SAHA
Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri

27 August 2021

Credit Rating

Long-term (National):
(TR) AA
Outlook:
Stable

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

Expiry Date:
27 August 2022

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

Approximately 94% of the Company's portfolio investments are in the real estate sector, consisting of immovables, projects and land investments from which rental income is obtained. The Company's real estate investments are predominantly located in Istanbul, and the geographical distribution in terms of value is Istanbul with 90.9%, Izmir 5.5%, Ankara 3.2% and Muğla with 0.4%.

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

Previous Rating (August 27, 2020)

Long Term: (TR) AA

Short Term: (TR) A1+

Outlook

At present, among Real Estate Investment Trusts ("REITs") which consists of 36 companies, İş REIT is ranked 8th in terms of asset size (12/2020: 6th) and 4th in terms of equity size (12/2020: 3rd). As of June 30, 2021, the Company's market cap at Borsa Istanbul is TL 1,802 million.

As of June 30, 2021, the Company's real estate portfolio size is TL 4,768 mn When the asset allocation is analyzed, 83.4% of the portfolio consisted of buildings with rental income, 8.5% with ongoing projects, 4.1% ready-to-sell real estate in the inventory and 4% of land.

The Company's income mainly consists of rent/right of construction income from real estate in its portfolio and sales income from housing/projects. In 2020, İş REIT's total revenue was TL 552.7 million, down 54.2% compared to 2019. The main reason for such a decline is the fact that no sale of investment properties took place in 2020. Looking at the revenue items, the Company's 2020 year-end housing sales revenues increased by 44% and reached TL 329.8 million (2019: TL 229.2 million TL). In 2020, with the effect of rental allowance due to the pandemic and the decreasing trade volume of numerous entities, rental/right of construction income decreased by 14% to TL 212.4 million (2019: TL 246.6 million). A rapid recovery is not expected in the real estate sector in 2021 due to high housing loan interest rates and the ongoing pandemic.

The Company maintained its net profit generating performance. The fact that 24% of the total revenue and 58% of the rental income in 2020 comes from İşBank Group, it is evaluated positively by us in terms of receivables quality. The Company's budgeted investment expenditure for its projects in 2021 is TL 229 million, of which TL 105 million (approximately 46%) was realized in the first half of the year.

Considering all these factors, in addition to İş REIT's position in the sector, its ability to access finance and its strong ownership structure, the Company's both short and long-term outlook has been confirmed as **"Stable"**.

Macro-Economic Outlook – August 2021

World: The most current and previous global growth projections of international organizations such as the International Monetary Fund (IMF), the World Bank and the Organization for Economic Development and Cooperation (OECD) for 2020 and 2021 are given below:

Organization	Source	2021		2022	
		(Current)	(Previous)	(Current)	(Previous)
IMF	July 2021 World Economic Outlook Report (prev.: April 2021)	**6.0% ↔**	**6.0%**	**4.9% ↑**	**4.4%**
World Bank	June 2021 World Economic Prospects Report (prev.: January 2020)	**5.6% ↑**	**4.0%**	**4.3% ↑**	**3.8%**
OECD	May 2021 Economic Outlook Report (prev.: March 2021 Interim Report)	**5.8% ↑**	**5.6%**	**4.4% ↑**	**4.0%**

IMF's July 2021 Global Economic Outlook Report states that the national economic differences increased even more compared to the April report. According to the report, the global economy will grow by 6% in 2021 and 4.9% in 2022. Expectations for developing countries for 2021 were revised downwards, while the developed economies were updated upwards. It was emphasized that the 0.5% increase in the global growth forecast in 2022 resulted from the additional financial support expected in the 2nd half of 2021 in developed countries, especially the USA, and the improvement in health conditions.

With the increasing concerns about the economic effects of the Covid-19 epidemic, the US Federal Reserve Bank, who lowered the policy rate to 0.00-0.25% range at the beginning of March 2020, has not changed the level since. In his speech at the Jackson Hole Symposium in August 2020, FED Chairman Jerome Powell stated that the monetary policy strategy had been changed, and announced that the loose monetary policy would be continued without increasing the interest rates, allowing for a period to even exceed the "average" 2% inflation level that the bank would target from now on. The US gross domestic product, which grew by 33.4% (QOQ) in Q3 of 2020, when the restrictions brought by the pandemic were relatively loosened, recorded a growth of 4.1% in the last quarter and 6.4% in Q1 of 2021. In Q2 of 2021, the US economy grew by 6.5% on an annual basis. The ongoing economic recovery, reopening of institutions and the government's support for the Covid-19 outbreak were effective in the increase in GDP in the 2nd half of the year.

