Corporate Credit Rating

☐New ☒Update

Sector: Energy
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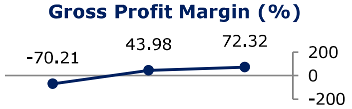
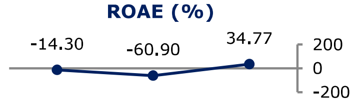
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**A (tr)**	**J1 (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

** Assigned by JCR on Aug 18, 2022*

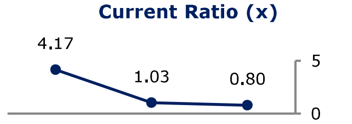
Gross Profit Margin (%)



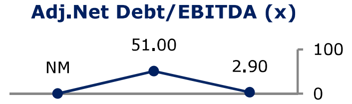
ROAE (%)



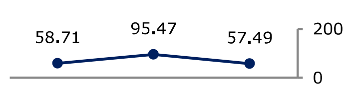
Current Ratio (x)



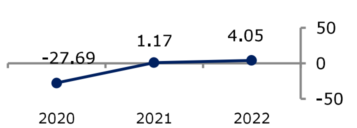
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



** NM: Not Meaningful*

ERGUVAN ENERJİ ELEKTRİK ÜRETİM A.Ş.

JCR Eurasia Rating has evaluated **"Erguvan Enerji Elektrik Üretim A.Ş."** in the investment level category, revised the Long-Term National Issuer Credit Rating to **'A (tr)'** from **'BBB+ (tr)'** and the Short-Term National Issuer Credit Rating to **'J1 (tr)'** from **'J2 (tr)'** with **'Stable'** outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were determined as **'BB/Negative'** in line with the sovereign ratings and outlooks of Republic of Türkiye.

"Erguvan Enerji Elektrik Üretim A.Ş." (hereinafter referred to as **"Erguvan Enerji"** or **"the Company"**) was established on August 31, 2007 in İstanbul, Türkiye. The Company operates in the field of electricity generation using wind energy, one of the renewable energy sources. The Company started its operations on November 19, 2020 with a turbine with an installed capacity of 3,5 MW. As of the reporting date, the power plant has 29 wind turbines and generates electricity with an installed capacity of 118.4 MWe/121.1 MWm.

The Company obtained a 49-year electricity generation license from the Energy Market Regulatory Authority (EMRA) in June 4, 2020 for the Göktepe WEPP project located in Yalova. The power plant is eligible to Renewable Energy Resources Support Mechanism ("RERSM") since 2022 and has the option to sell the electricity under RERSM until 2032.

The Company has a total of 19 employees as of the reporting date (FYE2022: 23).

The Company's main ultimate controlling shareholder is Polat Enerji Yatırımları A.Ş. ("Polat Enerji") with 100% share. Polat Enerji was established in 2011 to invest in and coordinate the activities of companies operating in energy industry. The main ultimate controlling shareholders of Polat Enerji are "Polat Holding A.Ş." ("Polat Holding") with 50% shares and "İş Enerji Yatırımları A.Ş." with 50% shares that is a subsidiary of Türkiye İş Bankası A.Ş.

Key rating drivers, as strengths and constraints, are provided below.

Strengths	**Constraints**
• Significant increase in sales revenue and EBITDA generation capacity in FY2022 and expected to continue in 2023 financials, • Short-term net cash position easing liquidity management during the analyzed periods, • USD-denominated feed-in tariff mechanism providing natural hedge in a certain extent, • Low collection risk thanks to RERSM supporting asset quality, • Predictable cash flow generation capacity to a certain degree thanks to RERSM despite negative FOCF due to CapEx, • High support level of sectoral authority encouraging the use of renewable energy sources, • Well-known brand name with a proven track record in various countries and operational strength of Polat Holding.	• Noteworthy non-cash contribution of revaluation gains to expansion of asset and equity size in FYE2022, • Relatively high operating ratio despite improvement in FY2022, • Dependency of WEPPs on weather conditions, • Potential changes in sectoral authority practices and incentives may create uncertainty in business strategies, • Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been revised to **'A (tr)'** from **'BBB+ (tr)'**. The Company's increasing sales revenue and EBITDA generation capacity, short-term net cash position, USD-indexed revenue stream, low collection risk as well as high operating ratio and slowdown signal in the global economy have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as **'Stable'**. The Company's financial structure, sales and profitability performance, liquidity and leverage indicators will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.