SAHA Corporate Governance and Credit Rating Services Inc.

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

27 August 2020

Credit Rating

Long-term (National):
(TR) AA

Outlook:
Stable

Short-term (National):
(TR) A1+

Outlook:
Stable

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

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Rating Summary

İş Gayrimenkul Yatırım Ortaklığı A.Ş. (“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 in Borsa Istanbul. The Company's capital and management control belongs to Türkiye İş Bankası A.Ş. (İş Bank).

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, 2019)

Long Term: (TR) AA

Short Term: (TR) A1+

Outlook

According to the 2019 year-end data, the Company ranked 4th in terms of asset size (12/2018: 4th) and 4th in terms of equity size (12/2018: 4th) among Real Estate Investment Companies which consists of 33 companies. As of 30th June 2020, the Company's market value has been calculated as TL 1,870 million (12/2019: TL 1,687 million), corresponding to a market share of 5.1%.

As of 30th June 2020, the Company's real estate portfolio size was TL 4,618,000,000. When the asset allocation is analysed, 81% of the portfolio consists of buildings with rental income, 6% with ongoing projects, 8% ready-to-sell real estate in the inventory and 5% consists of land.

The Company increased its revenue in 2019 by 9.8% compared to the previous year, while its rental/right-of-construction income in the same period increased by 13.4%. In addition, with the positive contribution of the capital gains of properties which do not generate cash inflows, the Company closed the period with a net profit of TL 297.4 million. In 2020, rental and right-of-construction income decreased by 13.1% in the first half of the year compared to the same period of 2019, as result of the sales from the real estate portfolio and the rental discounts due to the extraordinary conditions which emerged with the pandemic. To offset the anticipated loss of rental income in 2020, the Company expects to balance the level of cash generation in the same period by decreasing investment expenditures and making use of the low interest environment introduced to help increase housing sales.

The fact that 67% of total revenue and 57% of the rental income in 2019 comes from İş Bank Group, is evaluated as a positive factor in terms of receivables quality. As of Q2 of 2020, the net foreign currency position of the Company, whose leverage ratio has decreased, was calculated at (+) TL 29.6 million, and as of this date, the income statement does not have a negative sensitivity to possible exchange rate hikes.

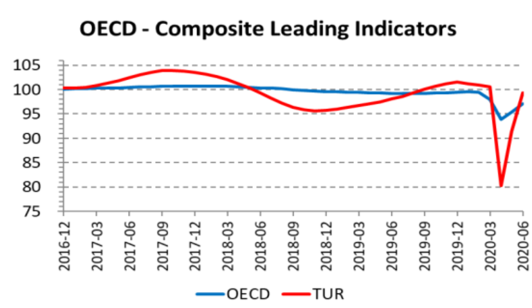
In addition to all these factors, the Company's outlook has been determined as **"Stable"**, taking into account the ability of the Company to access finance and its strong ownership structure. However, the recent extraordinary developments in the global trade environment and money markets in relation to the Covid-19 epidemic make the potential economic consequences of the pandemic extremely uncertain. The developments are closely monitored by us and if the tangible risks materialize, their effects on the Company will be further evaluated.

Macro-Economic Outlook and Analysis of the Industry

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	2020		2021	
		(Current)	(Previous)	(Current)	(Previous)
IMF	June 2020 World Economic Outlook Report (previous: April 2020)	**-4.9% ↓**	**3.0%**	**5.4% ↓**	**5.8%**
World Bank	June 2020 World Economic Prospects Report (previous: January 2019)	**-5.2% ↓**	**2.5%**	**4.2% ↑**	**2.6%**
OECD	June 2020 Economic Outlook Report (previous: March 2020 Economic Outlook, Interim Report)	**-6.0% ↓**	**2.4%**	**5.2% ↑**	**3.3% %**

As of the second half of 2018, downward revisions have been made at various dates on the growth forecasts of international organizations. Trade wars between the USA and China, negative economic developments in emerging markets, separation of Britain from the European Union and geopolitical risks are the main reasons for the downward revisions. As of 2020, in addition to the aforementioned, issues such as the possible effects of the pandemic caused by the new type of corona virus (Covid-19) on the global economy, the impact of the oil supply conflict between OPEC and Russia to the global oil prices and therefore to the international energy sector, came to the fore. In the June 2020 revisions, the World Bank and OECD announced that the deepest recession has been experienced since the Great Depression of the 1930s. In addition, OECD stated that in case of a second wave of Covid-19, the decline in the global economy may reach 7.6% in 2020.



