 6,611,843 | 9,008,611 | 26.4% | ▲ | 31.9% | ▲ |
| **Total Assets** | **128,105,314** | **160,439,913** | **270,238,381** | 25.2% | ▲ | 68.4% | ▲ |
| **Short-Term Liabilities** | **7,443,496** | **18,803,389** | **43,910,758** | 152.6% | ▲ | 133.5% | ▲ |
| ST Portion of LT Financial Liabilities | - | 159,073 | 173,519 | - | — | 9.1% | ▲ |
| Trade Payables | 3,739,115 | 5,629,120 | 16,184,232 | 50.5% | ▲ | 187.5% | ▲ |
| Other Short-Term Liabilities | 3,704,381 | 13,015,196 | 27,553,007 | 251.3% | ▲ | 111.7% | ▲ |
| **Long Term Liabilities** | **9,076,387** | **11,381,664** | **11,659,579** | 25.4% | ▲ | 2.4% | ▲ |
| Financial Liabilities | 900,000 | 1,183,657 | 1,010,343 | 31.5% | ▲ | (14.6%) | ▼ |
| Provisions for Other Liabilities & Expenses | 8,176,387 | 10,198,007 | 10,649,236 | 24.7% | ▲ | 4.4% | ▲ |
| **Equity** | **111,585,431** | **130,254,860** | **214,668,044** | 16.7% | ▲ | 64.8% | ▲ |
| Paid-in Share Capital | 64,000,000 | 64,000,000 | 64,000,000 | 0.0% | — | 0.0% | — |
| Other | 4,985,515 | 5,143,459 | 5,156,312 | 3.2% | ▲ | 0.2% | ▲ |
| Reserves on Retained Earnings | 3,393,067 | 3,709,723 | 4,095,741 | 9.3% | ▲ | 10.4% | ▲ |
| Retained Earnings | 25,800,594 | 38,890,193 | 57,125,721 | 50.7% | ▲ | 46.9% | ▲ |
| Profit | 13,406,255 | 18,511,485 | 84,290,270 | 38.1% | ▲ | 355.3% | ▲ |
| **Total Liabilities** | **128,105,314** | **160,439,913** | **270,238,381** | 25.2% | ▲ | 68.4% | ▲ |

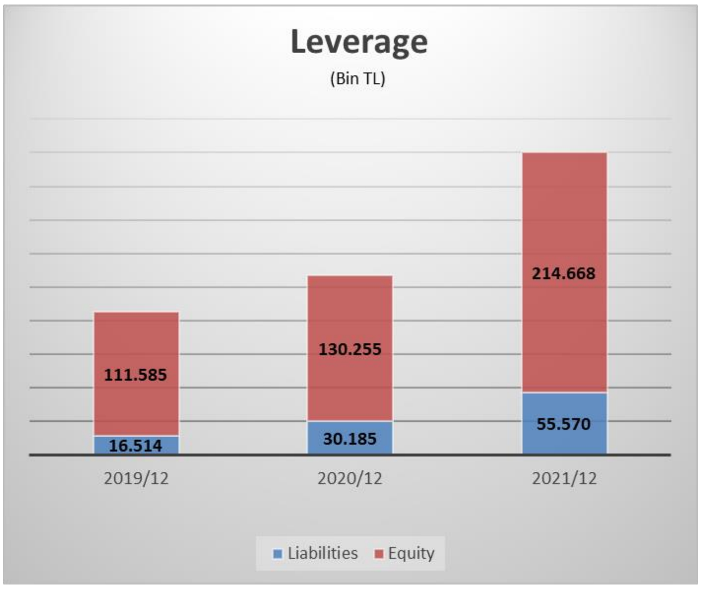
*(Source: Rasyonet)*

As of the end of 2021, the current assets of the Company increased by 76.5% and reached TL 232 million. Again, in the same period, cash and cash equivalents increased by 129.7% to TL 213 million, of which TL 207 million is diversified as time deposits and USD. Due to the completion of the joint project with Çinigaz, trade receivables decreased by 60% to TL 15.2 million. With total liabilities of TL 55.6 million, Setaş's financial liabilities are minimal compared to its size. The Company's shareholders' equity increased by 64.8%, reaching TL 214.7 million.

