



26 August 2022

Credit Rating

Long-term (National):

(TR) AA

Outlook:

Stable

Short-term (National):

(TR) A1+

Outlook:

Stable

Expiry Date:

28 August 2023

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 REIT" 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 İstanbul. The Company's capital and management control belongs to Türkiye İş Bankası A.Ş. (İşBank).

As of end of 2021, 93.6% of the Company's portfolio investments were in the real estate sector, to immovables yielding rental income, development projects and land investments. İş REIT's real estate investments are predominantly located in İstanbul, and the geographical distribution in terms of value is İstanbul with 92%, İzmir 5% and Ankara with 3%.

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 27, 2021)

Long Term: (TR) AA

Short Term: (TR) A1+

Outlook

As of the end of 2021, the Company's revenue decreased by 11.6% compared to the previous year, amounting to TL 488.6 million (2020: TL 552.7 million). TL 244 million of the revenue consisted of rental income and TL 236 million of housing sales income. Increasing construction costs in 2021, the change in the lower limit in the law allowing foreigners to acquire citizenship through housing acquisition, and investor tendency to invest in real estate as a savings shelter in face of increasing inflation have led to an increase in real estate prices. Within this period, along with the increase in housing sales revenues, the Company's gross profit increased by 46% to TL 287.6 million. The portfolio of the Company was revalued in 2021, resulting with an operating profit of TL 1.48 billion. The net profit of İş REIT was recorded as TL 1.33 billion. The net profit from operations in 2021 was retained in order to optimize cash flow. As of the end of 2021, the Company's total portfolio reached TL 6.5 billion (2020: TL 5.0 billion). When the asset allocation is analyzed, 54.3% of the portfolio consisted of offices, 22.5% of

shopping malls, 10.3% of ongoing projects, 5% of land, 6.3% with capital market instruments, 1.5% of projects on sale and 0.10% of subsidiaries.

As of June 2022, the financial liabilities of the Company were in Turkish Lira of which 92% were short-term. The foreign exchange net position within the same period was positive. As of the end of 2021, the share of the İş Group in rental income including the right of construction was 57.8%. The construction process of the Company's İstanbul Finance Center, Kasaba Evleri and Altunizade Housing projects are in progress. The new Ömerli Residence project is at the licensing stage, and project development and braced excavation works are continuing in the Kadıköy Hotel and Tuzla Housing projects.

In addition to all these factors, taking into account the diversity of products/services with distributed risks in the current economic environment, the ability to access finance and the strong ownership structure, İş REIT's outlook has been determined as "Stable". On the other hand, the economic consequences of the recent extraordinary developments in the global money and capital markets are closely monitored and their possible effects on the Company are to be evaluated during the surveillance period.

Macroeconomic Outlook

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 2020 and 2021 are given below:

Organization	Source	2022		2023	
		(Current)	(Previous)	(Current)	(Previous)
IMF	July 2022 World Economic Outlook Report (prev.: April 2022)	3.2% ↓	3.6%	2.9% ↓	3.6%
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.

The IMF Global Economic Outlook report published in July this year, stated that in view of current risks, the outlook remains on the downside. According to the report, due to the war in the Ukraine, European gas imports from Russia may experience a sudden stop, curbing down inflation may prove to be more difficult than expected, tighter global financial conditions in emerging economies may cause debt distress, the Covid-19 quarantine in China may escalate the real estate crisis and suppress growth even further, while the deepening geopolitical divide may hinder global trade and cooperation. The report also stated that increasing prices continue to squeeze the living standards around the world, adding that controlling inflation should be the first priority for policymakers.

The international credit rating agency Fitch Ratings, has reduced its 2022 global economic growth forecast from 3.5% to 2.9%. The Fitch report stated that inflation and tightening monetary policy will reduce the growth rate of the world economy, while global inflation pressures continue to intensify with increasingly negative effects on the growth outlook. The report noted that recent quarantine measures in China have contributed to global manufacturing supply chain pressures. The cuts in energy and food supplies caused by the Russia-Ukraine war have also affected European inflation faster than expected, the report said.

