

14 August 2020

Credit Rating

Long-term (National):

(TR) BBB-

Start-Up

Outlook:

Stable

Short-term (National):

(TR) A3

Start-Up

Outlook:

Stable

Setgaz Doğalgaz İthalat İhracat ve Toptan Satış A.Ş.

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SETGAZ DOĞALGAZ İTHALAT İHRACAT VE TOPTAN SATIŞ A.Ş.

Rating Summary and Company Outlook

Setgaz Doğalgaz İthalat İhracat ve Toptan Satış A.Ş., ("the Company" or "Setgaz") was established to import, export and wholesale of natural gas in accordance with the relevant legislation regarding the natural gas market.

Within this scope; the Company has been granted by the Energy Market Regulatory Authority ("EMRA") with a licence to import spot LNG for 30 years (#DIT/2087-4/189 dd. May 7, 2009) and to sell natural gas to Bulgaria for a period of 30 years (#DIH/2512-1/208 dd. April 8, 2010).

The Company has been inactive since its establishment and carries on its preparations to be operational as soon as the liberalization in the natural gas market conditions will be ensured and economic developments will provide prospective trade opportunities.

As of December 31, 2019, the Company's paid-in capital is TL 6.1 million and its capital and management control is with Mr. A. Rasim Akdoğan and the Akdoğan family. Other companies under the control of the Akdoğan Family are as follows:

Setaş İnşaat Tic. ve San. A.Ş.

Founded in 1975, the company is mainly engaged in infrastructure contracting. Since its establishment, it has been involved in many projects of institutions such as the State Hydraulic Works, the General Directorate of Eti Mine Works and the Ministry of National Defense. The company also undertook the natural gas infrastructure projects of Çinigaz in Kütahya.

Çinigaz Doğalgaz Dağıtım ve San.Tic. A.Ş.

Established in 2003, the company has been authorized by EMRA to conduct natural gas distribution and sales in Kütahya province for 30 years as of 2004. Since 2005, it has been pursuing its natural gas distribution activities in Kütahya and its districts.

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.

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. The Company purchases natural gas from Çinigaz.

Set Varlık Kiralama A.Ş.

The company is established to issue lease certificates exclusively in accordance with the CMB's Communiqué on Lease Certificates (III-61.1) published in the Official Gazette dated June 7, 2013 and numbered 28670. Setaş İnşaat A.Ş. owns 100% of the company.

According to the independent audit report dated December 31, 2019, almost all of the Company's balance sheet consists of cash assets and shareholders' equity and does not carry any significant risk/liability.

In the light of all these factors; the Company's previous Long-Term National Rating of "**(TR) BBB- Start-Up**" and the Short-Term National Rating of "**(TR) A3 Start-Up**" dated September 3, 2019 has been reconfirmed and the outlook is determined as "**Stable**".

Summary Financials

Summary Balance Sheet & Income Statement (TL)	2018	2019
Current Assets	8,304,040	9,321,776
Fixed Assets	100,875	96,042
Total Assets	8,404,915	9,417,818
Short Term Liabilities	1,658	79,985
Long Term Liabilities	8,007	9,432
Equity	8,395,250	9,328,401
Total Liabilities	8,404,915	9,417,818
Revenues	-	-
General Administrative Expenses (-)	75,445	100,189
Other Real Operating Income/Loss	1,845,721	1,296,653
Operating Income (EBIT)	1,770,276	1,196,464
Financial Income/Loss	389,361	263,313
Taxes (-)	1,380,915	933,151

Methodology

SAHA's credit rating methodology for recently established companies is composed of quantitative and qualitative sections to affect the final note with specific weights. Quantitative analysis components consist of analysis of the financial risks, and the assessment of cash flow projections.

Qualitative analysis covers operational issues such as sector and company risks as well as administrative risks in the context of corporate governance practices. In addition, our methodology for the newly established companies considers the business potential of the company, analysis of the target market and the industry in which the company intends to operate, the comparative analysis of financial data, as well as the founding share structure and its level of competence. Furthermore the company's prospective business plans, the realism of its goals, marketing strategy, critical performance indicators and operational control mechanisms are addressed.

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

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