



24 September 2021

Credit Rating

**Long-term (National):
(TR) AAA**

**Outlook:
Stable**

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

**Outlook:
Stable**

Expiry Date:

24 September 2022

İş Yatırım Menkul Değerler A.Ş.

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İŞ YATIRIM MENKUL DEĞERLER A.Ş.

Rating Summary

İş Yatırım Menkul Değerler A.Ş., ("the Company" or "IS Investment") operates as an "Intermediary Institution with Extended Authority" within the scope of the Communiqué On Principles Regarding Investment Services, Activities And Ancillary Services No.III-37.1 and Communiqué on Principles of Establishment and Activities of Investment Firms No.III-39.1 of the Capital Markets Board of Turkey. In this context, the Company provides brokerage, corporate finance, investment advisory, portfolio management and research services to investors.

Founded in 1996, the Company was offered to public in 2007 and is listed on the Borsa İstanbul. The Company's capital and management control belongs to Türkiye İş Bankası A.Ş.

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

Previous Rating (September 25, 2020):

Long Term	(TR) AAA
Short Term	(TR) A1+

Outlook

Founded in 1996, IS Investment is a subsidiary of Türkiye İş Bankası A.Ş. As of June 2021, compared to the previous rating period, the Company has managed to increase its market share in the Borsa İstanbul Equity Market and Futures and Options Market, where it mainly operates. The Company ranks 3rd in Borsa İstanbul Equity Market in terms of transaction volume.

As of the analyzed periods, the Company has increased its net sales income ("revenue less cost of sales"), net income ("gross profit"), as well as consolidated and standalone profitability. As of the end of 2020, the Company's consolidated net profit was TL 942 million, while its standalone net profit was TL 911 million.

In addition to all these factors, the Company's outlook has been determined as "**Stable**", taking into account IS Investment's product/service diversity which has efficiently distributed its risks in the current economic environment, its ability to access finance and its strong ownership structure.

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	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 2021)	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.

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 Eurozone, 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 Eurozone will reach the pre-crisis level in real GDP only in the last quarter of 2021.

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 2021)	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 meeting, MPC 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 Q3 of 2021 increased by 2.9 points compared to the previous quarter, to 114.5. Among the questions included in the 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 main macro-economic developments in Turkey as of our reporting date can be summarized as follows:

Indicator	Current Value	Present Value	Summary
Growth (TUIK)	<u>2021-Q2</u> 21.7%	<u>2021-Q1</u> 7.00%	First estimate of GDP for the second quarter of 2021; the GDP chained volume index increased by 21.7% compared to the same quarter of the previous year. When the content of GDP is examined; in the second quarter of 2021, as a chained volume index compared to the previous year, services increased by 45.8%, industry by 40.5%, professional, administrative and support service activities by 32.4%, other service activities by 32.3%, information and communication activities by 25.3% public administration, education, human health and social services service activities increased by 8.5%, real estate activities by 3.7%, construction by 3.1% and agriculture, forestry and fisheries by 2.3%. Finance and insurance activities, on the other hand, decreased by 22.7%.
Unemployment (TUIK)	<u>2021/07</u> 12.0%	<u>2021/06</u> 10.60%	The number of unemployed in Turkey aged 15 and above was 3,902,000 in July 2021 with an increase of 506,000 compared to the previous month. Unemployment rate increased by 1.4 points to 12.0%. The number of people employed increased by 125,000 in July 2021 compared to the previous month to 28,730,000, while the employment rate increased by 0.2 points to 45.1%.
Inflation CPI PPI (TUIK)	<u>2021/08</u> 19.25% 45.52%	<u>2021/07</u> 18.95% 44.92%	The rise in CPI in August was 1.12% compared to the previous month, 11.65% compared to December of the previous year and 19.25% compared to the same month of 2020. The 12-month average was an increase of 15.78%. PPI increased by 2.77% in August compared to the previous month, by 28.51% compared to December of the previous year and 45.52% compared to the same month of 2020. The twelve-month average was an increase of 31.34%.