While inflation in the USA was 0.5% on a monthly basis in July, it was 5.4% annually, in line with the expectations. Such a rate was last seen in August 2008. Fed Chairman Jerome Powell stated that inflation is rising, however, this increase is largely due to temporary factors. While there were discussions about inflation and withdrawal of incentive policies, the US Senate approved the infrastructure package, which envisages a new investment of USD 550 billion. The bipartisan package needs the approval of the House of Representatives to become law.

Following the July meeting, Fed Chairman Jerome Powell reiterated that the Committee will continue to monitor the effects of incoming data on the economic outlook while evaluating the appropriate monetary policy stance and will be ready to adjust its monetary policy stance accordingly if risks arise that may prevent the achievement of targets. It was stated that the Federal Open Market Committee aims to achieve the maximum employment and 2% inflation target in the long-term, it was also emphasized that the supportive stance of the monetary policy is expected to be maintained until these targets are achieved. Indications of Powell at the Jackson Hole Symposium to be held on August 26-28 will become more of an issue.

In the 2021 Summer Economic Forecast Report published by the EU Commission, the growth forecast for 2021 increased by 0.6 percentage points for the European Union and 0.5% for the Euro Zone, to 4.8% and 4.5%, respectively, compared to the spring term report. While expressing the expectation that the economies of both regions will grow by 0.1% in 2022 compared to the previous report, the Commission predicted that the EU and Euro Zone will reach the pre-crisis level in real GDP only in the last quarter of 2021.

Turkey: 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 1.8% in 2020. In its May 2021 update, the OECD has reduced its 2021 growth forecast of 5.9% in January to 5.7%, and for 2022, increased its expectation from 3.0% to 3.4%. In the Regional Update Report published in June 2021, the World Bank revised its January 2021 projections for Turkey and increased its 2021 forecast from 4.5% to 5%, while the 2022 forecast was reduced from 5% to 4.5%. The IMF lowered its 2021 real economic growth forecast for Turkey by 0.2 points to 5.8% in its World Economic Outlook report in July and also lowered its 2022 growth forecast, predicting a growth of 3.3%. In the April report of the IMF, it was estimated that the Turkish economy would grow by 6.0% in 2021 and 3.5% in 2022.

International credit rating agency Fitch Ratings' growth expectation for Turkey in 2021 was increased from 6.3% to 7.9% due to the high turnover effect and the ongoing resistance in economic activity, especially after the strong performance in the first quarter of the year.

Organization	Source	2021		2022	
		(Current)	(Previous)	(Current)	(Previous)
IMF	July 2021 World Economic Outlook Report (prev.: April 2021)	**5.8% ↓**	**6.0%**	**3.3% ↓**	**3.5%**
World Bank	June 2021 World Economic Prospects Report (prev.: January 2020)	**5.0% ↑**	**4.5%**	**4.5% ↓**	**5.0%**
OECD	May 2021 Economic Outlook Report (prev.: March 2021 Interim Report)	**5.7% ↓**	**5.9%**	**3.4% ↑**	**3.0%**

In order to eliminate the risks and take under control inflation expectations, and to re-establish the disinflation process as soon as possible, the CBT increased the policy rate to 10.25% with an increase of 200 bps following its September 2020 meeting, to 15% with an increase of 475 bps in November, followed by an additional 200 bps increase to 17% in December, and finally to 19% with 200 bps increase at its March 2021 meeting. In the resolution text of the March meeting, it was emphasized that an additional strong and front-end monetary tightening would be applied, taking into account the risks on inflation expectations, pricing behavior and the medium-term inflation outlook. At its August MPC meeting, the Committee decided to keep the policy rate constant at 19%. Moreover, at the third inflation meeting of the year, the Central Bank updated its inflation forecast from 12.2% to 14.1% for the end of 2021. In the meeting, it was stated that within the framework of basic assumptions and short-term projections, inflation is expected to gradually converge to the targets, under an outlook that the policy rate will continue to be formed at a level above inflation, while maintaining the strong disinflationary effect. In this framework, it is estimated that the inflation will be 14.1% at the end of 2021, and will stabilize by decreasing to 7.8% by the end of 2022 and to the medium-term target of 5% by the end of 2023. The CBT underlined that the current tight stance in monetary policy will be resolutely maintained until the significant decrease in the forecast path of the inflation report is achieved.