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 a monthly 1.3% in June 2022, while the annual increase of 9.1% showed the highest rate recorded since November 1981. The inflation rate slowed down in July and was realized as 8.1% below expectations. 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 the policy rate by 50 basis points at the May meeting, and consecutively 75 basis points at the June and July meetings, totaling 225 basis points. Thus, the funding interest was raised to the range of 2.25%-2.50%. In the meeting minutes published by the FOMC, it was stated that continuing to raise the policy rate would be appropriate in order to reach the maximum employment and the inflation target of 2% in the long run, as Russia's war against Ukraine creates additional upward pressures on inflation. According to projections, the median Fed policymaker expects to further raise interest rates to roughly 3.4% by the end of the year.

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 first quarter of this year, it has contracted by 1.5%.

In the European Economic Forecast's Spring 2022 Report published by the European Union Commission, the EU and the Eurozone economy is projected to grow by 2.7% this year and 2.3% in 2023, and this year's growth expectations have been revised downwards. The EU Commission has increased its inflation expectation for the Eurozone from 3.5% to 6.1% for 2022 and from 1.7% to 2.7% for 2023. The inflation forecast for the EU has also been increased from 3.9% to 6.8% for 2022 and from 1.9% to 3.2% for 2023.

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 2.3%, 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 July, the IMF revised Turkey's growth forecast for 2022 from 2.7% to 4.0%. The forecast for 2023 was reduced from 3.0% to 3.5%.

Organization	Source	2022		2023	
		(Current)	(Previous)	(Current)	(Previous)
IMF	July 2022 World Economic Outlook Report (prev.: April 2022)	4.0% ↑	2.7%	3.5% ↑	3.0%
World Bank	June 2022 Economic Update Spring Report (prev.: April 2022)	2.3% ↑	1.4%	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 bps to 16% at the October meeting and finally to 14% after cutting 100 basis points in each consecutive meetings in November and December. 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 at the August meeting, stating 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 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. The USD / TL exchange rate, which was at the level of 17.90 before the interest rate cut in August, rose to 18.13 during the day after the interest rate cut.

Turkey's five-year credit default swap (CDS) premiums exceeded 900 and reached the highest level after 2008. Turkey's lowest CDS premium in 2022 was recorded in February 13th with 509.51, and the highest was redorded 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 maturity of 5 years and 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 third inflation report of the year, the Central Bank raised its inflation forecasts. Accordingly, the 2022 CPI inflation forecast was increased from 42.8% to 60.4% and the 2023 year-end forecast was increased from 12.9% to 19.2%. 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 3rd quarter of 2022 decreased by 2.2 points compared to the previous quarter, to 119.1. The Import Expectation Index, on the other hand, decreased by 2 points compared to the previous quarter to 108.6.

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

Indicator	Current Value	Previous Value	Summary
Growth (TUIK)	<u>2022-Q1</u> 7.3%	<u>2021-Q4</u> 11.0%	The GDP chained volume index increased by 7.3% compared to the same quarter of the previous year as of Q1 this year. Analyzing its constituent parts, the value added increased by 24.2% in financial and insurance, 16.8% in information and communication, 14.9% in services, 8.9% in professional, administrative and support service activities, 7.4% in industry, 6.8% in other service activities, 5.4% in real estate activities, 5.2% in public administration, education, human health and social work activities and 0.9% in agriculture, respectively. Construction sector decreased by 7.2%.