The declining trend of OECD Composite Leading Indicators below the threshold value of 100.00 in both OECD countries and Turkey by mid-2018, have turned sharply down by the end of the first quarter of 2020 due to potential effects of Covid-19 outbreak. As the indices began to recover as of May, it is still below the threshold value for both OECD countries and Turkey by the end of June.

Following the repetitive reduction of interest rates since last July, the FED once again reduced the policy rate to 1.50-1.75 percent range as of the beginning of March 2020, stopped the balance sheet downsizing in September and expanded its balance sheet with repo operations by 5%, to approximately USD 200 billion. In addition, the Bank declared to continue its monetary expansion with a USD 60 billion monthly repo transaction until the second half of 2020 in order to overcome the apparent shortage of cash in the market. In the beginning of March 2020, with the increasing concerns about the economic effects of the Covid-19 pandemic, following 2 urgent meetings, the FED reduced the policy interest rates by 150 bps in total to 0.00-0.25 percent range. Declaring that it will go for a monetary expansion worth USD 700 billion through bond purchases at the beginning of March, FED announced in mid-March that there will be no limit on bond purchases. Thus, with the intensive sales movement observed in the US stock markets in the last week of February, the most severe decline occurred in a short time since the 2018 global crisis. Following that, the yield curve also reversed and the 10-year yield fell below the 3-month return. In addition, as of April, with a record increase, jobless claims rose even above the 2008 financial crisis level. In light of these dramatic developments, in April, the FED announced an additional USD 2.3 trillion monetary package to support small and medium-sized businesses and local governments suffering from the Covid-19 outbreak. By June, FED officials' statement that the interest rate would not increase until 2022 came to the forefront.

As from July 2019, the Central Bank of Turkey (CBT) cut the policy interest rate to 12.00% with a total decrease of 1200 bps, and by May 2020, with a further decrease of 375 bps, reduced the rate to 8.25%. In parallel, the increasing upward trend of the exchange rate volatility has also been notable.

The following table shows the latest official 2020-2021 growth forecasts of the IMF, OECD and the World Bank on Turkey, which recorded a growth of 0.9% in 2019. The forecasts reflect the initial effects of the pandemic, and if the outbreak continues in the 2nd half of the year, it should be expected that the estimates given below will be revised substantially downwards. Furthermore, OECD announced two scenarios in the June 2020 update. The predictions here below do not take into account a new wave of Covid-19. In case of a realization of the second wave, a decline of 8.1% is foreseen in the Turkish economy in 2020. OECD also announced that both scenarios have equal chance of realization.

Organization	Source	2020		2021	
		(Current)	(Previous)	(Current)	(Previous)
IMF	June 2020 World Economic Outlook Report (previous: April 2020)	**-5.0% ↔**	**5.0%**	**5.0% ↔**	**5.0%**
World Bank	June 2020 World Economic Prospects Report (previous: April 2020 Regional Economic Update Report)	**-3.8% ↓**	**0.5%**	**5.0% ↑**	**4.0%**
OECD	June 2020 Economic Outlook Report (previous: March 2020 Economic Outlook, Interim Report)	**-4.8% ↓**	**2.7%**	**4.3% ↑**	**3.3%**

