SAHA Corporate Governance and Credit Rating Services Inc.

ÇİNİGAZ DOĞALGAZ DAĞITIM SANAYİ VE TİCARET A.Ş.

14 August 2020

Credit Rating

Long-term (National):

(TR) A+

Outlook:

Stable

Short-term (National):

(TR) A1

Outlook:

Stable

Çinigaz Doğalgaz Dağıtım Sanayi ve Ticaret A.Ş.

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Rating Summary

Established in 2003, Çinigaz Doğalgaz Dağıtım ve Sanayi Ticaret A.Ş. ("the Company" or "Çinigaz") has been authorized by the Energy Market Regulatory Authority (EMRA) to conduct natural gas distribution and sales in Kütahya province for 30 years as of 2004 within the framework of the Natural Gas Market Law No. 4646. The Company took over the natural gas distribution and connection systems in the Kütahya Region from Boru Hatları ile Petrol Taşıma A.Ş. ("BOTAŞ") and gave a start to gas distribution and sales activities. The Company's headquarters is located in Ankara and has offices in Kütahya and its districts.

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

Previous Rating (July 30, 2019)

Long Term: (TR) A+

Short Term: (TR) A1

Outlook

Çinigaz is the only company authorized by EMRA to distribute natural gas in the Kütahya region for 30 years, effective from 2004.

Çinigaz increased its revenues by 18.2% in 2019 compared to 2018, which was the basis for the previous rating study. Although the EBITDA margin declined relatively in 2019 due to the increasing operating expenses, EBITDA followed a stable trend as of the periods examined. Within the scope of the natural gas sales tariff determined by the regulatory authority and valid between 2018 and 2021, the Company has a predictable and low volatility cash flow.

As of December 31, 2019, the Company has no foreign currency liabilities and does not hold a net foreign currency position. In this sense, the income statement is not sensitive to possible exchange rate fluctuations.

We consider positively that the leverage ratio of Çinigaz, whose financial liabilities increased due to loans used to finance expansion/infrastructure investments in 2019, did not deteriorate.

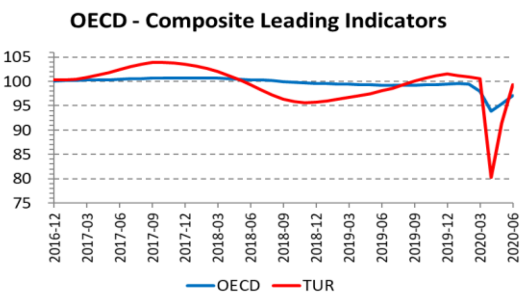
It is expected that the natural gas demand of the industrial sector, which is closely related to the level of macroeconomic activity and the course of energy prices, will be one of the main determinant factors in the business volume of the Company for the upcoming period. As a result, in addition to all the factors mentioned above, considering the increasing population hence number of subscribers and the penetration rates along with the ability of Çinigaz to access finance and the negative net financial liabilities, the Company's outlook has been evaluated as **"Stable"**.

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 (Current)	2020 (Prev.)	2021 (Current)	2021 (Prev.)
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 in both OECD countries and Turkey by mid-2018, have turned sharply downward by the end of the first quarter of 2020 due to the potential effects of the Covid-19 outbreak. As the indices began to recover as of May, they still remain 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, the FED announced in mid-March that there will be no limit on bond purchases. Thus, with the intensive sale surge 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. Subsequently, 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 probable second wave of Covid-19. In case of a realization of a second wave, a decline of 8.1% is foreseen in the Turkish economy in 2020. OECD also announced that both scenarios have an equal chance of realization.