Indicator	Current Value	Present Value	Summary
Industrial Production Index (TUIK)	<u>2021/07</u> 8.7%	<u>2021/06</u> 23.9%	The Industrial Production Index increased by 8.7% in July 2021 compared to the same month last year. When the sub-sectors are analyzed, the mining and quarrying sector index increased by 15.2% compared to the same month of the previous year, the manufacturing industry sector index by 7.9% and the electricity, gas, steam and air conditioning production and distribution sector by 11.7%.
Car and Light Commercial Vehicle Sales (ODD)	<u>2021/08</u> 58,454	<u>2021/07</u> 47,849	In the January-August period of 2021, the Turkish automobile and light commercial vehicle total market increased by 24.3% compared to the same period of the previous year, to 501,004 units. The decrease was 5.0% compared to August of 2020, with 58,454 units.
Housing Sales (TUIK)	<u>2021/07</u> 107,785	<u>2021/06</u> 134,731	Residential sales in Turkey decreased by 53.0% in July 2021 compared to the same month of the previous year with 107,785 units. Istanbul got the lions share with 18,884 units sold (17.5%).
Turkish PMI (ISO-IHS Markit)	<u>2021/08</u> 54.1	<u>2021/07</u> 54.0	The headline PMI, which was 54.0 in July, rose to 54.1 in August, pointing to a strong improvement in the performance of the manufacturing sector and has reached its high level since January. Thus, operating conditions strengthened for the third month in a row.
Eurozone PMI (IHS Markit)	<u>2021/08</u> 61.4	<u>2021/07</u> 62.8	Eurozone Manufacturing Purchasing Managers Index (PMI), announced by IHS Markit, decreased to 61.4 points in August from 62.8 points in July and showed the slowest growth in the last 6 months.
Economic Confidence Index (TUIK, TCMB)	<u>2021/08</u> 100.8	<u>2021/07</u> 100.1	The economic confidence index which was 100.1 in July, increased by 0.7% in August to 100.8. The increase in the economic confidence index stemmed from the increases in consumer, real sector (manufacturing industry), service, retail trade and construction sector confidence indices.
Banking Sector NPL Ratio (BRSA)	<u>2021/07</u> 3.71%	<u>2021/06</u> 3.66%	In July 2021, the asset size of the Turkish Banking Sector reached TL 6,712,255 million. Loans increased 8.6% to TL 3,882,699 million, while securities increased by 11.8% to TL 1,142,813 million. During this period, the NPL ratio of loans was 3.71%.
Budget Balance (TL Billion) (Ministry of Treasury and Finance)	<u>2021/08</u> 40.8	<u>2021/07</u> -45.8	In August 2021, central government budget expenditures were TL 105.7 billion, budget revenues were TL 146.5 billion and budget surplus was TL 40.8 billion. In addition, primary budget expenditures were realized as TL 92 billion and primary surplus was TL 54.5 billion.
Current Account Balance (USD Million) (CBT)	<u>2021/07</u> -683	<u>2021/06</u> -1,127	The current account deficit decreased by USD 1,306 million compared to July of the previous year to USD 683 million. As a result, the twelve-month current account deficit was USD 27,832 million.

Company Overview

Founded in 1996, IS Investment offers brokerage services for capital market instruments, investment advisory, portfolio management, corporate finance and research services through its 21 branches in Turkey, along with the headquarters in Istanbul. The Company's management and capital control belongs to Türkiye İş Bankası A.Ş. The current capital structure of the Company, which has 419 employees as of June 30, 2021, (12/2020: 375) is given below:

Shareholder	Ownership Interest (TL)	Ownership Interest (%)
Türkiye İş Bankası A.Ş.	233,393,389.27	65.74
Other	121,606,610.73	34.26
Issued Capital	355,000,000.00	100.00

The Company was offered to public in 2007 and its shares are traded in the Stars Market of Borsa Istanbul under the "ISMEN" code. The Company is a constituent of BIST 100 (XU100), BIST 100-30 (XYUZO), BIST All Shares (XUTUM), BIST Dividend (XTMTU), BIST Dividend 25 (XTM25), BIST Financials (XUMAL), BIST Brokerage Houses (XARKU) and BIST Stars (XYLDZ) indices. ISMEN shares completed the first half of the year with a price of TL 14.19, market value of TL 5 billion and the daily average trading volume was TL 61.4 million (2020/6: TL 29.6 million).