Indicator	Current Value	Previous Value	Summary
Unemployment (TUIK)	<u>2022/06</u> 10.3%	<u>2022/05</u> 10.6%	The number of unemployed in Turkey aged 15 and above was 3,541,000 in June 2022 with a decrease of 136,000 compared to the previous month. The unemployment rate was estimated at 10.3% with 0.3 percentage point decrease compared to the previous month. The number of employed decreased by 46,000 in June 2022 compared to the previous month to 30,866,000 persons compared to the previous month. The employment rate was recorded as 47.8% with 0.1 percentage points decrease.
Inflation CPI PPI (TUIK)	<u>2022/07</u> 79.6% 144.61%	<u>2022/06</u> 78.62% 138.31%	The rise in CPI in July was 2.37% compared to the previous month, 45.72% compared to December of the previous year and 79.60% compared to the same month of 2021. The 12-month average was an increase of 49.65%. PPI increased by 5.17% in July compared to the previous month, by 70.04% compared to December of the previous year and 144.61% compared to the same month of 2021. The 12-month average was an increase of 97.30%.
Industrial Production Index (TUIK)	<u>2022/06</u> 8.5%	<u>2022/05</u> 9.0%	The Industrial Production Index increased by 8.5% in June 2022 compared to the same month last year. When the sub-sectors are analyzed, mining and quarrying index decreased by 7.1%, manufacturing index increased by 10.0% and electricity, gas, steam and air conditioning supply index increased by 0.6% in June 2022, compared with same month of previous year.
Housing Sales (TUIK)	<u>2022/07</u> 93,902	<u>2022/06</u> 150,509	Residential sales in Turkey decreased by 12.9% in July 2022 compared to the same month of the previous year with 93,902 units. Istanbul got the lions share with 14,350 units sold (15.3%).
Consumer Confidence Index (TUIK, CBT)	<u>2022/07</u> 68.0	<u>2022/06</u> 63.4	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 7.4% in July compared to the previous month. The index became 68.0 in July while it was 63.4 in June.
Banking Sector NPL Ratio (BRSA)	<u>2022/06</u> 2,49%	<u>2022/05</u> 2,61%	The asset size of the Turkish Banking Sector in June 2022 increased by 27.1% compared to the end of 2021 reaching TL 11,713,882 million, loans increased by 28.1% to TL 6,278,647 million and securities by 28.9% to TL 1,903,799 million. In this period, the NPL ratio of loans was 2.49%.
Budget Balance (TL Billion) (Min. of Treasury and Finance)	<u>2022/06</u> -31,1	<u>2022/05</u> 144	In June 2022, the central government budget expenditures were TL 212.1 billion, budget revenues were TL 181.0 billion and the budget deficit was TL 31.1 billion. In addition, primary budget expenditures were realized as TL 199.3 billion and the primary deficit was TL 18.3 billion.
Current Account Balance (\$ Million) (CBT)	<u>2022/06</u> -3,458	<u>2022/05</u> -6,468	The current account deficit increased by USD 2,269 million compared to June of the previous year and was realized as USD 3,458 million. As a result, the twelve-month current account deficit was USD 32,667 million.

Housing sales in 2021 decreased by 0.5% compared to the previous year, amounting to 1,491,856 units. 30.1% of the houses sold are first-hand and 69.1% are second-hand. The increase in interest rates led to a decrease in mortgaged sales, and as of the end of 2021, the share of mortgaged sales in total sales decreased to 19.7% (2020: 38.2%). Housing sales to foreigners increased by 43.5% in 2021 compared to the previous year, to 58,576 units. In the first six months of 2022, there was an increase of 31% in sales compared to the same period of the previous year with 726,398 houses sold. Mortgage sales accounted for 19% of the total sales in Turkey in the first six months of 2021, increasing to 23% in the same period of 2022. The number of mortgaged sales in the first six months of 2022 increased by 64% compared to the same period of the previous year and amounted to 170,317 units.

The change in the regulation regarding the acquisition of citizenship rights by foreigners through real estate acquisition came into force as of mid-June, which significantly accelerated the sale of residences to foreigners, especially in the first half of June. Housing sales to foreigners increased by 73% in the current six-month period compared to the same period of the previous year. 20,488 houses were sold to foreigners in the first six months of 2021, rising to 35,383 units in the same period of 2022.

According to JLL (Jones Lang LaSalle Incorporated) data, while the existing Grade-A office supply in Istanbul has increased to 5.8 million sq m by the end of 2021, there is approximately 1.6 million sq m office supply under construction and it is expected that the total Grade-A office supply will outpace 7.4 million sq m by the end of 2023. The majority of the future supply consists of the Istanbul International Financial Centre project located in Ataşehir, which is expected to be completed by the end of 2022.

