Corporate Credit Rating

☐New ☒Update

Sector: Architecture & Engineering
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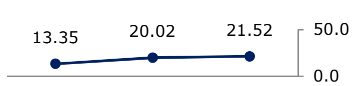
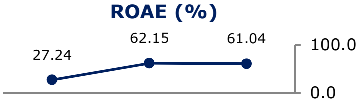
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**A+ (tr)**	**J1+ (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific 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*

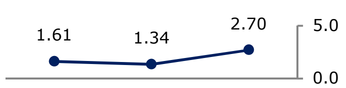
EBITDA Margin (%)



ROAE (%)

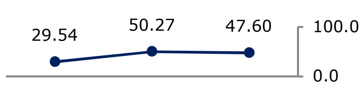


Current Ratio (x)

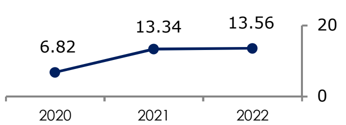


Adj.Net Debt/EBITDA (x)

Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



KONTROLMATiK TEKNOLOJi ENERJi VE MÜHENDiSLiK A.Ş.

JCR Eurasia Rating, has evaluated the **"Kontrolmatik Teknoloji Enerji Ve Mühendislik A.Ş."** in the investment-level category and revised the Long-Term National Issuer Credit Rating from **'A (tr)'** to **'A+ (tr)'** and the Short-Term National Issuer Credit Rating from **'J1 (tr)'** to **'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/Negative'**.

Kontrolmatik Teknoloji Enerji ve Mühendislik A.Ş. (Kontrolmatik Teknoloji or "the Company") was established in 2008 in Istanbul. The Company provides services with its two factories, one of which is in operation and the other under construction, and offices in many countries. Main field of the Company consists of Operational Technologies and Industrial Software-Control System, Communication, Information Security and IoT and Power Systems and Project Management. Kontrolmatik Teknoloji provides end-to-end digital solutions in the fields of software, hardware and systems development and integration, energy generation, transmission, distribution, energy storage technologies, internet of things (IoT) for all kinds of engineering solutions and developing environmentally friendly technologies for a carbon-neutral.

The Company's main ultimate controlling shareholders are Sami Aslanhan with 38,10% share and Ömer Ünsalan with 38,10% share and also in October 2020, the Company started to be traded on the Istanbul Stock Exchange (BIST) with the 'KONTR' ticker.

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

Strengths

- Sustaining operational and bottom line profitability as well as the share sales to institutional investors contributing to fundraising diversity for FY2022,
- Solid liquidity structure by dint of high level of cash and cash equivalents and long-term borrowing capability, underpinning the leverage metrics in FYE2022,
- TRY weighted borrowing structure and FC-denominated contracts limiting the FX losses to some extent,
- EPC-F contracts in design and engineering projects supporting revenue stream and receivable quality,
- Improvement in cash flow metrics despite high investment expenditure in FY2022,
- The competitive advantage of owning its own R&D center, along with ongoing investments and a pioneering position in the sector providing value-added production opportunities,
- High level of emphasis on sustainability in addition to compatibility to Corporate Governance Practices and quality standards.

Constraints

- Increasing funding need of the ongoing investments, may cause fluctuation on profitability margins, depending on the investment return period,
- Decline in equity level compared to elevated assets despite internal fund generation and share premiums,
- Presence of operations in countries that are exposed to a political and economic risks,
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from **'A (tr)'** to **'A+ (tr)'**. Sustainable growth in sales volume and increasing operational profitability, backlog amount, cash generation capacity, asset quality, capability to access funding resources, financing of contracts by the world bank / international institutions and high earning potential with new contracts and long FX position 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 indebtedness level, cash flow indicators, profitability figures, and equity structure 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.

1. Rating Rationale

Sustaining Operational and Bottom Line Profitability as Well as the Share Sales to Institutional Investors Contributing to Fundraising Diversity for FY2022

The Company, which carries both domestic and international projects, has increased its sales volume in each period. According to the Company's financial statements, sales revenue rose by 192.76% to TRY 1.79bn in FY2022 compared to the previous year's figure of TRY 611.81mn. The improvement in the Company's turnover is mainly related to the increase in project-based sales. The revenue between FYE2019-FYE2022 consists only of the projects in the System Integration and Controlix segments and Pomega and Robot Technologies will contribute to the financials as of 2023.

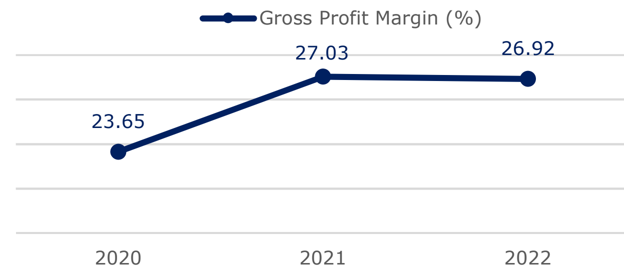
The sales details of the Company by periods are as follows;

TRY mn	2022	2021
Domestic Sales	900.35	167.75
Export	893.98	447.09
Others (such as discount, other revenues)	-4.072	-3.09
Total Sales	**1,791.15**	**611.81**