Organization	Source	2020 (Current)	2020 (Previous)	2021 (Current)	2021 (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	Previous Value	Current Value	Summary
Growth (TUIK)	2019-Q4 **6.0%**	2020-Q1 **4.5%**	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)	2020/03 **13.2%**	2020/04 **12.8%**	The number of unemployed in Turkey aged 15 and above was 3,775,000 in April 2020, a decrease of 427,000 compared to the same period of 2019. The unemployment rate decreased by 0.2 points to 12.8%. The non-farm unemployment rate was 14.9%, down 0.1 percentage points. The unemployment rate among the young population was 24.4%
Inflation **- CPI** **- PPI** (TUIK)	2020/05 **11.39%** **5.53%**	2020/06 **12.62%** **6.17%**	The rise in CPI (2003=100) in June of 2020 was 1.13% compared to the previous month, 5.57% compared to December of the previous year and 12.62% compared to the same month of the previous year. The twelve-month average was an increase of 11.88%. D-PPI (2003=100) increased by 0.69% in June 2020 compared to the previous month, by 6.89% compared to December of the previous year and 6.17% compared to the same month of the previous year. The twelve-month average was an increase of 7.74%.
Budget Balance (TL Billion) (Ministry of Treasury and Finance)	2020/05 **-17.3**	2020/06 **-19.4**	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)	2020/04 **-5,062**	2020/05 **-3,764**	The current account, which posted a surplus of $ 1,071 million in May of the previous year, a deficit of $ 3,764 million was realized in the same month of this year. As a result, twelve-month current account deficit was $ 8,244 million.
Industrial Production Index (TUIK)	2020/04 **-31.4%**	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 14.2%, in the manufacturing industry sector it was 20.6%, and in electricity, gas, steam and air conditioning production sector it was 13.3% in May 2020 compared to the same month of the previous year.

Indicator	Previous Value	Current Value	Summary
Turkish PMI (Istanbul Chamber of Industry-IHS Markit)	2020/05 **40.9**	2020/06 **53.9**	The PMI, which was 40.9 in May, rose to 53.9 in June and the threshold rose above 50.0 for the first time since February. The figures above 50.0 point to an overall improvement in the sector.
Economic Confidence Index (TUIK, CBT)	2020/05 **61.7**	2020/06 **73.5**	The economic confidence index which was 61.7 in May, increased by 19.1% in June to 73.5. The increase in the economic confidence index resulted from the rise in consumer, real sector (manufacturing industry), service, retail trade and construction industry confidence indices. Compared to the previous month, in June, the consumer confidence index increased by 5.2% to 62.6, the real sector confidence index increased by 22.2% to 89.8, the service sector confidence index increased by 8.5% to 55.5, the retail trade sector confidence index increased by 9.3% to 86.4, and that of construction sector increased by 33.1% reaching 78.0.
Banking Sector NPL Ratio (BRSA)	2020/04 **4.64%**	2020/05 **4.54%**	Total assets of the Turkish Banking Sector amounted to TL 5,282,890 million in May 2020 (April 2020: TL 5,226,788 million). Total loans outstanding within this period were TL 3,161,718 million (April 2020: TL 3,104,368 million). Deposits were TL 2,974,200 million (April 2020: TL 2,986,592 million).
Banking Capital Adequacy Ratio (BRSA)	2020/04 **18.65%**	2020/05 **19.44%**	Total shareholders' equity of the Turkish Banking Sector was TL 546,248 million in May 2020 (April 2020: TL 511,049 million).
Housing Sales (TUIK)	2020/05 **50,936**	2020/06 **190,012**	Residential sales in Turkey increased by 209.7% in June 2020 compared to the same month of the previous year with 190,012 units. Mortgage sales increased by 1,286.9% to 101,504 units compared to the same month of the previous year.
Car and Light Commercial Vehicle Sales (ODD)	2020/05 **32,235**	2020/06 **70,973**	The automobile and light commercial vehicle sales in June 2020 increased by 66.3% compared to June 2019 to 70,973 units. The increase in the January-June period of 2020 was 30.2% compared to the same period of the previous year with 254,068 units.
Euro Zone PMI (IHS Markit)	2020/05 **39.4**	2020/06 **47.4**	According to IHS Markit data, the manufacturing sector PMI index in the Euro Zone increased to 47.4 in June 2020. As a result, PMI data indicated a decline in the seventeenth consecutive month. PMI indicator values below 50, signals a contraction in the industry, while 50 and above indicates growth

According to EMRA data, as of December 31, 2019, there are total of 72 natural gas distribution companies operating at 81 provinces of Turkey. As of the end of 2019, the total length of steel pipelines increased by 4.92% compared to the previous year and reached approximately 14,149 km., and the length of polyethylene pipelines (excluding service line) increased by 5.59% compared to the previous year, to near 95,180 km.

As of end-2019, the total number of subscribers have reached 15.9 million with an increase of 7.53% compared to the previous year, and the number of eligible consumers increased by 3.75% to 623,900. The natural gas consumption of the subscribers of the companies holding natural gas distribution licenses increased by 15.87% compared to the previous year, reaching 13,950 million Sm3 in 2019. The natural gas consumption of free consumers increased by 3.24% within the same year compared to the previous year to 10,098 million Sm3.

