Corporate Credit Rating

☐New ☒Update

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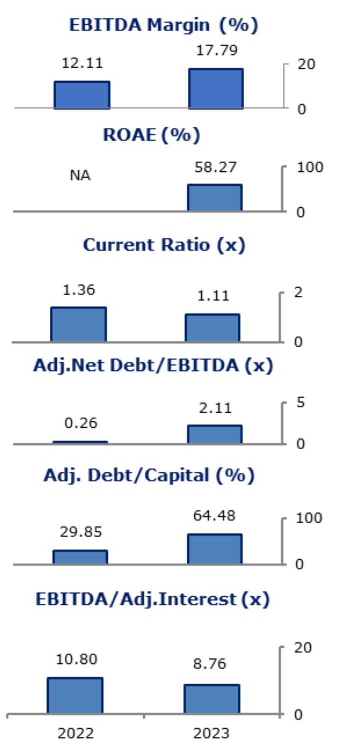
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**A (tr)**	**J1 (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating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

** Assigned by JCR on May 10, 2024*



** Not Applicable*

SMART GÜNEŞ ENERJİSİ TEKNOLOJİLERİ AR-GE ÜRETİM SAN. VE TİC. A.Ş.

JCR Eurasia Rating, has evaluated **"Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş."** in the investment grade category with high credit quality and revised the Long-Term National Issuer Credit Rating from **'A+ (tr)'** to **'A (tr)'** and affirmed the Short-Term National Issuer Credit Rating at **'J1 (tr)'** with **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as **'BB/Stable'** as parallel to international ratings and outlooks of Republic of Türkiye.

Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş. (hereinafter referred to as "**the Company**", "**the Group**" or "**Smart**") was established in 2014 in İstanbul. The main field of activity of the Group includes installation of renewable energy power plants, production of PV solar modules, sale and marketing of various Solar Power Plant system equipment, and providing engineering and labour services. Smart continues its production activities in 3 production facilities located in Gebze-Kocaeli, Dilovası-Kocaeli and Aliağa-İzmir. The Group continues to produce solar panels using Multi Busbar, PERC, Half-Cut Cell and Bifacial technologies in its production facilities which totally have a closed area of 69,363 m² with an annual solar panel production capacity of 2,900 MW. The Group's cell manufacturing plant has started test production as of 1Q2024 and will start production with an annual capacity of 2,000 MW in the second half of 2024. The shares of the Smart have been traded on the Istanbul Stock Exchange (BIST) with the ticker of "SMRTG" since March 2022. The Group's headquarters is located in Beykoz, İstanbul. As of March 31, 2024, the Group has 1,216 employees (December 31, 2023: 1,161).

73.03% of Smart's shares belong to Smart Holding A.Ş. and 26.97% of shares are publicly traded.

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

Strengths	Constraints
• Remarkable sales volume and turnover growth in FY2023 supported by high domestic demand, • Enhancement in profitability margins during the analysed periods, • Improved technology infrastructure through investment in PV cells provides competitive advantage and strengthens market position, • Reasonable liquidity structure, considering the advances received in the resource composition, • Moderate order book level indicating revenue visibility to some extent, • Global demand for solar energy and Türkiye's favourable position in terms of sunshine hours, • High level of compliance with corporate governance principles as a listed company.	• Negative CFO and FOCF due to operating cycle and high CAPEX continued to create external financing needs in 2023, • Weakening leverage and coverage metrics due to increase in financial debt and financing expenses in 2023, • Declined equity contribution as of FYE2023, • China's supply boom dominated the EU market and limited the market alternatives of domestic producers, • Leading economic indicators signal global economic slowdown while quantitative tightening actions aiming 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 from **'A+ (tr)'** to **'A (tr)'**. Additionally, growth opportunities in the domestic market thanks to supportive policies, expected contribution of the ongoing investments, positive trend in profitability margins, sustainable liquidity structure, increasing local and global demand for solar energy and high level of compliance with corporate governance principles as a publicly traded company as well as negative CFO and FOCF figures, increase in financial liabilities and weakening in leverage and coverage indicators 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 affirmed as **'Stable'**.

The Group's sales and production volume, debt and equity level, cash flow and liquidity metrics, asset quality, financial risk indicators, profit margins, customer portfolio and sectoral regulations will be closely monitored by JCR Eurasia Rating in 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.