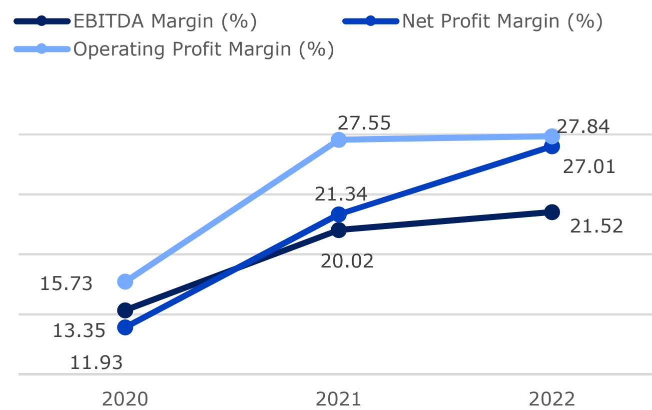
Along with the increasing project size, 84% part of contracts have been FC - denominated and focusing on profitable projects stand out as positive factors for 2022. In addition, another reason for the Company to increase its export sales in every period except 2020 due to the pandemic, is that it expands more and more to the foreign market over the years, opens offices in abroad and increases international projects.

Thanks to the Company's turnkey project completion capability, know-how in the sector and being selective in customer portfolio buttresses the continuity of revenue growth. As of 31.12.2022, the Company's backlog size is around TRY 2.5bn.

As of FY2022 the increase in net sales supported the improvement in profitability figures except for flattish gross profit margin because of the inflationary environment.



While the Company's gross profit increased by 191.65% in monetary terms from TRY 165.36mn to TRY 482.27mn as of FYE2022 and gross profit margin declined very slightly to 26.92% as of FYE2022 from 27.03% at FYE2021 despite the considerable increase in total sales.



Accordingly, operating profit recorded an upward trend over the last three-year period and reached the maximum level of TRY 498.58mn with 27.84% in operating profit margin in FYE2022.

Also, the EBITDA amounted to TRY 385.43mn in FY2022, through a significant rise of 214.65% in comparison to the previous year's figure of TRY 122.49mn with EBITDA margin having attained a rate of 21.52% in FY2022.

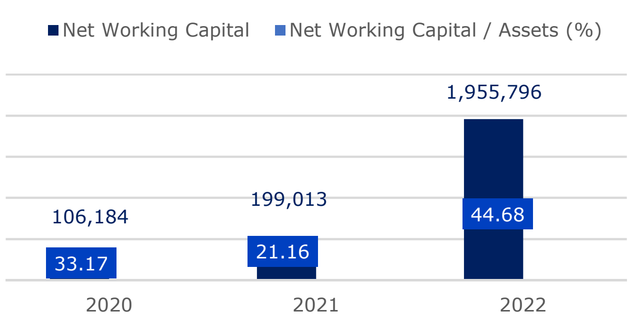
The increase in operational profit margins was reflected on the bottom line, and with a significant increase, a net profit of TRY 483.79mn was posted in 2022 with a margin of 27.01%.

In addition to internal fund capacity, fundraising structure was diversified through share sales of Pomega. In 2022, fund inflow of USD 23.1mn in total was provided as share premium from emission premium, through dedicated paid capital increase. Is Portfolio transferred USD 21mn of funds over a valuation of USD 210mn and became a 10% shareholder, and Rubellius Nucleus Investments SARL ("Rubellius") became a 1% shareholder by transferring USD 2.1mn of funds.

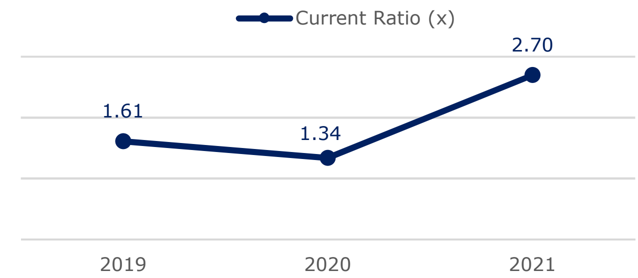
Solid Liquidity Structure by Dint of High Level of Cash and Cash Equivalents and Long-Term Borrowing Capability, Underpinning the Leverage Metrics in FYE2022

The Company's long-term liabilities increased in line with the ongoing projects in FYE2022. However, current assets rose more than short-term liabilities due to the Company's high level of FX deposits in banks along with inventories and contract assets. This resulted in an increase in net working capital. The Company's net working capital was realized as TRY 1.96bn (FYE2021: TRY 199.01mn) in FYE2022, which increased by TRY 1.76bn compared to the previous year. The net working capital to total assets ratio was 44.68% in FYE2022.

