

Corporate Credit & Issue Rating

Manufacturing
[Specialty Vehicles]

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş.		Long Term	Short Term	
International	Foreign currency	BBB-	A-3	
	Local currency	BBB-	A-3	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
Issue Rating	n.a.	n.a.		
National	Local Rating	A- (Trk)	A-1 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	A- (Trk)	A-1 (Trk)	
Sponsor Support		2	-	
Stand Alone		B	-	
Sovereign*	Foreign currency	BBB-	-	
	Local currency	BBB-	-	
	Outlook	FC	Stable	-
		LC	Stable	-

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş.						
Financial Data	2016H1	2015*	2014*	2013*	2012*	2011*
Total Assets (000 USD)	84,887	78,647	91,464	110,994	86,186	62,530
Total Assets (000 TRY)	245,628	228,675	212,095	236,895	153,204	118,112
Equity (000 TRY)	69,759	62,680	43,362	30,863	40,296	29,892
Net Profit (000 TRY)	7,196	18,630	9,174	-7,923	9,271	2,399
Sales (000 TRY)	68,300	310,673	169,794	146,424	153,115	85,704
Net Profit Margin (%)	10.54	6.00	5.40	-5.41	6.06	2.80
ROAA (%)	7.19	10.78	4.21	-4.08	9.19	4.16
ROAE (%)	25.73	44.79	25.45	-22.34	35.53	13.10
Equity / T. Assets (%)	28.40	27.41	20.44	13.03	26.30	25.31
NWC / T. Assets (%)	28.37	28.89	25.88	15.60	18.13	13.89
Debt Ratio (%)	71.60	72.59	79.56	86.97	73.70	74.69
Asset Growth Rate (%)	7.41	7.82	-10.47	54.63	29.71	98.34

* End of year, NWC: Net Working Capital, 2016H1: June-end 2016

Overview

Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. (hereinafter the Group, the Company or Katmerciler) is a producer of specialty vehicles, equipment and machinery such as firefighting, garbage, jettling, rescue and tipping trucks and riot control vehicles, based in Çiğli, Izmir. Founded in 1985, Katmerciler has a wide exports network reaching up to 49 countries in the Middle East, Europe, Africa and Asia. The Company was ranked as the 409th largest industrial corporation in Turkey in terms of revenues generated from production according to the Istanbul Chamber of Commerce's Top 500 List of 2015. The Company was also ranked as the 518th largest exporter company in Turkey by the Turkish Exporters Assembly's List of 2015.

In addition to its core competence and traditional business segment of specialty vehicles, Katmerciler invests in defense sector products for security forces. In this regard, the Company obtained its *Facility Security Clearance* and *Production Permit* accreditations in 2013 and 2015, respectively, from the Ministry of National Defense which allows Katmerciler to participate in National Security tenders and serve the needs of the security forces. Katmerciler completed the first phase of its second production facility investment located in Ankara as of August 2016 to increase its production capacity of defense industry products. The Group also continues to explore international partnership and co-operation opportunities.

The Group is founded and managed by the Katmerci Family, who owns the majority of the shares. The Company went public on 2010 and 35.67% of the Company shares were traded publicly on Borsa Istanbul (BIST) as of August-end 2016, where an additional 0.622% of shares were owned by the Company. As of FYE2015, the Group employed a workforce of 349 (FY2014: 297, June-end 2016: 291).

Constraints

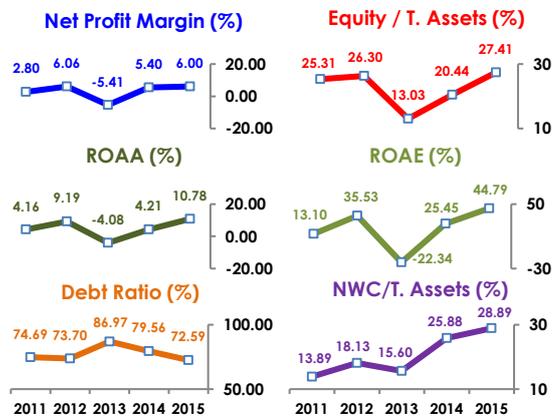
- Robust decline in sales revenues during the first half of 2016, despite immaterial decline of operational and net profitability
- Ongoing political uncertainties and conflicts in the Middle East region and pressurized economic and political outlook in Turkey increasing operational risks
- Notable leverage and subsequently large financing expenses constraining the profitability potential to a certain extent
- Concentration of external funds on the short term, necessitating careful liquidity planning
- Import dependency of certain core components in various high value added products
- Room for improvement in the corporate governance framework in particular with respect to the covenants concerning the election of the board members

Strengths

- Strong sales growth supported with a diversified product base and high value added specialized products
- More than three decades of experience in the specialty vehicle manufacturing sector with experienced and skilled workers
- Completed the first phase of its Ankara factory investment, recently initiated R&D center, and acquisition of *Facility Security Clearance* and *Production Permit* accreditations are developments expected to promote the Company's further development especially in the defense sector and ADR compliant products
- Effective export network and export focused production and sales, diminishing the country risk and providing hedging against FX exposure
- Creditworthiness of the customer portfolio as most of the purchasers of specialty vehicles are local & central government administrations and major truck corporations
- Influential and strong market position in the domestic market and growing presence in the EMEA region

*Assigned by Japan Credit Rating Agency, JCR on July 19, 2016

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