Million Sm3	2016	2017	2018	2019	% Change (2018-2019)
Imports	46,352.17	55,249.95	50,282.05	45,211.47	-10.08
Production	367.28	354.15	428.17	473.87	10.67
Exports	674.68	630.67	673.29	762.68	13.28
Consumption	46,395.06	53,857.14	49,204.14	45,285.50	-7.96
Year-end Inventory	1,700.25	2,948.37	3,167.23	3,095.44	-2.27

Source: EMRA

The table above gives the general view of the natural gas market by years. Estimated as 52,133,229,503 Sm3 with the EMRA Board Decision, the national natural gas consumption in 2019 was 45,285,498,424.37 Sm3 with a deviation of 13.92%. Consumption decreased by 7.96% compared to 2018. As per the Board resolution dated January 23, 2020, EMRA announced its 2020 national natural gas consumption forecast as 52,019,230,516 Sm3.

As of 2019, 99% of Turkish natural gas need depends on imports. BOTAŞ handles the vast majority of imports and Russia got the lions share in 2019 with a rate of 33.61%. When we look at the sales prices of BOTAŞ, it is seen that there is a high correlation with Brent oil prices. Difficult to foresee risks such as geopolitical risks as well as variables such as the general economic conjuncture, the course of exchange rates and weather temperatures stand out as the determinants of natural gas demand. On the other hand, increasing population and penetration rates, urbanization and industrialization are predicted to increase the total natural gas demand in the coming years.

Company Overview

Established in 2003, the Company is engaged in natural gas distribution and sales and has obtained a distribution license from EMRA to distribute and sell natural gas in Kütahya for a period of 30 years as of January 13, 2004 within the framework of the Natural Gas Market Law no. 4646. The Company took over the natural gas distribution and connection systems in the Kütahya Region from BOTAŞ on January 4, 2015 and started gas distribution and sales activities. In the following years, in addition to Kütahya city center, the Company expanded its natural gas distribution and sales rights area to Tavşanlı, Emet, Gediz, Tepecik and Çavdarhisar districts of Kütahya.

The Company is the only distributor in the region in which it holds license rights. In this sense, although there are monopoly market conditions, in line with market regulations, there are expansion and operation obligations within the region by investing in natural gas distribution infrastructure. In parallel, the Company's strategy is to expand its field of activity and increase the number of subscribers.

The current capital structure of Çinigaz, housing 86 employees as of end-2019 (2018: 60) is as follows:

Shareholder	Ownership Interest (TL)	Ownership Interest (%)
Abdullah Rasim Akdoğan	40,470,000	71
Akın Can Akdoğan	6,840,000	12
Mayorship of Kütahya (*)	5,700,000	10
Gülten Sevin Akdoğan	2,850,000	5
Mehmet Yılmaz Akdoğan	1,140,000	2
Total	**57,000,000**	**100**

(*)Pursuant to the Natural Gas Market Law no. 4646, natural gas distribution companies are obliged to transfer the shares representing 10 percent of the capital to the local governments in the region where they operate.

The management and capital control of the company belongs to Mr. Abdullah Rasim Akdoğan. Other companies in the same risk group under the control of Abdullah Rasim Akdoğan and Akdoğan Family are as follows:

Company	Scope of Activity
Setaş İnşaat Ticaret ve San. A.Ş.	Founded in 1975, is mainly engaged in infrastructure contracting. Since its establishment, he has been involved in many projects of institutions such as State Hydraulic Works, General Directorate of Eti Mine Works and Ministry of National Defense, also undertaking the natural gas infrastructure projects of Çinigaz in Kütahya.
Binatom Elektrik Üretim A.Ş.	Established in 2002, the company produces electricity from natural gas in Gediz and Emet districts of Kütahya within the scope of the production licenses it has received from EMRA. İt purchases natural gas from Çinigaz.
Setel Elektrik İhr. İth. ve Toptan Satış A.Ş.	Established in 2008, the company sells electricity within the scope of EMRA licenses. Depending on the market conditions, purchases are from various suppliers, primarily Enerji Piyasaları İşletmesi A.Ş. and Binatom Elektrik Üretim A.Ş. The company sells to various corporate companies as well as entities within the group.
Setgaz Doğalgaz İth. İhr. ve Toptan Satış A.Ş.	The company was established in 2008 to export and import natural gas within the scope of EMRA license. The company, which is inactive as of the date of this report, is expected to be operational in the coming years.
Set Varlık Kiralama A.Ş.	Established to issue lease certificates exclusively in accordance with the CMB's Communiqué on Lease Certificates (III-61.1) published in the Official Gazette dd. June 7, 2013 – No: 28670. Setaş İnşaat A.Ş. owns 100% of the company.