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)	2020-Q1 **4.5%**	2019-Q4 **6.0%**	Compared to the same quarter of the previous year, 2020-Q1 GDP initial estimate increased by 4.5% as chained volume measure index. When the content of GDP is examined; in the first quarter of 2020, the increase in chained volume index compared to the previous year was 12.1% for other service activities, 10.7% for information and communication activities, 6.2% for industry, 4.6% for public administration, education, human health and social service activities, 3.4% in services, 3.0% for agriculture, 2.4% in real estate, 1.9% for professional, administrative and support service activities, and 1.6% on financial and insurance services. On the other hand, the construction sector decreased by 1.5%.
Unemployment (TUIK)	2020/05 **12.9%**	2020/04 **12.8%**	The number of unemployed in Turkey aged 15 and above was 3,826,000 in May 2020, a decrease of 331,000 compared to the same period of 2019. The unemployment rate increased by 0.1 points to 12.9%. The non-farm unemployment rate was 15.2%, up 0.1 percentage points. The unemployment rate among the young population was 24.9% with an increase of 1.6 points.
Inflation **- CPI** **- PPI** (TUIK)	2020/07 **11.76%** **8.33%**	2020/06 **12.62%** **6.17%**	The rise in CPI (2003=100) in July of 2020 was 0.58% compared to the previous month, 6.37% compared to December of the previous year and 11.76% compared to the same month of the previous year. The twelve-month average was an increase of 11.51%. D-PPI (2003=100) increased by 1.02% in July 2020 compared to the previous month, by 7.98% compared to December of the previous year and 8.33% compared to the same month of the previous year. The twelve-month average was an increase of 6.81%.
Budget Balance (TL Billion) (Ministry of Treasury and Finance)	2020/06 **-19.4**	2020/05 **-17.3**	According to June 2020 budget performance results, the Central Administration Budget posted a deficit of TL 19.4 billion. Hence, the budget balance for the January-June 2020 period was realized as TL (-) 109.5 billion (2020 budget target: TL 138.9 billion deficit).
Current Account Balance (USD Million) (CBT)	2020/06 **-2,934**	2020/05 **-3,764**	The current account deficit increased by USD 2,839 million compared to June of the previous year and reached USD 2,934 million. As a result, the twelve-month current account deficit was USD 11,094 million.
Industrial Production Index (TUIK)	2020/06 **0.1%**	2020/05 **-19.9%**	When the sub-sectors of the industry (reference year 2015=100) are analysed, the decrease in the mining and quarrying sector index was 8.0%, the manufacturing industry sector index increased by 1.0%, and that of electricity, gas, steam and air conditioning production sector decreased by 6.4% in June 2020 compared to the same month of the previous year.
Turkish PMI (Istanbul Chamber of Industry-IHS Markit)	2020/07 **56.9**	2020/06 **53.9**	The PMI, which was 53.9 in June, rose to 56.9 in July, the highest level since February 2011. The figures above 50.0 point to an overall improvement in the sector.

Indicator	Current Value	Previous Value	Summary
Economic Confidence Index (TUIK, CBT)	2020/07 **82.2**	2020/06 **73.5**	The economic confidence index which was 73.5 in June, increased by 11.8% in July to 82.2. The increase in the economic confidence index resulted from the rise in real sector (manufacturing industry), service, retail trade and construction industry confidence indices. Compared to the previous month, in July, the real sector confidence index increased by 10.7% to 99.4, the service sector confidence index increased by 20.2% to 66.7, the retail trade sector confidence index increased by 9.6% to 94.6, and that of construction sector increased by 11.6% reaching 87.0. Consumer confidence index decreased by 2.7% in July to 60.9.
Banking Sector NPL Ratio (BRSA)	2020/06 **4.41%**	2020/05 **4.54%**	Total assets of the Turkish Banking Sector amounted to TL 5,355,653 million in June 2020 (May 2020: TL 5,282,890 million). Total loans outstanding within this period were TL 3,257,797 million (May 2020: TL 3,161,718 million). Deposits were TL 3,059,927 million (May 2020: TL 2,974,200 million).
Banking Capital Adequacy Ratio (BRSA)	2020/06 **19.52%**	2020/05 **19.44%**	Total shareholders' equity of the Turkish Banking Sector was TL 557,745 million in June 2020 (May 2020: TL 546,248 million).
Housing Sales (TUIK)	2020/07 **229,357**	2020/06 **190,012**	Residential sales in Turkey increased by 124.3% in July 2020 compared to the same month of the previous year with 229,357 units. Mortgage sales increased by 900.6% to 130,721 units compared to the same month of the previous year.
Car and Light Commercial Vehicle Sales (ODD)	2020/07 **87,401**	2020/06 **70,973**	The automobile and light commercial vehicle sales in July 2020 increased by 387.5% compared to July 2019 to 87,401 units. The increase in the January-July period of 2020 was 60.3% compared to the same period of the previous year with 341,469 units.
Euro Zone PMI (IHS Markit)	2020/07 **51.8**	2020/06 **47.4**	According to IHS Markit data, the manufacturing sector PMI index in the Euro Zone increased to 51.8 in July 2020 (expectation: 51.1). PMI indicator values below 50, signals a contraction in the industry, while 50 and above indicates growth