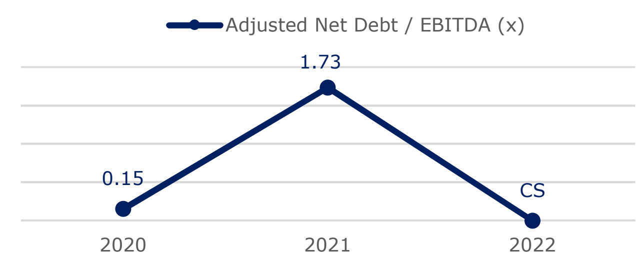
Net working capital to total assets figures of the Company between FY2020 and FY2022 are as follows:



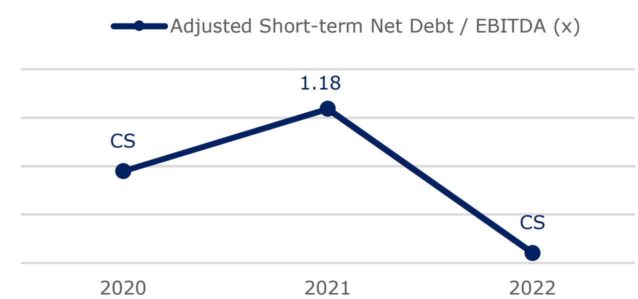
The current ratio generally gives an idea regarding identifying a company's ability to pay its short-term debts. Relieved liquidity management reveals itself in the current ratio parameters of the Company. The fact that the current ratio is below the expected level is a risk factor; on the other hand, very high current ratio values indicate more current asset elements than the companies' necessity. The table below indicates the change in the current ratio of the Company between 2020 and 2022.



When cash and cash equivalent items are excluded from total financial liabilities, net debt amounted to TRY -2.2mn in FYE2022 in comparison to reported EBITDA of TRY 385.43mn, indicating cash surplus position. In addition, when short-term financial investments is included as cash and cash equivalents, net cash surplus position of the Company has reached to TRY 137.09mn in FYE2022.



Also, from a short-term perspective, as of FYE2022, cash surplus position was again reached after 2020.



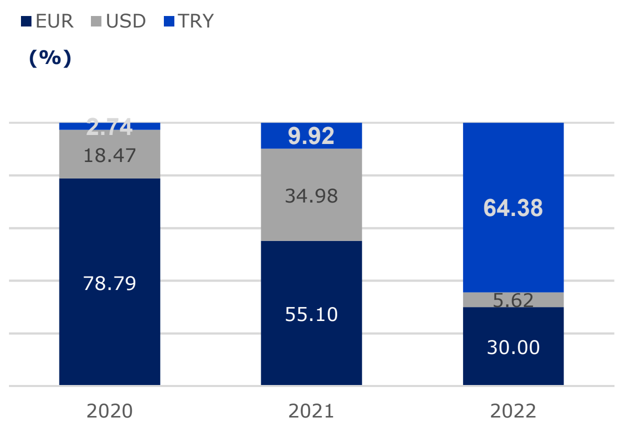
Cash and cash equivalents, which constitute 27 percent of the assets, made the most significant contribution to the liquidity and leverage indicators in FYE2022, and the Company has approximately the same amount of shareholder funds in its resource structure. In this context, it is crucial whether the shareholder funds will remain in the structure or if the funds will be paid, their maturity is important.

In addition, according to the PDP statement dated December 2022, it has been decided to buy back up to 8 million shares and a maximum of TRY 1bn will be allocated.

TRY Weighted Borrowing Structure and FC-Denominated Contracts Limiting the FX Losses to Some Extent

The Company's 84% part of contracts have been FC - denominated. For this reason, the Company has long FX position during the analyzed years in line with the foreign currency denominated contracts.

When currency distribution of total borrowings considered, it is seen that TRY denominated bank loans of the Company was dominant when compared to FC-based borrowings, and 35.62% of total bank loan was based on FC (EUR & USD utilization) in FYE2022. The Company aims to reduce the exchange rate risk with the utilization of TRY weighted loans.



The Company's foreign currency position detail is as follows;

FX Position		
(TRY)	**2022**	**2021**
Assets	1.794.394.663	483.074.326
Liabilities	-746.604.405	-436.891.290
Net FX Position	**1.047.790.258**	**46.183.036**

The Company's high Foreign currency- based contract ability and mainly TRY weighted bank loan utilization, ease to manage FX risk.

EPC-F Contracts İn Design and Engineering Projects Supporting Revenue Stream and Receivable Quality

Kontrolmatik has successfully completed more than 300 projects in 32 countries with its well-known partners. The Company works with both private and public institutions on a contractual basis. According to the information by the Company, most of the Company's revenues consist of project-based contracts. 90% of these contracts are financed by bank guarantee and 10% by export letter of credit.

In the last 10 years, the Company has worked such as in Iraq, Ethiopia, Türkiye, Saudi Arabia, Turkmenistan, Uzbekistan, Jordan, Kuwait, Israel, United Kingdom, UAE, Cyprus, Nigeria, Afghanistan, Macedonia, Germany, Albania, Kazakhstan, Azerbaijan, Libya, Armenia, Mala. In addition, the Company currently has ongoing projects of around TRY 2.5bn in Kenya, Burkina Faso, Iraq, Uzbekistan, Georgia, Mali and Libya.

While the Company taking these contracts, prefers projects with financing power behind it, such as the World Bank, ENBD, the German Development Bank, the American Development Bank, the Japanese Development Bank, the United Nations Development Program.