Company Overview

The main shareholder of the Company which started its operations in 1999 is Türkiye İş Bankası A.Ş. As of June 30, 2022, the Company has 67 employees (12/2021: 66). The capital structure of the Company as of June 30, 2022 is as follows:

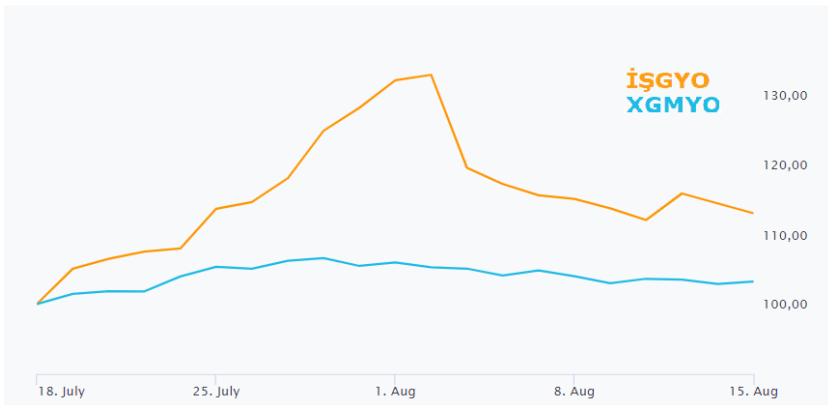
Shareholder	Ownership Interest (TL)	Ownership Interest (%)
Türkiye İş Bankası A.Ş.	499,138,091	52.06
Anadolu Hayat Emeklilik A.Ş.	68,151,714	7.11
Other	391,460,195	40.83
Total	958,750,000	100.00

As of June 30, 2022, the nominal value of the Company's shares in circulation is approximately TL 377.6 million, and the ratio of these shares to the capital is 39.38%.

The registered capital ceiling of the Company has been increased from TL 2 billion to TL 7 billion following the approval of the General Shareholders' Meeting dated March 23, 2022. The upper limit of the registered capital authorization given by the Capital Markets Board is valid for the years 2022-2026 (5 years).

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

Members	Title
Sezgin Yılmaz	Chairman of the Board
Kubilay Akyol	Vice-chairman
Hasan Kimya Bolat	Board Member/ General manager
Özcal Korkmaz	Board Member
Murat Karluk Çetinkaya	Board Member
Murat Doğan	Board Member
Arzu Erdem	Independent Board Member
Oğuz Cem Çelik	Independent Board Member
İlkay Arıkan	Independent Board Member



The Company went public in 1999 and its shares are traded in the Stars Market of Borsa Istanbul under the "İSGYO" ticker. The Company is a constituent of BIST 100 (XU100), BIST 50 (XU050), BIST All Shares (XUTUM), BIST Stars (XYLDZ), BIST Real Estate Investment Trusts (XGMYO), BIST Financial (XUMAL) and BIST 100-30 (XYUZO) indices.

The chart on the left shows the last 1-year comparative performance of the BIST Real Estate Investment Trusts index, and İş REIT shares.

As of June 2022, approximately 91% of the Company's portfolio investments were in the real estate sector, consisting of immovables yielding rental income, developments for sale, new projects and land investments.

The breakdown of investments in the real estate sector are as follows: 54.2% in offices, 22.4% in shopping malls, 15.4% in ongoing projects, 0.9% in inventories for sale and 7.1% in land. The Company's real estate investments are predominantly located in Istanbul, and the geographical distribution of its real estate in terms of value is Istanbul with 92.5%, İzmir 4.4%, Ankara 2.7% and Muğla with 0.4%.

The immovables yielding rental income and rights of construction consist of office and shopping center investments and the distribution of the said investments on the basis of appraisal value is 71% offices and 29% shopping malls. The immovables and appraisal values from yielding rental income and right of construction income are presented in the table below.