The construction industry is one of the sectors most affected by the national income growth trend. In 2017, the industry recorded a growth of 8.9%, in line with Turkey's 7.4% GDP growth. In 2018, while the national income growth diminished to 2.6%, the construction sector was affected the most by this shift in trend and closed the year with a decline of 1.9%. According to the data released by the Turkish Statistical Institute ("TUIK"), Turkish Gross Domestic Product grew by 0.9% in 2019. The decline in the construction sector became evident with 8.6% within this period. Looking at the data for the Q1 of 2020; the national income grew by 4.5% compared to the same period of 2019, while the decline in the construction industry was 1.5%.

Again, the increase in the construction cost index announced by TUIK, which has been particularly evident since the beginning of 2018, followed a slowdown trend in the second half of 2019. As of May 2020, the rate of increase in the index value compared to the same month of the previous year was 5.8%. In addition, the construction turnover index, which is another important indicator in terms of revealing the direction in the production and employment volume of the industry, decreased by 11% in May 2020 compared to the same month of the previous year.

When we look at the sector in general, the number of houses sold which was 1,409,314 units in 2017, came down to 1,375,398 units in 2018. In 2019, total housing sales further decreased by 1.9% compared to 2018, down to 1,348,729 units. On the other hand, 276,820 units of mortgaged sales, which decreased by 41.5% in 2018 compared to 2017, has entered an upward trend since July with the reduction in interest rates, and closed 2019 with 332,508 units, an increase of 20.1% compared to 2018. In 2020, when the interest rates continued to remain low, mortgage sales figures continued to increase, and in June and July of 2020, the highest use of housing loans in the history of the industry was realized. Accordingly, in the 1st half of the year, total housing sales increased by 23.5% compared to the same period of the previous year, reaching 624,769 units, and mortgaged house sales increased by 221.4% to 266,374 units in the same period.

Company Overview

The main shareholder of the Company which started its operations in 1999 is Türkiye İş Bankası A.Ş. As of June 30, 2020, the Company has 71 employees (12/2019: 72), and the current capital structure is as follows:

Shareholder	Ownership Interest (TL)	Ownership Interest (%)
Türkiye İş Bankası A.Ş.	484,271,809	50.51
Anadolu Hayat Emeklilik A.Ş.	68,151,714	7.11
Other	406,326,477	42.38
Total	**958,750,000**	**100.00**

** The Company's share in actual circulation is 40.93% as of our report date.*

According to the 2019 year-end data; among 33 Real Estate Investment Companies, the Company ranked 4th (12/2018: 4th) in terms of asset size and 4th (12/2018: 4th) in terms of equity size. As of June 30, 2020, the Company's market value was calculated as TL 1,870 million (12/2019: TL 1,687 million), and its share in the industry was 5.1%.

As of June 30, 2020, the Company's real estate portfolio size is TL 4,618,000,000. When the asset allocation is analysed, 81% of the portfolio consisted of buildings with rental income, 6% with ongoing projects, 8% ready-to-sell real estate in the inventory and 5% with land.

The Company was offered to public in 1999 and its shares are traded in the Stars Market – Group 2 of Borsa Istanbul under the "ISGYO" code. The Company is a constituent of BIST 100 (XU100), BIST All Shares (XUTUM), BIST 50 (XU050), 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 comparative performance of the BIST Real Estate Investment Trusts index, and the Company shares, since the beginning of 2019.

Source: www.isyatirim.com.tr

The formation of the board of directors as of the date of our report is as follows:

Members	Title
ÖMER KARAKUŞ	Chairman of the Board
SÜLEYMAN H. ÖZCAN	Vice-chairman
AYSEL TACER	Board Member
M.KARLUK ÇETİNKAYA	Board Member
ÖZCAL KORKMAZ	Board Member
MURAT DOĞAN	Board Member
PROF.DR. ARZU ERDEM	Independent Board Member
HALUK BÜYÜKBAŞ	Independent Board Member
NİHAT UZUNOĞLU	Independent Board Member