Thus, it can be said that the Company has a robust receivable collection management system. The Company's amount of non-performing receivables is very low considering the total receivables as of FYE2022. The doubtful trade receivables have maintained at low levels amounted TRY 19.24mn as of FYE2022 (doubtful receivables correspond to 2% of trade receivables) and TRY 7.14mn as of FYE2021 whereas the total receivables were TRY 835.36mn at FYE2022 and TRY 393.79mn at FYE2021. Also, doubtful trade receivables are in a very low level when compared to the Company's turnover.

Improvement in Cash Flow Metrics Despite High Investment Expenditure in FY2022

Kontrolmatik's FFO (funds from operations), which is calculated by subtracting the changes in working capital from CFO (net cash generated from operating activities) had been in an increasing trend and attained positive levels during the review periods.

Free Operating Cash Flow (FOCF) is the cash that a company generates from its business operations after subtracting any money spent on capital expenditures stood. It is seen that the FOCF has turned the positive level in FYE2022 and realized as TRY 270.27mn (2021: TRY -191.58mn).

TRY mn	2021	2022
FFO	127.184	374.546
Changes in Working Capital	-262.523	-32.728
CFO	-135.339	341.818
Net Cash (used in)/from investing activities	-56.245	-71.546
FOCF	-191.584	270.272

The Company's cash flow metrics have remained positive throughout last period despite the high investment expenditures. However, although cash flow metrics maintain positive level, the Company's planned CAPEX may lead to an increase in the Company's cash needs in the following periods. Considering ongoing investments, the course of the partial deterioration in cash flow metrics is crucial.

The Competitive Advantage of Owning Its Own R&D Center, Along with Ongoing Investments and a Pioneering Position in the Sector Providing Value-Added Production Opportunities

Allocating a minimum of 3% of the Company's turnover to research and development, Kontrolmatik has been carrying out its R&D studies since its establishment, taking into account the demands coming from domestic and foreign markets.

In 2017, Kontrolmatik expanded its organizational chart by creating additional employment and creating a unit to work in the field of software and IoT, and started research and development activities.

With its R&D activities, the Company aimed to play an active role in the interaction of industry 4.0 with the global world and to find a strong place in the tough competition it will create in the industry. in 2018, the Company transformed into the final product with the results obtained from R&D investments, and commercialized its products produced with R&D investments. in 2020, the Company applied for registration within the scope of law no. 5746 in order to ensure the continuity of R&D studies, increase the employment of R&D personnel, and increase R&D investments and application has been accepted in 2021.

Within the scope of R&D activities, studies are carried out on four subjects in particular:

- Lithium ion battery production with lifepo4 (LFP) and other environmental technologies,
- Communication, information security and internet of things - IoT industrial communication systems,
- Robotic technologies – development and production of collaborative robot arm and user interface,
- Renewable energy systems

Kontrolmatik Teknoloji, manufactures portable energy generation, transmission and distribution equipment such as mobile substation, e-house, energy storage systems, mobile hybrid energy generation units at its Energy Mobile Solutions Factory, which has a closed area of 4,000 m² in Ankara Kahramankazan. With these services, the sectoral experience before the demand-based shocks during the pandemic period and the increasing importance of energy security and storage with the effect of supply-side shocks after the Russia-Ukraine War offers advantages.

Due to the value-added production, the supply of human resources is also important, and the fact that the production activities are concentrated in Ankara provides an advantage to be close to universities in the region such as METU, Bilkent and Ankara University. In addition, it is aimed to increase the internal competence with the contract articles for transferring know-how to the company in joint projects.

In this context, the Company is in an advantageous position compared to other companies in creating new products with R&D investments and putting the created products on the market as a priority.

High Level of Compliance with Corporate Governance Practices and Quality Standards

Kontrolmatik Teknoloji operates in a full conformity with the Capital Markets Law and is publicly traded on the Borsa Istanbul (BIST) since 19.10.2020. As a result, the Company maintains its efforts to fulfil the best practices of the corporate governance principles and compliance to the regulations of the Capital Markets Board of Türkiye (CMB), as well as it has a well-established internal control system through the integrated organizational structure which includes risk management committees, namely Audit Committee, the Corporate Governance Committee, the Early Risk Detection Committee, the Compensation Committee and the Nomination Committee. Kontrolmatik demonstrates high degree of transparency with regard to the board of directors, shareholders, stakeholders and practices of the Company by means of public disclosures which have been carried out in a compatible manner with the framework drawn by the CMB regulations.

The Company has a functional investor relations division on the Company's website with contact information. Easy access to information such as articles of association, year-end financial results, annual reports, shareholding structure, Board of Directors and top management, committees, corporate governance compliance reports, dividend policy, code of ethics, policies, general meetings of shareholders, internal directives, social responsibility projects and so on are provided to investors and stakeholders in the stated website.

The requirements, which the Company to be obliged to comply, helps to sustain the transparency, quality of financial reporting and efficiency. The Company published detailed Corporate Governance Practice Compliance Report checklist on its activity report. In addition, the Company has ISO 9001, ISO 14001, ISO 45001, ISO 27001, ISO 50001, ISO 10002, EN ISO 3834 – 2 system certificates, it is a principle to integrate globally recognized certificates that it believes will support its products and services transformatively and support a transparent sustainable business model.