Buildings	Appraisal Date	Appraisal Value	Breakdown
Offices		3,552,914,000	70.7%
Tuzla Technology and Operations Center (TUTOM)	Dec. 17, 2021	1,652,647,000	32.9%
Istanbul İş Towers - Tower-2&3	Dec. 20, 2021	1,453,812,000	28.9%
Ankara İş Tower	Nov. 26, 2021	178,185,000	3.5%
Maslak Office Building	Dec. 16, 2021	163,150,000	3.2%
Taksim Office Lamartine	Nov. 30, 2021	105,120,000	2.1%
Retail		1,472,476,000	29.3%
Kanyon Shopping Mall	Dec. 24, 2021	691,935,000	13.8%
Marmara Park Shopping Mall	Dec. 20, 2021	349,757,000	7.0%
Ege Perla Shopping Mall	Dec. 23, 2021	282,430,000	5.6%
İş Towers-Tower Bazaar	Dec. 20, 2021	94,519,000	1.9%
Tuzla Meydan Bazaar	Dec. 17, 2021	31,675,000	0.6%
Mallmarine Shopping Mall	Nov. 25, 2021	22,160,000	0.4%
Total		5,025,390,000	100.0%

The Company securities traded in the Debt Securities Market as of the report date are as follows:

ISIN	Securities Traded	Redemption Date	Amount Issued (TL '000')
TRFISGY22317	Commercial Paper	Feb. 17, 2023	200,000
TRSIGYA2214	Bonds	Dec. 09, 2022	78,650
TRSIGY32319	Bonds	Mar. 02, 2023	90,000
TRSIGY82314	Bonds	Aug. 17, 2023	101,000
TRSIGY82322	Bonds	Aug. 21, 2023	150,000

Key Financial Indicators

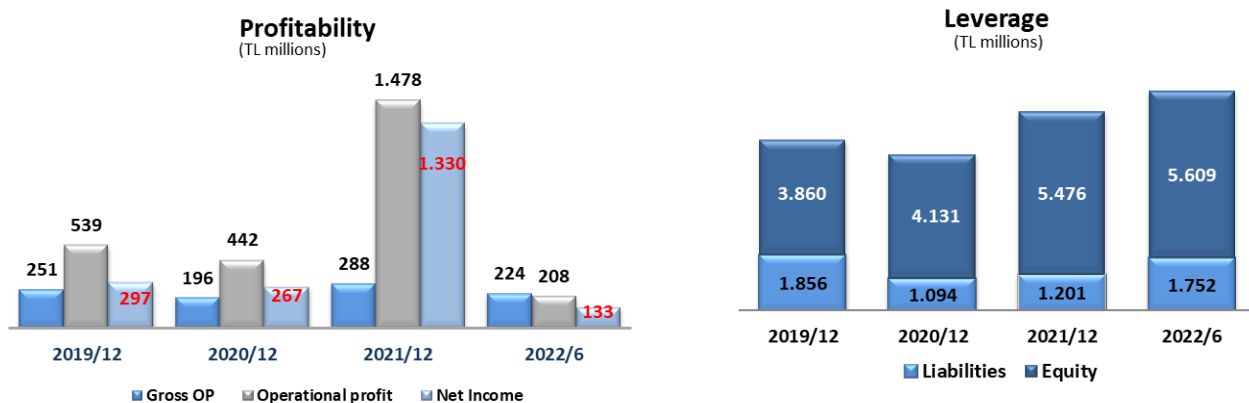
Income Statement (TL '000')	2019/12	2020/12	2021/12	2020 %	2021 %
Revenue	1,206,510	552,679	488,577	-54% ▼	-12% ▼
CGS	955,966	356,313	200,955	-63% ▼	-44% ▼
Gross Profit from Business Operations	250,543	196,366	287,622	-22% ▼	47% ▲
Other Income-Expense	-	-	-	—	—
Gross Profit	250,543	196,366	287,622	-22% ▼	47% ▲
Operating Expenses (R&D + Marketing + General Expenses)	41,770	37,611	44,756	-10% ▼	19% ▲
Net Operating Profit	208,774	158,755	242,865	-24% ▼	53% ▲
Other Operating Income/Loss	330,369	282,965	1,234,781	-14% ▼	336% ▲
Operating Profit	539,142	441,720	1,477,646	-18% ▼	235% ▲
Net Income/Expense from Investments	-	-	-	—	—
Share of Profit of Equity-accounted Investees	1,653	2,044	1,983	24% ▲	-3% ▼
Operating Profit Before Finance Expense	540,795	443,764	1,479,629	-18% ▼	233% ▲
Financial Income	-	10,929	46,194	—	323% ▲
Financial Expenses	243,406	188,191	195,903	-23% ▼	4% ▲
Pre-tax profit	297,390	266,502	1,329,920	-10% ▼	399% ▲
Taxes	-	-	-	—	—
Continuing Operations Profit/Loss for the Period	297,390	266,502	1,329,920	-10% ▼	399% ▲
Net Profit for the Period from Discontinued Operations	-	-	-	—	—
Net Profit or Loss	297,390	266,502	1,329,920	-10% ▼	399% ▲