Key Financial Indicators

Balance Sheet (TL '000')	2017/12	2018/12	2019/12	Δ 2018		Δ 2019	
Current Assets	**50,746**	**62,706**	**66,410**	23.6%	▲	5.9%	▲
Cash and Cash Equivalents	31,577	30,013	30,966	(5.0%)	▼	3.2%	▲
Trade Receivables	17,844	27,846	29,776	56.1%	▲	6.9%	▲
Other Receivables	190	172	311	(9.5%)	▼	80.8%	▲
Inventory	73	118	135	61.2%	▲	15.0%	▲
Other Current Assets	1,062	4,558	5,222	329.2%	▲	14.6%	▲
Fixed Assets	**145,669**	**172,917**	**198,629**	18.7%	▲	14.9%	▲
Tangible Fixed Assets	138,007	165,487	190,259	19.9%	▲	15.0%	▲
Intangible Fixed Assets	556	595	1,399	7.1%	▲	135.0%	▲
Other	7,106	6,835	6,970	(3.8%)	▼	2.0%	▲
Total Assets	**196,415**	**235,623**	**265,039**	20.0%	▲	12.5%	▲
Short Term Liabilities	**96,364**	**112,084**	**130,330**	16.3%	▲	16.3%	▲
ST Portion of LT Financial Liabilities	13,234	109	6,205	(99.2%)	▼	5,567.5%	▲
Trade Payables	65,343	102,709	107,588	57.2%	▲	4.8%	▲
Other ST Liabilities	17,788	9,265	16,536	(47.9%)	▼	78.5%	▲
Long Term Liabilities	66,982	85,198	88,918	27.2%	▲	4.4%	▲
Financial Liabilities	-	5,000	10,000		—	100.0%	▲
Other Provisions for Liabilities and Expenses	66,982	80,198	78,918	19.7%	▲	(1.6%)	▼
Equity	**33,069**	**38,342**	**45,791**	15.9%	▲	19.4%	▲
Paid-in Capital	48,000	57,000	57,000	18.8%	▲	0.0%	—
Other	(51)	10	77	119.7%	▲	662.7%	▲
Reserves on Retained Earnings	2,539	3,064	3,064	20.7%	▲	0.0%	—
Retained Earnings	(24,966)	(26,944)	(21,732)	(7.9%)	▼	19.3%	▲
Profit	7,547	5,212	7,382	(30.9%)	▼	41.7%	▲
Total Liabilities	**196,415**	**235,623**	**265,039**	20.0%	▲	12.5%	▲

Income Statement (TL '000')	2017/12	2018/12	2019/12	Δ 2018		Δ 2019	
Sales	230,514	293,085	346,336	27.1%	▲	18.2%	▲
COGS	212,689	277,889	327,654	30.7%	▲	17.9%	▲
Gross Profit	**17,825**	**15,196**	**18,682**	(14.8%)	▼	22.9%	▲
Operating Expenses (R&D+Marketing+Gen. Exp.)	4,078	3,882	9,492	(4.8%)	▼	144.5%	▲
Net Real Operating Income	**13,747**	**11,314**	**9,190**	(17.7%)	▼	(18.8%)	▼
Other Real Operating Income/Loss	321	1,761	3,949	448.5%	▲	124.3%	▲
Real Operating Income	**14,068**	**13,074**	**13,139**	(7.1%)	▼	0.5%	▲
Net Income Loss from Investments	83	309	300	271.8%	▲	(2.7%)	▼
Pre-financing Operating Profit	**14,151**	**13,383**	**13,439**	(5.4%)	▼	0.4%	▲
Financing Expense (Net)	4,637	6,633	5,306	43.0%	▲	(20.0%)	▼
Pre-tax Profit	**9,514**	**6,750**	**8,134**	(29.0%)	▼	20.5%	▲
Tax	1,967	1,539	751	(21.8%)	▼	(51.2%)	▼
Profit/Loss for the Year on Continuing Operations	**7,547**	**5,212**	**7,382**	(30.9%)	▼	41.7%	▲
Net Profit	**7,547**	**5,212**	**7,382**	(30.9%)	▼	41.7%	▲