Key Financial Indicators

Balance Sheet (TL '000')	2018/12	2019/12	∆ 2019		2019/6	2020/6	∆ 2020 Q2	
Current Assets	**752,745**	**1,249,783**	66.0%	▲	**724,665**	**658,853**	(9.1%)	▼
Cash and Cash Equivalents	54,237	388,415	616.1%	▲	17,271	49,467	186.4%	▲
Financial Investments	-	173,466		—	-	-		—
Trade Receivables	107,442	116,531	8.5%	▲	117,556	133,956	14.0%	▲
Other Receivables	718	5,685	691.4%	▲	9,671	6,494	(32.9%)	▼
Derivatives	59,537	42,367	(28.8%)	▼	57,923	44,076	(23.9%)	▼
Inventories	307,030	381,840	24.4%	▲	441,323	418,943	(5.1%)	▼
Inventories Under Development	209,357	121,125	(42.1%)	▼	31,788	-	(100.0%)	▼
Other Current Assets	14,424	20,354	41.1%	▲	49,133	5,918	(88.0%)	▼
Fixed Assets	**4,469,588**	**4,466,573**	(0.1%)	▼	**4,425,358**	**4,464,368**	0.9%	▲
Trade Receivables	44,389	32,660	(26.4%)	▼	36,305	20,632	(43.2%)	▼
Inventories	174,550	175,000	0.3%	▲	175,231	175,247	0.01%	▲
Tangible Fixed Assets	33,814	38,461	13.7%	▲	33,157	38,011	14.6%	▲
Intangible Fixed Assets	1,016	931	(8.3%)	▼	1,043	1,144	9.6%	▲
Financial Investments	-	221,249		—	-	222,805		—
Equity Accounted Investees	3,088	3,741	21.1%	▲	2,972	3,296	10.9%	▲
Investment Properties	3,679,193	3,724,397	1.2%	▲	3,910,893	3,732,338	(4.6%)	▼
Investment Properties Under Dev.	474,296	261,537	(44.9%)	▼	257,772	262,430	1.8%	▲
Other Fixed Assets	59,243	8,598	(85.5%)	▼	7,986	8,465	6.0%	▲
Total Assets	**5,222,333**	**5,716,357**	9.5%	▲	**5,150,023**	**5,123,221**	(0.5%)	▼
Short Term Liabilities	**1,091,582**	**1,232,365**	12.9%	▲	**1,019,908**	**971,763**	(4.7%)	▼
Financial Liabilities	-	464,336		—	314,929	407,454	29.4%	▲
ST Portion of LT Financial Liabilities	742,664	352,421	(52.5%)	▼	438,970	409,883	(6.6%)	▼
Trade Payables	34,901	216,937	521.6%	▲	21,032	9,875	(53.0%)	▼
Other ST Liabilities	314,017	198,671	(36.7%)	▼	244,976	144,551	(41.0%)	▼
Long Term Liabilities	**573,812**	**623,765**	8.7%	▲	**591,717**	**303,139**	(48.8%)	▼
Financial Liabilities	572,184	621,751	8.7%	▲	589,923	300,931	(49.0%)	▼
Provisions for Other Debts and Liabilities	1,628	2,014	23.7%	▲	1,794	2,208	23.1%	▲
Equity	**3,556,939**	**3,860,227**	8.5%	▲	**3,538,399**	**3,848,319**	8.8%	▲
Paid-in Share Capital	958,750	958,750	0.0%	—	958,750	958,750	0.0%	—
Other	271,239	277,137	2.2%	▲	271,239	277,137	2.2%	▲
Reserves on Retained Earnings	59,562	65,950	10.7%	▲	65,950	70,942	7.6%	▲
Retained Earnings	1,925,778	2,261,000	17.4%	▲	2,261,000	2,553,398	12.9%	▲
Net Profit for the Year	341,611	297,390	(12.9%)	▼	(18,540)	(11,908)	35.8%	▲
Total Liabilities	**5,222,333**	**5,716,357**	9.5%	▲	**5,150,023**	**5,123,221**	(0.5%)	▼

(Source: Rasyonet)