According to the Foreign Trade Expectation Survey conducted by the Ministry of Trade quarterly, the Export Expectation Index for the 3rd quarter of 2021 decreased by 4.4 points compared to the previous quarter and was realized as 127.6. When the diffusion indices of the questions included in the Export Expectation Index are analyzed, the evaluations regarding the export expectation for the next 3 months, export order expectation and the currently registered export order level affect the index in a downward direction. On the other hand, evaluations regarding the export orders in the last 3 months have affected the index in an upward direction.

The Import Expectation Index for the 3rd quarter of 2021 increased by 2.9 points compared to the previous quarter, to 114.5. Among the questions included in the Import Expectation Index, the import expectation (next 3 months), the currently registered import order level, and the evaluations of the import order level for the last 3 months affected the index in an upward direction, while the evaluations regarding the import unit price expectation (next 3 months) led the index to decrease.

The construction sector, maintaining its share in GDP, constituted 5.4% of the national income with TL 272.3 billion. The number of houses sold, which was 1,375,398 units in 2018 throughout the sector, was 1,348,729 in 2019. In 2020, total residential sales increased by 11.2% compared to 2019 and resulted in 1,499,316 units.

According to the housing sales figures announced by TUIK, in the first six months of 2021, there was a 12% decrease in housing sales compared to the same period of the previous year due to the epidemic and the negative effects in the economy, and a total of 552,810 houses were sold. While 43% of the total sales in Turkey were composed of mortgaged sales in the first six months of 2020, that figure decreased to 19% in the same period of 2021. Due to the increase in loan interest rates, the number of mortgaged sales decreased by 61% in the first six months of 2021 compared to the same period of the previous year and amounted to 104,168. While the share of second-hand housing sales in total sales across Turkey was 68% in the first half of 2020, it did not change much in the same period of 2021, increasing to 70%. In the first half of 2021, 167,878 new residences were sold, with a decrease of 15%.

Company Overview

The main shareholder of the Company, which started its operations in 1999 is Türkiye İş Bankası A.Ş. As of June 30, 2021, the Company has 68 employees (12/2020: 69). Capital structure of the Company as of June 30, 2021 is as follows:

Shareholder	Ownership Interest (TL)	Ownership Interest (%)
Türkiye İş Bankası A.Ş.	484,271,902	50.51
Anadolu Hayat Emeklilik A.Ş.	68,151,714	7.11
Other	406,326,384	42.38
Total	**958,750,000**	**100.00**

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

As of the end of 2020, the Company's equity remains strong with TL 4,131 million. The total asset size was TL 5,225 million and the total portfolio value TL 5,031 million (2019: TL 5,488 million). As of December 31, 2020, İş REIT represents approximately 4.5% of the real estate investment trusts sector, with a market value of TL 2,435 million.

Approximately 94% of the Company's portfolio investments are in the real estate sector, consisting of immovables, projects and land investments from which rental income is obtained. The Company's real estate investments are predominantly located in Istanbul, and the geographical distribution of the real estates in terms of value is Istanbul with 90.9%, Izmir 5.5%, Ankara 3.2% and Muğla with 0.4%. As of the end of 2020, the only subsidiary of the Company is Kanyon Yönetim İşletim ve Pazarlama Anonim Şirketi. As of June 30, 2021, İş REIT's portfolio size is approximately TL 5,050 million.

The Company was offered to public in 1999 and its shares are traded in the Stars Market of Borsa Istanbul under the "ISGYO" ticker. The Company is a constituent of BIST 100 (XU100), BIST All Shares (XUTUM), BIST Stars (XYLDZ), BIST Real Estate Investment Trusts (XGMYO), BIST Financials (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 İş REIT shares, since the beginning of 2020.