The Company's main revenue items consist of sales of natural gas to its subscribers, and transport and connection revenues generated by pipelines. Aiming to increase the penetration rate and the number of subscribers with its infrastructure investments, the Company's total number of subscribers increased by 6.7% compared to 2018 and reached 127,000 as of 2019 (rate of increase in 2018: 11.2%).

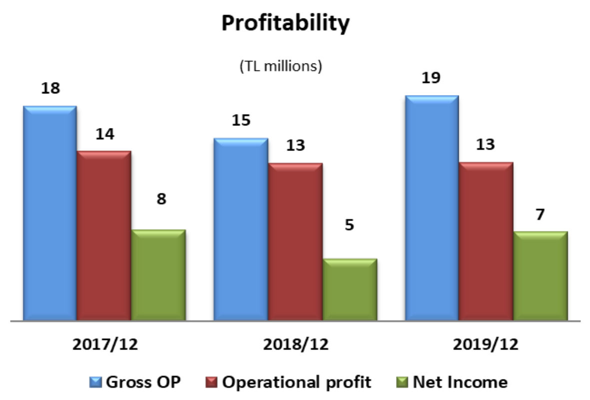
The Company is the only establishment authorized by EMRA to distribute natural gas in Kütahya region for 30 years starting from 2004. There is no price competition. According to the Natural Gas Market Tariffs Regulation; retail price to be applied by the distribution company is composed of purchase price per unit of natural gas, system usage fee and tax and similar financial liabilities. This price is the upper limit of the retail price to be applied by the distribution company. The natural gas unit sales price is determined by BOTAŞ and has no direct impact on the profit margins of the Company. On the other hand, the "system usage fee" is determined within the framework of the procedures and principles determined by the regulatory authority in such a way that it is allowed to obtain a reasonable return to meet the fixed and variable costs of the Company and to sustain the investments. In this sense, efficient management of the Company's investment/capital expenditures, operational expenses and working capital costs and remaining within the budget limits approved by the regulatory authority are important for the income statement items.

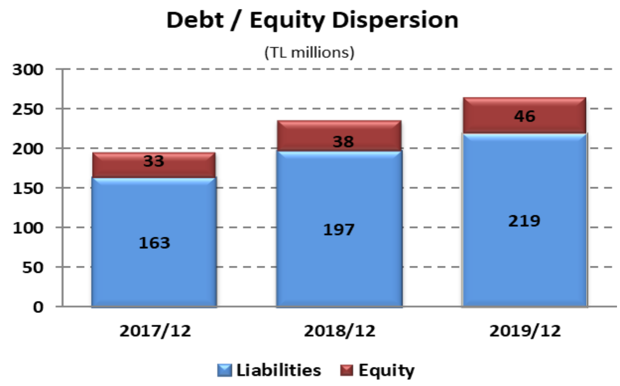
Having increased its sales revenue by 27.1% in 2018 as a result of the course of natural gas prices, Çinigaz increased its revenue by 18.2% in 2019 compared to the previous year. Despite the 144.5% increase in operating expenses for the 2019 financial period compared to the previous period, the Company's 2019 net profit was TL 7.4 million, with a 42% increase compared to the previous year, thanks to the reduced net financing expense and the positive contribution of other revenues from main activities. In addition, it has been declared by the Company officials that the investment/capital expenditures, operational expenses and working capital realizations of 2019 were concluded within the budget targets presented to the regulatory authority.

EMRA has increased the tariff ("reasonable rate of return") applied since 2012 from 11.83% to 12.85%, effective between 2018 and 2021. Thereby, the Company's predictable and low volatility cash-flow until 2021 is evaluated as a positive factor. In this sense, the Company is expected to have a predictable, low volatility cash-flow until 2021, and this can be confirmed as per the periods analyzed. Although the EBITDA margin for 2019 decreased compared to 2018 in line with the increase in operating expenses, the generated EBITDA was close to the 2018 level.