Increasing Funding Need of the Ongoing Investments, May Cause Fluctuation on Profitability Margins, Depending on the Investment Return Period

The Company carries out its activities in areas such as design, engineering, procurement, and logistics as an EPC company while operating as a manufacturer also for a wide spectrum of business areas. Digging deeper, the Group invests in space technologies, solar energy systems, energy storage systems and battery production.

The Company is investing to meet customer demands and appeal to more customer markets. In this context, the cash outflow for tangible asset investments realized as TRY 436.53mn in FY2022.

Apart from the Company's current ongoing projects, the Company's biggest investment is in its subsidiary, Pomega. The Company's target markets with this investment are grid-level energy storage facilities, electric vehicle technologies, electric vehicle charging support systems, new technological applications, especially marine and light electric vehicles, energy storage solutions for industrial facilities, renewable energy applications, residential applications and island installations. It is planned to bring the production opportunity of Lithium Ion technology, which is a very critical and strategic issue for Türkiye. It is foreseen that an important imported product can be produced in Türkiye and exported. With domestic energy storage cells, security of supply will be ensured for products needed by different industries such as manufacturing, energy and defense.

Lithium Ion Based Battery Cell Investment	Phase 1	Phase 2
Investment Start	2022 Q1	2023 Q3
Completion	2023 Q3	2023 Q4
Annual Capacity	700 MWh	2,25 GWh
Financing	Equity, Long-Term Loan, Partnership	

Construction continues for the first phase of the plant, the foundation of which was laid in January 2022, to open in July 2023 with a capacity of 700 MWh/year. It is planned to reach a capacity of 1,750 MWh/year with the commissioning of the additional phase by the end of 2023 and a total capacity of 2,250 MWh/year in 2024. Within the scope of the 1st Phase of Pomega's Lithium-Ion Battery Cell, Battery Production and Energy storage facility investment; It has been accepted as a priority investment by the Ministry of Industry and Technology and an Investment Incentive Certificate has been issued to benefit from the support of the 5th region. The total cost of this investment is projected to be USD 145mn. In this context, 1st phase investment amount, which is related to incentive certificate, is TRY 917.15mn. 2022, The Company signed a USD 44.7mn loan agreement with banks in addition to its existing loans for the investment of lithium Ion Battery Cell. The maturity of the USD 44.7mn loan will be 2032. In addition, the debt to equity ratio of the Phase 2 investment is planned to be 66%-33%. The total investment amount of the Phase2 will be USD 85mn.

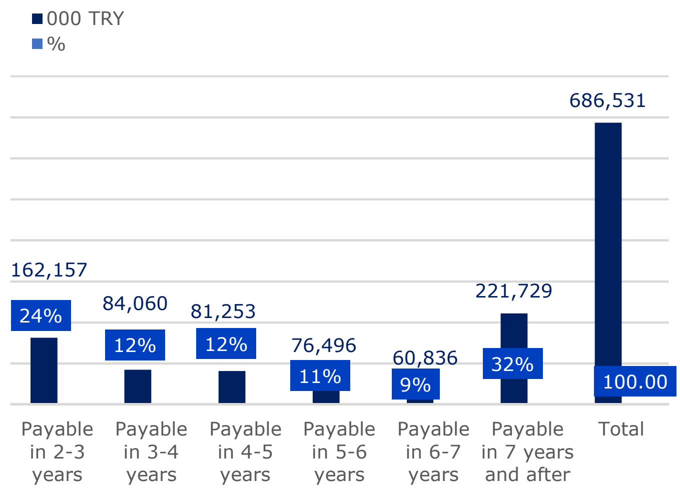
In addition, another important investment of Kontrolmatik is the production of battery cells, battery modules and energy storage systems were established on the Pomega Energy Storage Technologies Inc. company in America in 2022. In line with the Offtake agreement for the selling of 7.5 GWh lithium-ion battery cells with one of the world's largest energy storage system integrators, the Company aims to manufacture 3 GWh/Year capacity battery cells, battery packs and energy storage systems in the United States. A government incentive of USD 127mn has been issued for this investment, and the company aims to raise equity of around USD 40mn gradually. However; the total investment amount has not been fully clarified, and the financing method will be determined after it is clarified. The integrated factory investment is approximately USD 290mn. The Company will benefit from IRA production incentives (total 45 USD/kWh) which will continue until 2030, ending in 2032 with annual reductions of 25% on and after 2031. In this context, it is planned to benefit from approximately USD 900mn federal incentives until 2032.

These ongoing investments are mainly financed by bank loans and incentives. In line with the funding structure of the investments, the credit utilization of the Company will increase. The completion and cash generation capacity of the investments have been evaluated as crucial for the debt service capacity, and the Company's growth.

The Company's total liabilities continued to exhibit a steady increase over the reporting periods. The Company's total financial liabilities amounted to TRY 1.18bn in FYE2022 (TRY 289.51mn at FYE2021). The Company's short-term financial liabilities accounted for TRY 491.02mn and long-term financial liabilities were TRY 688.88mn as of FYE2022. The share of long-term financial liabilities in total financial debt is 58.38% in FYE2022. This increase in financial liabilities compared to the previous year is related to working capital needs and investment expenditures.