The information regarding the subsidiaries of the Company included in the consolidation is given below:

Title	Share Capital	Share Value (%)	Total Nominal Shares
Maxis Investments Ltd.	GPB 6,500,000	100.0	GPB 6,500,000
Maxis Girişim Sermayesi Portföy Yönetimi A.Ş.	TL 8,000,000	100.0	TL 8,000,000
Efes Varlık Yönetim A.Ş.	TL 130,000,000	85.1	TL 110,685,714
İş Portföy Yönetimi A.Ş.	TL 65,000,000	70.0	TL 45,500,000
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	TL 74,652,480	29.0	TL 21,654,296
İş Yatırım Ortaklığı A.Ş.	TL 160,599,284	28.9	TL 46,454,101

Maxis Investments Ltd.: The brokerage house, wholly owned by IS Investment, was established in London to operate in international capital markets. The company obtained its operating license in 2006 and started its operations in 2007.

Maxis Girişim Sermayesi Portföy Yönetimi A.Ş.: The company is involved in establishment and management of venture capital investment funds. Founded in 2017, the company obtained its operating permit in May 2018.

Efes Varlık Yönetimi A.Ş.: Founded in 2011, Efes Varlık Yönetim A.Ş. operates in the area of purchase, collection and financial restructuring of non-performing loans of financial institutions.

İş Portföy Yönetimi A.Ş.: Established in 2000, the company's field of activity is to manage portfolios composed of capital market instruments through a portfolio management agreement with customers and to act as a proxy, and to engage in capital market activities within the scope of the provisions of the Capital Markets Law and the relevant legislation. The company also manages the portfolios of domestic and foreign mutual funds, investment trusts, domestic and foreign natural and legal persons, investment companies and similar enterprises within the scope of the portfolio management activities in accordance with the provisions of the legislation.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.: Founded in 2000, the company's field of activity is to make long-term investments to companies established or to be established mainly in Turkey, and to venture companies with potential for development and in need of funding.

İş Yatırım Ortaklığı A.Ş.: Founded in 1995, the company's scope of business is to operate a mixed portfolio of capital markets instruments along with gold and other precious metals, which are traded in national and international exchanges or in off-exchange organized markets within the framework of the principles and rules set by the relevant legislation.

The current Board structure of IS Investment is given below:

İş Yatırım Menkul Değerler A.Ş. Board of Directors		
Members	Title	External Duties
Hasan Cahit ÇINAR	Chairperson	Türkiye İş Bankası A.Ş. Deputy General Manager, Türkiye Şişe ve Cam Fabrikaları A.Ş. Deputy Chairman of the Board of Directors
İşıl DADAYLI	Vice-Chairperson	T. İş Bankası A.Ş. Capital Markets Department Manager
Hilmi Selçuk ÇEPNİ	Board Member	Manager T. İş Bankası A.Ş. Kozyatağı Corporate Branch
Volkan KUBLAY	Board Member	Turkey İş Bankası A.Ş. Division Manager of Subsidiaries Department, Efes Varlık Yönetim A.Ş. Board Member, İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. Board Member, İş Yatırım Ortaklığı A.Ş. Board Member, Yatırım Finansman Menkul Değerler A.Ş. Board Member,
Tuba TEPRET	Board Member	Private Banking Marketing and Sales Department Manager of T. İş Bankası A.Ş.
Ertuğrul BOZGEDİK	Board Member	-
Hasan Emre AYDIN	Independent Board Member	Elsan Elektrik ve Ticaret A.Ş. Vice-chairman of the Board of Directors, Faturalab Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. Vice-chairman of the Board of Directors,
Ali Hakan KARA	Independent Board Member	Bilkent University Department of Economics Faculty Member
İzzet Selim YENEL	Independent Board Member	Chairman of the Global Relations Forum Executive Committee