Source: www.isyatirim.com.tr

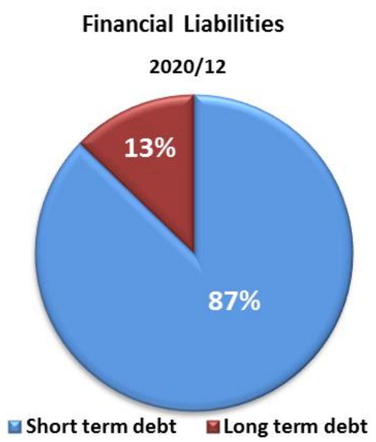
The formation of the Board of Directors as of the date of our report is as follows:

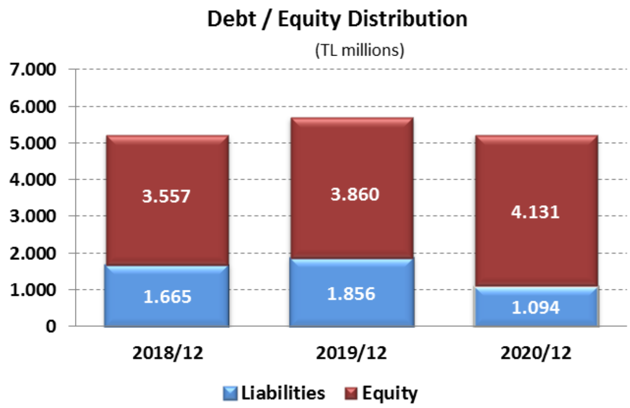
Members	Title
Sezgin Yılmaz	Chairman of the Board
Murat Karluk Çetinkaya	Vice-chairman
Aysel Tacer	Board Member
Özcal Korkmaz	Board Member
Neşe Gülden Sözdinler	Board Member
Murat Doğan	Board Member
Haluk Büyükbaş	Independent Board Member
Prof.Dr. Arzu Erdem	Independent Board Member
Nihat Uzunoğlu	Independent Board Member

Key Financial Indicators

Balance Sheet (TL '000')	2019/12	2020/12	2020 %		2020/06	2021/06	2021/06 %	
Current Assets	**1,249,783**	**464,910**	(62.8%)	▼	**658,853**	**443,867**	(32.6%)	▼
Cash and Cash Equivalents	388,415	59,156	(84.8%)	▼	49,467	47,878	(3.2%)	▼
Financial Investments	173,466	-	(100%)	▼	-	-	0.0%	—
Trade Receivables	116,531	125,644	7.8%	▲	133,956	129,340	(3.4%)	▼
Other Receivables	5,685	6,374	12.1%	▲	6,494	5,511	(15.1%)	▼
Inventories	502,965	234,619	(53.4%)	▼	418,943	197,004	(53.0%)	▼
Other Current Assets	62,721	39,116	(37.6%)	▼	49,994	64,135	28.3%	▲
Fixed Assets	**4,466,573**	**4,760,496**	6.6%	▲	**4,464,368**	**4,842,340**	8.5%	▲
Trade Receivables	32,660	13,203	(59.6%)	▼	20,632	8,223	(60.1%)	▼
Tangible Fixed Assets	38,461	41,395	7.6%	▲	38,011	41,455	9.1%	▲
Intangible Fixed Assets	931	940	0.9%	▲	1,144	1,144	0.1%	▲
Financial Investments	221,249	230,572	4.2%	▲	222,805	229,197	2.9%	▲
Equity Accounted Investees	3,741	4,285	14.5%	▲	3,296	4,458	35.3%	▲
Inventories	175,000	200,107	14.3%	▲	175,247	341,387	94.8%	▲
Investment Properties	3,985,934	4,261,194	6.9%	▲	3,994,768	4,207,072	5.3%	▲
Other	8,598	8,799	2.3%	▲	8,465	9,403	11.1%	▲
Total Assets	**5,716,357**	**5,225,405**	(8.6%)	▼	**5,123,221**	**5,286,207**	3.2%	▲
Short Term Liabilities	**1,232,365**	**962,553**	(21.9%)	▼	**971,763**	**1,041,988**	7.2%	▲
Financial Liabilities	464,336	446,021	(3.9%)	▼	407,454	712,742	74.9%	▲
ST Portion of LT Financial Liabilities	352,421	437,419	24.1%	▲	409,883	231,793	(43.4%)	▼
Trade Payables	216,937	8,041	(96.3%)	▼	9,875	10,168	3.0%	▲
Other ST Liabilities	198,671	71,071	(64.2%)	▼	144,551	87,284	(39.6%)	▼
Long Term Liabilities	**623,765**	**131,899**	(78.9%)	▼	**303,139**	**117,880**	(61.1%)	▼
Financial Liabilities	621,751	129,538	(79.2%)	▼	300,931	115,216	(61.7%)	▼
Provisions for Other Debts and Liabilities	2,014	2,361	17.2%	▲	2,208	2,664	20.7%	▲
Equity	**3,860,227**	**4,130,954**	7.0%	▲	**3,848,319**	**4,126,340**	7.2%	▲
Paid-in Share Capital	958,750	958,750	0.0%	—	958,750	958,750	0.0%	—
Other	277,137	281,362	1.5%	▲	277,137	281,362	1.5%	▲
Reserves on Retained Earnings	65,950	70,942	7.6%	▲	70,942	71,191	0.4%	▲
Retained Earnings	2,261,000	2,553,398	12.9%	▲	2,553,398	2,819,651	10.4%	▲
Net Profit for the Year	297,390	266,502	(10.4%)	▼	(11,908)	(4,614)	61.3%	▲
Total Liabilities	**5,716,357**	**5,225,405**	(8.6%)	▼	**5,123,221**	**5,286,207**	3.2%	▲