Income Statement (TL '000')	2018/12	2019/12	Δ 2019		2019/6	2020/6	Δ 2020 Q2	
Revenue	1,098,332	1,206,510	9.8%	▲	248,537	219,935	(11.5%)	▼
CGS	837,502	955,966	14.1%	▲	131,038	120,045	(8.4%)	▼
Gross Profit	**260,831**	**250,543**	(3.9%)	▼	**117,499**	**99,890**	(15.0%)	▼
Operating Expenses	46,746	41,770	(10.6%)	▼	24,654	21,446	(13.0%)	▼
Net Real Operating Income	**214,084**	**208,774**	(2.5%)	▼	**92,845**	**78,444**	(15.5%)	▼
Other Real Operating Income/Loss	265,734	330,369	24.3%	▲	7,274	5,270	(27.6%)	▼
Real Operating Income	**479,818**	**539,142**	12.4%	▲	**100,119**	**83,714**	(16.4%)	▼
Inv. Valued by Equity Method	1,311	1,653	26.1%	▲	884	1,055	19.4%	▲
Pre-financing Operating Profit	**481,129**	**540,795**	12.4%	▲	**101,003**	**84,769**	(16.1%)	▼
Financing Income	60,396	-	(100.0%)	▼	6,582	10,611	61.2%	▲
Financing Expense	199,914	243,406	21.8%	▲	126,125	107,287	(14.9%)	▼
Pre-tax Profit	**341,611**	**297,390**	(12.9%)	▼	**(18,540)**	**(11,908)**	35.8%	▲
Tax	-	-		—	-	-		—
Net Profit	**341,611**	**297,390**	(12.9%)	▼	**(18,540)**	**(11,908)**	35.8%	▲
Depreciation	1,754	2,011	14.6%	▲	987	1,134	15.0%	▲

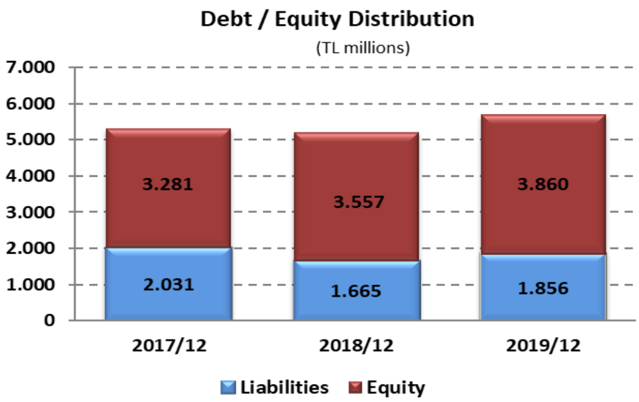
(Source: Rasyonet)

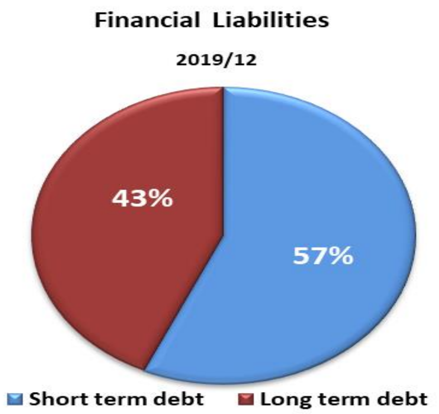
The "revenue" item reflected in the income statement is composed of rental/right-of-construction income from real estates in the portfolio of the Company, housing/project sales income, deposit interest income and other debt instruments income. In 2019, the Company's total revenue increased by 9.8% compared to 2018, reaching TL 1,206.51 million.

The revenue and cost of the Company's long-term projects are monitored on the Company's balance sheet until the delivery of the project is carried out and transferred to the income statement upon delivery. Due to this accounting effect, housing/project sales revenues may follow a volatile course based on delivery dates. The Company increased its rental and right-of-construction income, another item that constitutes the revenue, by 13.4% in 2019 to TL 246.6 million. In 2020, rental and right-of-construction income decreased by 13.1% in the first half of the year compared to the same period of 2019, with the effect of the sales from the real estate portfolio and the rental discounts due to the extraordinary conditions which surfaced with the pandemic. To offset the anticipated loss of rental income in 2020, the Company expects to balance the level of cash generation in the same period thanks to decreasing investment expenditures and low interest environment helping to increase housing sales.

The occupancy rate of the leasable portfolio, which was calculated as 83% in the previous rating period, rose to 89% as of Q1 of 2020, with the effect of sales from the real estate portfolio, which is the source of rental income. The average term of the lease contracts is over 5 years. As of December 31, 2019, 57% of the rental income and 67% of total revenue were derived from İş Bank Group. Such a concentration on the İş Bank group is evaluated positively by us in terms of collection performance.