Key Financial Indicators

Balance Sheet	2019/12	2020/12	Δ 2020	2020/6	2021/6	Δ 2021 Q2
Current Assets	6,269,632	8,557,210	36.5% ▲	6,495,833	7,937,935	22.2% ▲
Cash and Cash Equivalents	1,560,253	500,747	(67.9%) ▼	270,680	409,575	51.3% ▼
Financial Investments	1,341,726	1,863,105	38.9% ▲	1,451,936	1,411,678	(2.8%) ▲
Trade Receivables	3,139,055	5,570,028	77.4% ▲	4,428,505	5,574,952	25.9% ▲
Other Receivables	105,450	414,434	293.0% ▼	181,032	402,200	122.2% ▲
Derivative Instruments	26,629	109,294	310.4% ▼	56,728	32,636	(42.5%) ▼
Assets Classified for Sale	65,629	67,075	2.2% ▲	64,494	71,222	10.4% ▼
Inventories	11,321	6,709	(40.7%)	10,418	7,743	(25.7%) ▼
Other Current Assets	19,568	25,818	31.9% ▼	32,039	27,929	(12.8%) ▼
Non-current Assets	447,474	218,234	(51.2%) ▲	211,676	237,158	12.0% ▲
Tangible Assets	36,530	32,451	(11.2%) ▲	33,381	28,683	(14.1%) ▲
Intangible Assets	58,246	57,745	(0.9%) ▲	55,932	62,657	12.0% ▲
Financial Investments	269,159	73,510	(72.7%) ▲	65,885	67,885	3.0% ▲
Investments in Equity Accounted Investees	9,768	2,961	(69.7%) ▼	5,211	1,792	(65.6%) ▼
Right of Use Assets	47,940	35,945	(25.0%) —	39,595	46,448	17.3% ▼
Other Non-current Assets	25,831	15,622	(39.5%) ▲	11,672	29,693	154.4% ▼
Total Assets	6,717,106	8,775,444	30.6% ▲	6,707,509	8,175,093	21.9% ▲
Short-Term Liabilities	5,233,251	6,479,656	23.8% ▲	5,033,930	5,586,337	11.0% ▲
Short-Term Borrowings	1,964,909	979,106	(50.2%) ▼	742,069	1,167,984	57.4% ▼
ST Portion of LT Borrowings	24,158	7,886	(67.4%) ▲	12,678	14,633	15.4% ▼
Other Financial Liabilities	14,865	32,249	116.9% ▲	-	27,789	▼
Trade Payables	3,034,398	5,032,048	65.8% ▲	3,974,429	4,006,693	0.8% ▲
Derivative Instruments	67,435	184,927	174.2% ▼	164,448	74,446	(54.7%) ▲
Other Short-Term Liabilities	127,485	243,439	91.0% ▲	140,306	294,792	110.1% ▲
Long-Term Liabilities	90,720	111,374	22.8% ▼	92,325	122,344	32.5% ▼
Long-Term Borrowings	66,630	53,586	(19.6%) ▼	52,449	61,685	17.6% ▼
Other Long-Term Liabilities	24,090	57,787	139.9% ▼	39,875	60,658	52.1% ▲
Shareholders' Equity	1,106,993	1,909,258	72.5% ▲	1,319,165	2,196,706	66.5% ▲
Paid-in Capital	355,000	355,000	0.0% —	355,000	355,000	0.0% —
Share Premium	1,317	1,303	(1.1%) ▼	1,304	1,407	7.9% ▼
Other	69,095	134,017	94.0% ▲	123,348	243,674	97.6% ▲
Restricted Reserves	104,849	139,503	33.1% ▲	140,066	181,750	29.8% ▲
Prior Year's Profit	193,857	337,460	74.1% ▲	353,889	778,358	119.9% ▲
Profit for the Year (Equity holders of the Company)	382,874	941,974	146.0% ▲	345,558	636,517	84.2% ▲
Non-Controlling Interests	286,142	275,157	(3.8%) ▲	262,090	269,707	2.9% ▼
Total Equity	1,393,135	2,184,415	56.8% ▲	1,581,254	2,466,412	56.0% ▲
Total Liabilities	6,717,106	8,775,444	30.6% ▲	6,707,509	8,175,093	21.9% ▲