(Source: Rasyonet)





Income Statement (TL '000')	2019/12	2020/12	2020%		2020/06	2021/06	2021/06 %	
Revenue	1,206,510	552,679	(54.2%)	▼	219,935	165,916	(24.6%)	▼
CGS	955,966	356,313	(62.7%)	▼	120,045	66,290	(44.8%)	▼
Gross Profit	**250,543**	**196,366**	(21.6%)	▼	**99,890**	**99,626**	(0.3%)	▼
Operating Expenses (R&D + Marketing + General Expenses)	41,770	37,611	(10.0%)	▼	21,446	21,175	(1.3%)	▼
Net Real Operating Income	**208,774**	**158,755**	(24.0%)	▼	**78,444**	**78,451**	0.01%	▲
Other Real Operating Income/Loss	330,369	282,965	(14.3%)	▼	5,270	4,771	(9.5%)	▼
Real Operating Income	**539,142**	**441,720**	(18.1%)	▼	**83,714**	**83,221**	(0.6%)	▼
Investments Valued by Equity Method	1,653	2,044	23.6%	▲	1,055	672	(36.3%)	▼
Pre-financing Operating Profit	**540,795**	**443,764**	(17.9%)	▼	**84,769**	**83,894**	(1.0%)	▼
Financing Income	-	10,929	100%	▲	10,611	22,899	115.8%	▲
Financing Expense	243,406	188,191	(22.7%)	▼	107,287	111,407	3.8%	▲
Pre-tax Profit	**297,390**	**266,502**	(10.4%)	▼	**(11,908)**	**(4,614)**	61.2%	▲
Tax	-	-		—	-	-		—
Net Profit	**297,390**	**266,502**	(10.4%)	▼	**(11,908)**	**(4,614)**	61.2%	▲

As of the end of 2020, short-term inventory and cash equivalents decreased relatively, consequently the Company's financial liabilities decreased by 30% to TL 1,013 million (2019: TL 1,439 million). 87% of financial debt is short-term and it is considered positive that the Company has not used most of its existing credit lines.

The Company's income mainly consists of rent/right of construction income from real estate in its portfolio and sales income from housing/projects. In 2020, İş REIT's total revenue was TL 552.7 million, down 54.2% compared to 2019. The decrease in question is due to the high amount of investment property sales in 2019. When the sales revenues are analyzed without the effect of investment property sales, it is seen that the total sales revenue increased by 13% despite the pandemic. The Company's Gross Profit, Operating Profit and Net Profit decreased compared to the previous year.

Revenue and cost of İş REIT'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. On the other hand, rent and right of construction income, another revenue item of the Company, decreased by 14% in 2020 and amounted to TL 212.4 million (2019: TL 246.6 million). In 2020, with the effect of rental allowance in the conjuncture that occurred with the pandemic, rental/right of construction incomes decreased.