The maturity of the Company's bank loans is between 2022-2029+, and the repayment schedule is as follows;

Maturity Schedule of Total Bank Loans



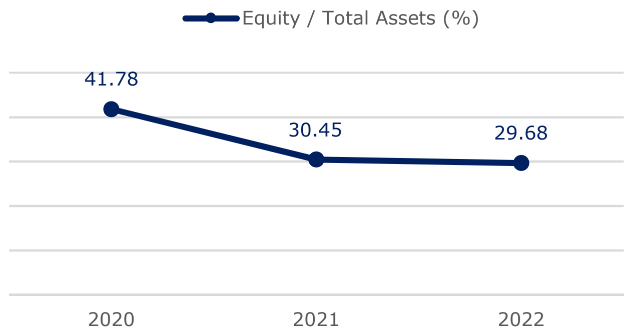
For this reason, it is predicted that the debt pressure on financials will increase.

<u>Decline in Equity Level Compared to Elevated Assets Despite Internal Fund Generation and Share Premiums</u>

The Company's equity augmented by nearly 4-fold increase to TRY 1.3bn in FYE2022 with the contribution of internal fund and also share premium. TRY 200mn paid in capital formed only 4.57% of total assets and 22.58% of total equity in FYE2022.

TRY '000	2020	2021	2022
Share Capital	38.063	38.063	200.000
Repurchased Shares	-	-	-14.150
Share Premium	59.332	59.332	438.588
Other Accumulated Comprehensive Income (Expenses) That Will Not Be Reclassified to Profit or Loss	4.298	32.855	151.647
Other Accumulated Comprehensive Income (Expenses) to be Reclassified to Profit or Loss	-	469	3.542
Restricted Reserves	10	1.617	11.129
Previous Years Profits or Losses	8.109	23.574	18.917
Net Profit or Loss	23.979	130.668	469.061
Total	**133.727**	**286.400**	**1,298.881**

However, having peaked in FY2020 with a share of 42%, the share of equity in relation to total assets slightly decreased in FY2022 although the operating volume growth of the Company.



Despite the internal resource generation capacity and share premium equity may be insufficient in cases where funds cannot be provided for the investments to be made, in case of delay of the projects and in case the projects are paid by the own funds.

About one-third of the net profit in FYE2022 is derived from deferred tax income, and there has been a partial contraction in the net profit margin when the relevant amounts are excluded. Considering the increasing asset volume and free float ratio, internal fund generation capacity and cash capital injection may be needed in order to keep the equity at a reasonable level.

Presence of Operations in Countries that are Exposed to Political and Economic Risks

Countries in the high-risk country category are listed in at least one of the FATF Monitored Jurisdiction (Watch List), OFAC Sanctions Selective (partial sanctions list) lists, and are also lower in the Corruption Index, with a total risk score of 50 and above.

Countries on the list as high risk are those where measures and inspections are insufficient within the scope of combating laundering proceeds of crime, financing of terrorism and financing of weapons of mass destruction. In these countries, there are generally internal disturbance, authority gap, lack of inspection, and incompatibility with international standards. In commercial transactions carried out with high-risk countries, there are risks such as non-performing or blocking of transactions by banks or product-based barriers.

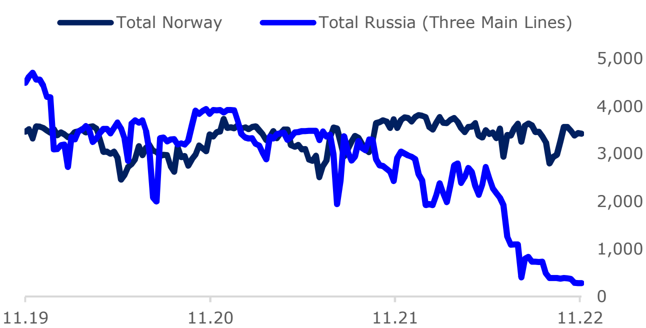
Medium-risk countries are those in the FATF Monitored Jurisdiction (Watch List) and/or OFAC Sanctions Selective (partial sanctions) lists, where inspections and compliance with international standards are relatively lower than low-risk countries. Although there are no direct sanctions applied to these countries, there may be partial product-based or transaction-based sanctions.

The Company's presence in Iraq, Cameroun, Somalia and Uzbekistan markets and having active construction sites in these countries carry geopolitical risks.

Global Recession and Geopolitical Risks Stemming from the Russia-Ukraine Tension Increasing Uncertainty and Monetary Tightening Across the Globe Deteriorating Growth Projections

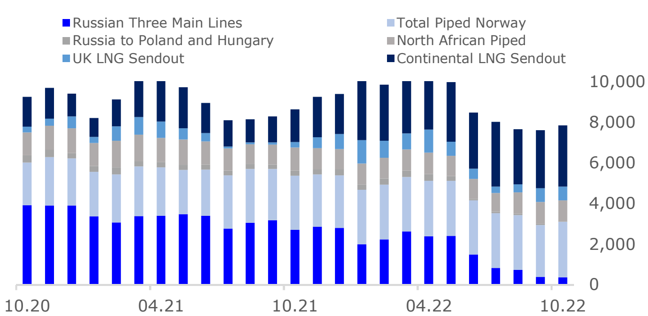
The Russian invasion of Ukraine, jolted the market and shifted the geopolitical concerns that arose across the globe. Due to Russia's prominence as a prominent commodity and energy exporter, major conflict and subsequent sanctions/reactions across the world has notable implications for global growth, trade, and risk appetite. The gravity of the situation is exacerbated especially in Europe, which is most dependent on Russia's energy imports and whose gas flows from Russia have come to a near standstill.