| Income Statement | 2019/12 | 2020/12 | 2021/12 | 2019 % | | 2021 % | |
|---|---|---|---|---|---|---|---|
| Revenue | 29,779,616 | 49,548,591 | 83,929,064 | 66.4% | ▲ | 69.4% | ▲ |
| Cost of Sales | 23,665,650 | 32,920,132 | 53,009,904 | 39.1% | ▲ | 61.0% | ▲ |
| **Gross Profit** | **6,113,966** | **16,628,459** | **30,919,160** | 172.0% | ▲ | 85.9% | ▲ |
| Operating Expenses | 1,937,033 | 3,290,053 | 6,248,731 | 69.9% | ▲ | 89.9% | ▲ |
| **Net Real Operating Profit** | **4,176,933** | **13,338,406** | **24,670,429** | 219.3% | ▲ | 85.0% | ▲ |
| Other Operating Income/Loss | 12,622,010 | 6,755,037 | 84,576,702 | (46.5%) | ▼ | 1,152% | ▲ |
| **Real Operating Profit** | **16,798,943** | **20,093,443** | **109,247,131** | 19.6% | ▲ | 443.7% | ▲ |
| Net Income/Loss from Investments | 428,772 | 2,598,873 | 4,891,307 | 506.1% | ▲ | 88.2% | ▲ |
| **Pre-financing Operating Profit** | **17,227,715** | **22,692,316** | **114,138,438** | 31.7% | ▲ | 403% | ▲ |
| Financing Expense | 17,085 | 30,683 | 61,850 | 79.6% | ▲ | 101.6% | ▲ |
| **Pre-tax Profit** | **17,227,715** | **22,661,633** | **114,076,588** | 31.5% | ▲ | 403.4% | ▲ |
| Continuing Operations Tax Income/Loss | (3,821,460) | (4,150,148) | (29,786,318) | (8.6%) | ▼ | 617.7% | ▲ |
| **Net Profit** | **13,406,255** | **18,511,485** | **84,290,270** | 38.1% | ▲ | 355.3% | ▲ |

The Company's revenue increased by 69% in 2021 compared to the previous year and reached TL 83.9 million, of which TL 83 million was accounted for by taking into account the completion percentage in accordance with the Revenue from Contracts with Customers Standard (TFRS 15). As of the end of 2021, other operating income totaled TL 84.6 million and TL 75.3 million of this amount is foreign exchange gains obtained through revaluation of contracts. Thanks to the foreign exchange gains, the Company closed the year 2021 with a net profit of TL 84.3 million.




## Financial Ratios

| Main Financial Ratios | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Liquidity** | | | |
| Net Working Capital / Total Assets | 0.72 | 0.70 | 0.69 |
| Current Ratio – Current Assets / Short-Term Liabilities | 13.45 | 6.98 | 5.27 |
| Acid Test Ratio – (Current Assets – Inventories) / ST Liabilities | 13.45 | 6.98 | 5.27 |
| Cash Ratio – Liquid Assets / ST Liabilities | 6.41 | 4.93 | 4.85 |
| **Financial Structure** | | | |
| Leverage Ratio - Total Debt / Equity | 0.15 | 0.23 | 0.26 |
| Debt Ratio - Total Debt / Total Assets | 0.13 | 0.19 | 0.21 |
| Short Term Liabilities / Total Debt | 0.45 | 0.62 | 0.79 |
| Short Term Liabilities / Total Assets | 0.06 | 0.12 | 0.16 |
| Short Term Financial Liabilities / Short Term Liabilities | 0.00 | 0.01 | 0.00 |
| Financial Liability / Total Assets | 0.01 | 0.01 | 0.00 |
| **Operating Ratios** | | | |
| Receivables Turnover Rate - Sales / ST Trade Receivables | 0.59 | 1.30 | 5.51 |
| Accounts Payable Turnover Rate - COGS / ST Accounts Payable | 6.33 | 5.85 | 3.28 |
| Current Asset Turnover - Sales / Current Assets | 0.30 | 0.38 | 0.36 |
| Working Capital Turnover - Sales / Net Working Capital | 0.32 | 0.44 | 0.45 |
| Tangible Fixed Assets Turnover - Sales / Tangible Fixed Assets | 1.35 | 2.28 | 2.91 |
| Equity Turnover Rate - Sales / Equity | 0.27 | 0.38 | 0.39 |
| Asset Turnover Rate - Sales / Total Assets | 0.23 | 0.31 | 0.31 |
| **Profitability** | | | |
| Gross Profitability - Gross Profit / Sales | 20.0% | 33.6% | 36.8% |
| EBITDA Margin - (Operating Profit + Depreciation) / Sales | 66.2% | 45.8% | 132.7% |
| Net Profitability - Net Profit for the Year / Sales | 45.3% | 37.4% | 100.4% |
| COGS / Sales | 80.0% | 66.4% | 63.2% |
| Operating Expense / Sales | 6.5% | 6.6% | 7.4% |
| Asset Profitability – Profit for the Year / Total Assets | 10.5% | 11.5% | 31.2% |
| Return on Equity – Profit for the Year / Shareholders' Equity | 12.0% | 14.2% | 39.3% |

*(Source: Rasyonet)*

## Corporate Governance

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. Though it does not pose a great risk, certain improvements in one or more of these areas might be required.

## Methodology

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

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

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

## Rating Definitions

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

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

| Short Term | Long Term | Rating Definitions |
|---|---|---|
| (TR) A1+ | (TR) AAA<br>(TR) AA+<br>(TR) AA<br>(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+<br>(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-<br>(TR) BBB+ | High ability to fulfill financial obligations, but may be affected by adverse economic conditions and changes. |
| (TR) A3 | (TR) BBB<br>(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+<br>(TR) BB<br>(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+<br>(TR) B<br>(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+<br>(TR) CCC<br>(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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