(Source: Rasyonet)

Income Statement	2019/12	2020/12	Δ 2020		2020/6	2021/6	Δ 2021 Q2	
Revenue	246,543,051	109,583,692	(55.6%)	▲	60,946,303	61,968,054	1.7%	▼
CGS	245,505,222	107,714,225	(56.1%)	▲	60,221,596	60,808,112	1.0%	▼
Gross Profit	1,037,829	1,869,468	80.1%	▲	724,707	1,159,942	60.1%	▲
Operating Expenses	422,443	527,278	24.8%	▲	236,189	355,575	50.5%	▲
Net Real Operating Profit	615,386	1,342,190	118.1%	▲	488,518	804,367	64.7%	▲
Other Operating Income/Loss	(14,869)	(73,123)	(391.8%)	▼	(3,788)	770	120.3%	▼
Real Operating Profit	600,517	1,269,067	111.3%	▲	484,730	805,137	66.1%	▲
Investments Valued by Equity Method	(4,869)	(9,086)	(86.6%)	▼	(4,558)	(1,169)	74.4%	▼
Pre-financing Operating Profit	595,648	1,259,981	111.5%	▲	480,173	803,968	67.4%	▲
Financing Income	51,110	83,735	63.8%	▼	43,195	74,031	71.4%	▼
Financing Expense	115,360	97,703	(15.3%)	▼	49,513	48,373	(2.3%)	▼
Pre-tax Profit	531,397	1,246,012	134.5%	▲	473,854	829,626	75.1%	▲
Tax	110,422	268,707	143.3%	▲	104,733	179,535	71.4%	▲
Net Profit	420,975	977,305	132.2%	▲	369,121	650,091	76.1%	▲
-Equity Holders of the Company	382,874	941,974	146.0%	▲	345,558	636,517	84.2%	▲

(Source: Rasyonet)

The Company's revenue consists of sales revenues, interest and derivative income from operating activities (net), revenues from services (net) and other operating income (net).

The Company's 2020 year-end gross profit (revenue – cost of sales) increased by 80.1%, reaching TL 1,869 million (2019: 1,038 million). Operating Profit increased by 111.3% and the Net Profit by 132.2% within the same period. It is observed that IS Investment has increased both its standalone and consolidated profits in the analyzed periods.

The Company regularly distributes dividends. In 2021, dividends amounting to TL 355 million, corresponding to 37.9% of the distributable net profit for the year, were distributed to the shareholders. Thus, the total dividend distributed in the last 5 years has reached TL 740 million.

Main Financial Ratios	2019	2020	June '20	June '21
Return on Shareholders' Equity (Profit for the Period / Equity)	35%	49%	26%	29%
Net Profit / Total Assets	6%	11%	5%	8%
Real Operating Profit / Total Assets	9%	14%	7%	10%
Loss / Income (Gen.Adm.Exp + Mktng.Exp. + R&D Exp.) / Gross Profit	41%	28%	33%	31%
Cash + Financial Investments (ST) / Total Liability	55%	36%	34%	32%
Cash + Financial Investments (ST) / Short Term Liabilities	55%	36%	34%	33%
Current Ratio (Current Assets / Short Term Liabilities)	120%	132%	129%	142%
Short Term Trade Receivables / Total Assets	47%	63%	66%	68%
Financial Leverage (Total Equity / Total Debt)	26%	34%	31%	43%
Short Term Liabilities / Total Liabilities	78%	74%	75%	68%
Total Financial Debt / Total Assets	31%	12%	12%	15%

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. The importance of corporate governance and transparency is once again revealed in the current global financial crisis we witness. Our methodology consists of four main sections; shareholders, public disclosure and transparency, stakeholders, and board of directors. The corporate governance methodology of SAHA can be accessed at www.saharating.com.

Rating Definitions

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

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

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

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

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

Disclaimer

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