Financial Ratios

Main Financial Ratios	2018/12	2019/12	2020/12
Liquidity			
Net Working Capital / Total Assets (Including Rent)	-0.06	0.00	-0.10
Current Ratio – Current Assets / Short-Term Liabilities	0.69	1.01	0.48
Acid Test Ratio – (Current Assets – Inventories) / ST Liabilities	0.22	0.61	0.24
Cash Ratio – Liquid Assets / ST Liabilities	0.05	0.32	0.06
Inventories / Current Assets	0.69	0.40	0.50
Inventories / Total Assets	0.10	0.09	0.04
Financial Structure			
Leverage Ratio - Total Debt / Equity	0.47	0.48	0.26
Debt Ratio - Total Debt / Total Assets	0.32	0.32	0.21
Short Term Liabilities / Total Debt	0.66	0.66	0.88
Short Term Liabilities / Total Assets	0.21	0.22	0.18
Short Term Financial Liabilities / Short Term Liabilities	0.68	0.66	0.92
Financial Debt / Total Assets	0.25	0.25	0.19
Operating Ratios			
Receivables Turnover Rate - Sales / ST Trade Receivables	10.22	10.35	4.40
Inventory Turnover Rate - COGS / Inventories	1.62	1.90	1.52
Accounts Payable Turnover Rate - COGS / ST Accounts Payable	24.00	4.41	44.31
Current Asset Turnover - Sales / Current Assets	1.46	0.97	1.19
Working Capital Turnover - Sales / Net Working Capital (Including Rent)	-3.24	69.27	-1.11
Tangible Fixed Assets Turnover - Sales / Tangible Fixed Assets	32.48	31.37	13.35
Equity Turnover Rate - Sales / Equity	0.31	0.31	0.13
Asset Turnover Rate - Sales / Total Assets	0.21	0.21	0.11
Profitability			
Gross Profitability - Gross Profit / Sales	0.24	0.21	0.36
EBITDA 1 Margin - (Operating Profit + Depreciation) / Sales	0.44	0.45	0.80
EBITDA 2 Margin - (Gross Profit - Operating Expenses + Depreciation) / Sales	0.20	0.17	0.29
Operating Profitability - Net Operating Profit / Sales	0.44	0.45	0.80
Net Profitability - Net Profit for the Year / Sales	0.31	0.25	0.48
COGS / Sales	0.76	0.79	0.64
Operating Expense / Sales	0.04	0.03	0.07
Asset Profitability – Profit for the Year / Total Assets	0.07	0.05	0.05
Return on Equity – Profit for the Year / Shareholders' Equity	0.10	0.08	0.06

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

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

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

Rating Definitions

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

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

Short Term	Long Term	Rating Definitions
(TR) A1+	(TR) AAA (TR) AA+ (TR) AA (TR) AA-	The highest credit quality. Indicates that ability to meet financial obligations is extremely high. For securities, it is an indication of no more than a slight additional risk as compared to risk-free government bonds.
(TR) A1	(TR) A+ (TR) A	Credit quality is very high. Very high ability to fulfill financial obligations. Sudden changes at the company level and/or economic and financial conditions may increase investment risk, but not significantly.
(TR) A2	(TR) A- (TR) BBB+	High ability to fulfill financial obligations, but may be affected by adverse economic conditions and changes.
(TR) A3	(TR) BBB (TR) BBB-	Sufficient financial ability to fulfill its obligations, but carries more risk in adverse economic conditions and changes. If securities; has adequate protection parameters, but issuer's capacity to fulfill its obligations may weaken in face of adverse economic conditions and changes.

Companies and securities rated with long-term BB, B, CCC, and short-term B1, B2, C categories should be considered "speculative" by the market.

(TR) B1	(TR) BB+ (TR) BB (TR) BB-	Carries minimum level of speculative features. Not in danger in the short term, but faces negative financial and economic conditions. If securities; below investment level, but on-time payments prevail, or under less danger than other speculative securities. However, if the issuer's capacity to fulfill its obligations weakens, serious uncertainties may unfold.
(TR) B2	(TR) B+ (TR) B (TR) B-	Currently has the capacity to fulfill financial obligations, but highly sensitive to adverse economic and financial conditions. If securities; there is a risk in due payment. Financial protection factors can show high fluctuations depending on the conditions of the economy, the sector, and the issuer.
(TR) C	(TR) CCC+ (TR) CCC (TR) CCC-	Well below investment grade. In considerable danger of default. Fulfillment of its financial obligations depends on the positive performance of economic, sectoral and financial conditions. If securities; there are serious uncertainties about the timely payment of principal and interest.
(TR) D	(TR) D	Event of default. The company cannot meet its financial obligations or cannot pay the principal and/or interest of the relevant securities.

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