Russian and Norwegian Gas Flows to Europe
(Weekly Average, GWh/d)



Source: Refinitiv

Total Monthly European Gas Imports (GWh/d)

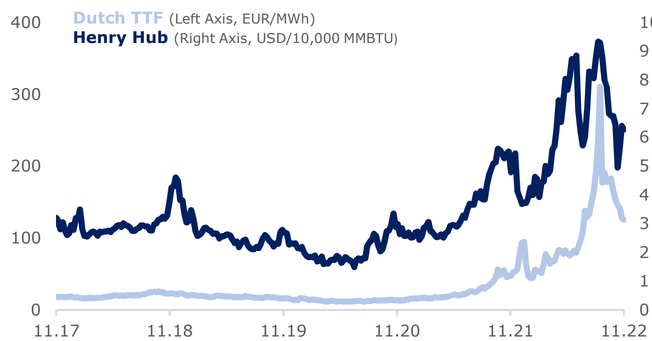


Source: Refinitiv

Since Russia is one of the world's biggest oil and natural gas producers, the per-barrel price of Brent crude has already surged notably and the price of oil breached the

$100 mark for the first time since 2014. Dutch TTF futures, the benchmark natural gas price in Europe, reached up to EUR 339 per megawatt hour in August, 2022 for contracts with delivery in September, 2022. The EU's sanctions, the reduction in imports of fossil fuels from Russia, and Russia's natural gas disruption caused the rise in prices, which led the EU into a premium market for LNG and created a supply crisis, as the growing demand for LNG in the EU, replacing Russian gas imports, resulted in an extremely tight global market. While the EU aims to reduce its gas imports by two-thirds by YE2022, the energy crisis is expected to trigger a recession within the EU.

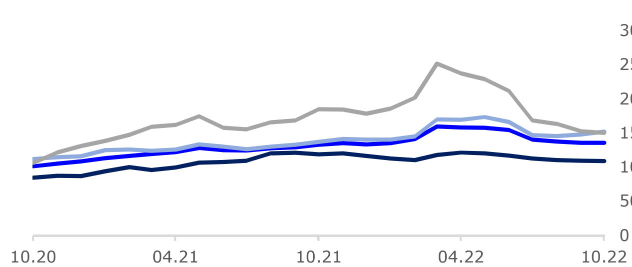
Natural Gas Prices



Source: Refinitiv
Henry Hub: NYMEX Henry Hub Natural Gas Electronic Energy Future Cont. 1
Dutch TTF: Natural Gas TTF Netherlands Fair Value Yearly Continuation 1

Furthermore, the commodity prices, especially that of aluminium and nickel, reached record highs, as fear of a disruption in supplies from Russia, which is a major metal producer. On the other hand, Russia and Ukraine are also key wheat exporters in the World. The supply concerns in wheat negatively affected agricultural prices. As can be seen in the graph below, food prices, which peaked with the emergence of geopolitical risks, declined again, accompanied by safe shipping with the grain export corridor agreement. However, due to the increase in natural gas prices increasing fertilizer prices and the ongoing global drought, the problem in food prices will take effect for a while.

FAO Food Price Index
Total Cereals Oils Sugar

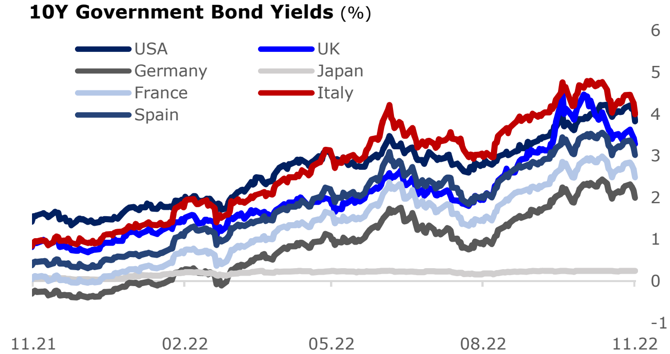


Source: Refinitiv

Global Financial Conditions Tighten

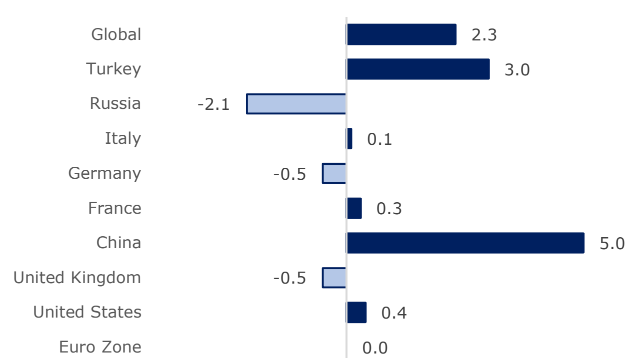
In addition to the developments mentioned above, accompanied by the ultra-loose monetary and fiscal policies implemented during the COVID-19 pandemic, the global inflation outlook deteriorated significantly as of the second quarter of the current year, and record levels were observed in inflation. Inflationist pressures forced major central banks to normalize their monetary policies. In line with these developments, the risk appetite towards emerging markets remained weak (and still is), and while the flow of funds to emerging markets weakened, funds flowed to safe instruments such as the dollar and gold.