Considering the 06/2020 financial data, the Company's use of leverage has decreased and the financial structure ratios have generally improved. Also, the Company's last foreign currency borrowing was in 2013 and does not prefer to borrow in foreign currency in the following periods. In addition, the Company carries out derivative transactions to hedge its current liabilities in foreign currency. According to the independent audit report data, the net foreign currency asset liability position of the Company was calculated as TL (-) 16.7 million as of December 31, 2019 (12/2018: TL -30.3 million). As of Q2 of 2020, the net foreign currency position of the Company, whose leverage has decreased, was calculated at (+) TL 29.6 million, and as of this date, the income statement does not have a negative sensitivity to possible exchange rate hikes.





Financial Ratios

Main Financial Ratios	2018/12	2019/12	2019/06	2020/06
Liquidity				
Net Working Capital / Total Assets	(0.06)	0.003	(0.06)	(0.06)
Current Ratio - Current Assets / Short-Term Liabilities	0.69	1.01	0.71	0.68
Acid Test Ratio - (Current Assets – Total ST Inventories) / ST Liabilities	0.22	0.61	0.25	0.25
Cash Ratio - Liquid Assets / ST Liabilities	0.05	0.46	0.02	0.05
ST Inventories / Current Assets	0.69	0.40	0.65	0.64
Total Inventories / Total Assets	0.13	0.12	0.13	0.12
Financial Structure				
Leverage Ratio - Total Debt / Equity	0.47	0.48	0.46	0.33
Debt Ratio - Total Debt / Total Assets	0.32	0.32	0.31	0.25
Short Term Liabilities / Total Debt	0.66	0.66	0.63	0.76
Short Term Liabilities / Total Assets	0.21	0.22	0.20	0.19
Short Term Financial Liabilities / Short Term Liabilities	0.68	0.66	0.74	0.84
Financial Debt / Total Assets	0.25	0.25	0.26	0.22
Operating Ratios				
Receivables Turnover Rate - Revenue / ST Trade Receivables	10.22	10.35	2.11	1.64
Inventory Turnover Rate - COGS / Total ST Inventories	1.62	1.90	0.28	0.29
Accounts Payable Turnover Rate - COGS / ST Accounts Payable	24.00	4.41	6.23	12.16
Current Assets Turnover Rate - Revenue / Current Assets	1.46	0.97	0.34	0.33
Working Capital Turnover Rate - Revenue / Net Working Capital	(3.24)	69.27	(0.84)	(0.70)
Equity Turnover Rate - Revenue / Equity	0.31	0.31	0.07	0.06
Asset Turnover Rate - Revenue / Total Assets	0.21	0.21	0.05	0.04
Profitability				
Gross Profitability – Gross Profit / Revenue	23.7%	20.8%	47.3%	45.4%
EBITDA 1 Margin - (Real Operating Profit + Depreciation) / Revenue	43.8%	44.9%	40.7%	38.6%
EBITDA 2 Margin - (Gross Profit – Op. Exp. + Depreciation) / Revenue	19.7%	17.5%	37.8%	36.2%
Operating Profitability – Real Operating Profit / Revenue	43.7%	44.7%	40.3%	38.1%
Net Profitability - Net Profit for the Year / Revenue	31.1%	24.6%	(7.5%)	(5.4%)
COGS / Revenue	76.3%	79.2%	52.7%	54.6%
Operating Expenses / Revenue	4.3%	3.5%	9.9%	9.8%
Asset Profitability – Profit for the Year / Total Assets	6.5%	5.2%	(0.4%)	(0.2%)
Return on Equity – Profit for the Year / Shareholders' Equity	9.6%	7.7%	(0.5%)	(0.3%)

Source: (Rasyonet)

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 fulfil its obligations under the future projections of a base and a stress scenario.

The qualitative analysis covers operational issues such as industry and company risks 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 reflects 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 fulfil 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 fulfil financial obligations, but may be affected by adverse economic conditions and changes.
(TR) A3	(TR) BBB (TR) BBB-	Sufficient financial ability to fulfil its obligations, but carries more risk in adverse economic conditions and changes. If securities; has adequate protection parameters, but issuer's capacity to fulfil 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 fulfil its obligations weakens, serious uncertainties may unfold.
(TR) B2	(TR) B+ (TR) B (TR) B-	Currently has the capacity to fulfil 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. Fulfilment 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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