The net foreign currency position of the Company, which has no liabilities in foreign currency as of December 31, 2019, has been calculated as TL (+) 197 (end-2018: TL (+) 1.6 million). In this sense, the income statement is not sensitive to exchange rate fluctuations.

The majority of trade payables are due to natural gas purchases from BOTAŞ, and the Company's infrastructure works undertaker Setaş İnşaat, which is under the same risk group. We consider positively that the leverage ratio of the Company, whose financial liabilities increased due to loans used to finance expansion/infrastructure investments in 2019, did not deteriorate.





Financial Ratios

Main Financial Ratios	2017/12	2018/12	2019/12
Liquidity			
Net Working Capital / Total Assets	-0.23	-0.21	-0.24
Current Ratio - Current Assets / Short-Term Liabilities	0.53	0.56	0.51
Acid Test Ratio - (Current Assets - Inventories) / ST Liabilities	0.53	0.56	0.51
Cash Ratio - Liquid Assets / ST Liabilities	0.33	0.27	0.24
Financial Structure			
Leverage Ratio - Total Debt / Equity	4.94	5.15	4.79
Debt Ratio - Total Debt / Total Assets	0.83	0.84	0.83
Short Term Liabilities / Total Debt	0.59	0.57	0.59
Short Term Liabilities / Total Assets	0.49	0.48	0.49
Short Term Financial Liabilities / Short Term Liabilities	0.14	0.001	0.05
Financial Debt / Total Assets	0.07	0.02	0.06
Operating Ratios			
Receivables Turnover Rate - Sales / ST Trade Receivables	12.92	10.53	11.63
Accounts Payable Turnover Rate - COGS / ST Accounts Payable	3.25	2.71	3.05
Current Asset Turnover - Sales / Current Assets	4.54	4.67	5.22
Working Capital Turnover - Sales / Net Working Capital	-5.05	-5.94	-5.42
Tangible Fixed Assets Turnover - Sales / Tangible Fixed Assets	1.67	1.77	1.82
Equity Turnover Rate - Sales / Equity	6.97	7.64	7.56
Asset Turnover Rate - Sales / Total Assets	1.17	1.24	1.31
Profitability			
Gross Profitability – Gross Profit / Sales	7.7%	5.2%	5.4%
EBITDA 1 Margin - (Real Operating Profit + Depreciation) / Sales	9.3%	7.4%	6.3%
EBITDA 2 Margin - (Gross Profit - Operating Expenses + Depreciation) / Sales	9.2%	6.8%	5.2%
Operating Profitability – Real Operating Profit / Sales	6.1%	4.5%	3.8%
Net Profitability - Net Profit for the Year / Sales	3.3%	1.8%	2.1%
COGS / Sales	92.3%	94.8%	94.6%
Operating Expenses / Sales	1.8%	1.3%	2.7%
Asset Profitability – Profit for the Year / Total Assets	3.8%	2.2%	2.8%
Return on Equity – Profit for the Year / Shareholders' Equity	22.8%	13.6%	16.1%

Corporate Governance

Examining the corporate governance practices, it is observed that since the Company is not subject to CMB provisions it has not provided exact compliance with the Corporate Governance Principles and has not yet implemented some of the necessary policies and measures. On the other hand, it has been concluded that the rights of shareholders and stakeholders are observed in a fair manner. The public disclosure and transparency activities are found to be sufficient given that the Company is not offered to the public. In general, there are areas for improvement in terms of Corporate Governance practices.

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 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 consist 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 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.

Disclaimer

This Credit Rating Report has been prepared by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services, Inc.) in collaboration with Çinigaz Doğalgaz Dağıtım Sanayi ve Ticaret A.Ş. and is based on information disclosed to the public by Çinigaz Doğalgaz Dağıtım Sanayi ve Ticaret A.Ş.

This report, edited by SAHA A.Ş. analysts based on their best intentions, knowledge base and experience, is the product of an in-depth study of the available information which is believed to be correct as of this date. It is a final opinion about the overall credibility of the institutions and/or debt instruments they have issued. The contents of this report and the final credit rating should be interpreted neither as an offer, solicitation or advice to buy, sell or hold securities of any companies referred to in this report nor as a judgment about the suitability of that security to the conditions and preferences of investors. SAHA A.Ş. makes no warranty, regarding the accuracy, completeness, or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment decisions or other purposes.

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