Sales revenue decreased by 12% in 2021 due to the decrease in the number of houses sold, but rental income increased by 14.8% compared to the previous year. As of the end of 2021, the share of the İş Group in the rental income including the right of construction was 57.8%. In the same period, the gross profit of the Company increased by 47% and reached TL 287.6 million. Following the revaluation of the real estate in its portfolio in 2021, the Company's operating profit reached TL 1.48 billion, and İş REIT announced a net profit of TL 1.33 billion.

Balance Sheet (TL '000')	2019/12	2020/12	2021/12	2020 %	2021 %
Current Assets	1,249,783	464,910	492,262	-62.80%	5.90%
Cash and Cash Equivalents	561,881	59,156	138,563	-89.50%	134.20%
Trade Receivables	116,531	125,644	109,092	7.80%	-13.20%
Other receivables	5,685	6,374	5,561	12.10%	-12.80%
Inventories	502,965	234,619	139,873	-53.40%	-40.40%
Other Current Assets	62,721	39,116	99,172	-37.60%	153.50%
Fixed Assets	4,466,573	4,760,496	6,184,060	6.60%	29.90%
Tangible Fixed Assets	38,461	41,395	55,493	7.60%	34.10%
Intangible Fixed Assets	931	940	1,250	0.90%	33.00%
Financial Investments	221,249	230,572	272,785	4.20%	18.30%
Investments Valued by Equity Method	3,741	4,285	5,768	14.50%	34.60%
Investment Properties	3,985,934	4,261,194	5,454,111	6.90%	28.00%
Inventories	175,000	200,107	381,237	14.30%	90.50%
Other	41,258	22,002	13,416	-46.70%	-39.00%
Total Assets	5,716,357	5,225,405	6,676,321	-8.60%	27.80%
Short Term Liabilities	1,232,365	962,553	1,000,398	-21.90%	3.90%
Financial Liabilities	464,336	446,021	840,482	-3.90%	88.40%
ST Portion of LT Financial Liabilities	352,421	437,419	5,646	24.10%	-98.70%
Trade Payables	216,937	8,041	10,550	-96.30%	31.20%
Other Financial Liabilities	-	-	-	-	-
Other Short-Term Liabilities	198,671	71,071	143,720	-64.20%	102.20%
Long Term Liabilities	623,765	131,899	200,260	-78.90%	51.80%
Financial Liabilities	621,751	129,538	197,107	-79.20%	52.20%
Other Financial Liabilities	-	-	-	-	-
Provisions for Other Debts and Liabilities	2,014	2,361	3,153	17.20%	33.60%
Equity	3,860,227	4,130,954	5,475,663	7.00%	32.60%
Paid-in Share Capital	958,750	958,750	958,750	0.00%	0.00%
Other	277,137	281,362	296,151	1.50%	5.30%
Reserves on Retained Earnings	65,950	70,942	71,191	7.60%	0.40%
Retained Earnings	2,261,000	2,553,398	2,819,651	12.90%	10.40%
Net Profit for the Year	297,390	266,502	1,329,920	-10.40%	399.00%
Total Liabilities	5,716,357	5,225,405	6,676,321	-8.60%	27.80%

(Source: Rasyonet)

The current assets of the Company decreased by 62.8% in 2020 due to inventory sales and investments, followed by an increase of 5.9% in 2021. Fixed assets increased by 29.9% as of the end of 2021, reaching TL 6.2 billion.



Financial Ratios

Main Financial Ratios	2017/12	2018/12	2019/12	2020/12	2021/12		2021/6	2022/6	
Liquidity									
Net working capital / Total Assets	0,02	-0,06	0,00	-0,10	-0,08		-0,11	-0,12	
Current ratio - Current assets / Short-term liabilities)	1,11	0,69	1,01	0,48	0,49		0,43	0,44	
Acid-test ratio - (Current assets-Inventories) / Short-term liabilities	0,24	0,22	0,61	0,24	0,35		0,24	0,36	
Cash ratio - Cash & equivalents / Short-term liabilities	0,10	0,05	0,46	0,06	0,14		0,05	0,22	
Inventories / Current Assets	0,78	0,69	0,40	0,50	0,28		0,44	0,18	
Inventories / Total Assets	0,14	0,10	0,09	0,04	0,02		0,04	0,02	
Financial structure									
Leverage ratio - Liabilities / Equity	0,62	0,47	0,48	0,26	0,22		0,28	0,31	
Debt ratio - Liabilities / Total Assets	0,38	0,32	0,32	0,21	0,18		0,22	0,24	
Short-term liabilities / Liabilities	0,43	0,66	0,66	0,88	0,83		0,90	0,93	
Short-term liabilities / Total Assets	0,16	0,21	0,22	0,18	0,15		0,20	0,22	
Short-term financial liabilities / Short-term liabilities	0,19	0,68	0,66	0,92	0,85		0,91	0,88	
Financial debt / Total Assets	0,22	0,25	0,25	0,19	0,16		0,20	0,21	
Net Finansal Borç/Özkaynak	0,34	0,35	0,23	0,23	0,17		0,25	0,21	
Operational ratios									
Receivables turnover rate - Revenues / Trade Receivables	9,27	10,22	10,35	4,40	4,48		1,28	2,58	
Inventories turnover rate - COGS / Inventories	0,33	1,62	1,90	1,52	1,44		0,34	0,69	
Trade payables turnover rate - COGS / Trade payables	2,83	24,00	4,41	44,31	19,05		6,52	6,49	
Current assets turnover rate - Revenues / Current assets	0,45	1,46	0,97	1,19	0,99		0,37	0,44	
Working capital turnover rate - Revenues / Net working capital	4,64	-3,24	69,27	-1,11	-0,96		-0,28	-0,34	
Tangible assets turnover rate - Revenues / Tangible assets	14,18	32,48	31,37	13,35	8,80		4,00	5,68	
Equity turnover rate - Revenues / Equity	0,13	0,31	0,31	0,13	0,09		0,04	0,06	
Asset turnover rate - Revenues / Total Assets	0,08	0,21	0,21	0,11	0,07		0,03	0,04	
Profitability									
Gross operating profit margin - GOP / Revenues	42,3%	23,7%	20,8%	35,5%	58,9%		60,0%	71,8%	
EBITDA Margin (1) - (Operational profit + Depreciation) / Revenues	51,7%	43,8%	44,9%	80,3%	302,9%		50,9%	67,3%	
EBITDA Margin (2) - (GOP - Oper. Costs + Depreciation) / Revenues	32,7%	19,7%	17,5%	29,1%	50,2%		48,0%	61,1%	
Operational profit margin - Operational profit / Revenues	51,4%	43,7%	44,7%	79,9%	302,4%		50,2%	66,8%	
Net profit margin - Net Income / Revenues	40,9%	31,1%	24,6%	48,2%	272,2%		-2,8%	42,8%	
COGS / Revenues	57,7%	76,3%	79,2%	64,5%	41,1%		40,0%	28,2%	
Operational Costs / Revenues	10,0%	4,3%	3,5%	6,8%	9,2%		12,8%	11,2%	
Asset profitability - Net Income / Total Assets	3,4%	6,5%	5,2%	5,1%	19,9%		-0,1%	1,8%	
Equity profitability - Net Income / Equity	5,5%	9,6%	7,7%	6,5%	24,3%		-0,1%	2,4%	

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-term 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.

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