10Y Government Bond Yields (%)



The tightening actions of major central banks (increasing interest rates and quantitative tightening), especially the Fed, in order to fight inflation, increase global recession concerns. In addition to ongoing geopolitical risks, concerns that the global economy will head towards a recession (especially in Europe) in the upcoming period (by mid-2023 in particular) are on the agenda, lately.

GDP Outlook for 2023 (Annual Growth, %)



Source: Refinitiv

Spillovers to Türkiye

Geopolitical developments have affected the Turkish economy through many channels. At first, rising energy prices have pressured the current account balance in Türkiye, and the increase in food and energy prices has been a factor of inflationary pressure, as well as on the global side.

Although the trade channel (especially energy and food supply) was not adversely affected by Türkiye's moderator role between Russia and Ukraine, the construction/contracting sector was adversely affected by the developments.

According to the Turkish Contractors Association (TMB), the Turkish contracting companies undertook 413 projects in 69 countries amounting to USD 30.7bn and the leading market was again Russia with a share of 36% in 2021. Ukraine was ranked 4th with a share of 5%. As of the third quarter of 2022, the Turkish contracting companies undertook projects amounting to USD of 8.7bn and Russia accounted for only USD 396mn of this amount. However, during the post-war period, negotiations for the reconstruction of the country has continued.

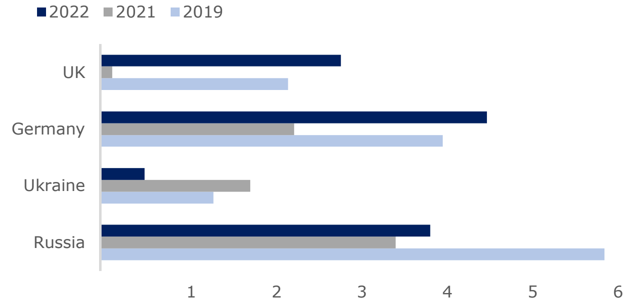
Türkiye's International Contracting Services (bn $)

	2021		2022*
1. Russia	11.02	**1. Romania**	1.29
2. Iraq	3.62	**2. Uzbekistan**	1.19
3. Tanzania	1.91	**3. Iraq**	0.92
4. Ukraine	1.64	**4. Tanzania**	0.9
5. Zambia	1.35	**5. Libya**	0.55
Other	11.23	**Other**	3.84
Total	**30.77**	**Total**	**8.69**

Source: Ministry of Trade of Türkiye, TMB
*First nine months of 2022
**Russia was ranked 7th with USD 396mn in 9M2022

Russian and Ukrainian visitors are also important in terms of the local tourism industry. With regards to foreigners' composition, Ukraine and Russia drew attention from both countries increased their shares in the visitor pool during 2019 and 2021. Considering that Ukraine and Russia are very important markets, the military invasion of Russia's on Ukraine worsened tourism expectations. But surprisingly, Russian visitors realized as 3.9 million as of September, 2022 and surpassed the level in the same period of the previous year. However, it still stood below the 2019 level. The number of Ukrainian visitors felt sharply by 70% in the January-September period of 2022 compared to the same period of the previous year.

Foreign Visitors by Country (Jan-Aug, million)



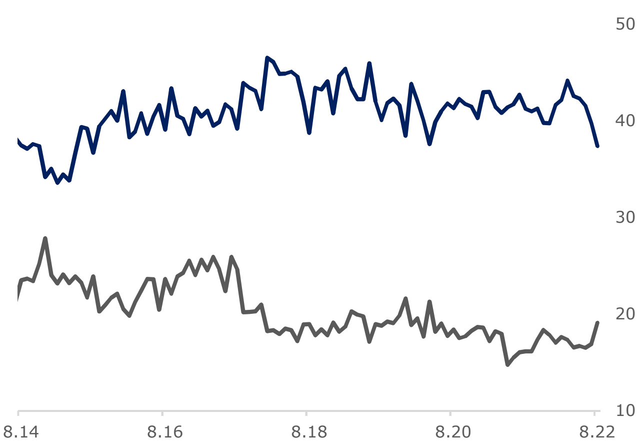
Source: Republic of Türkiye Ministry of Culture and Tourism

Current and prospective economic sanctions, so far concerning mainly financial affairs, could spread to trade embargos or become more aggravated. We expect the soaring energy prices and disruptions in trade due to both logistics issues and potential embargos/inability to trade due to international fund transfer bans, to drag global growth downwards. Global downside risks for growth and upside risks for inflation, which had been creeping up even before the Russian invasion of Ukraine, will likely intensify.

Besides all these effects, it is quite possible that Europe, our biggest trading partner, going into recession as a result of the tightening actions will adversely affect the Turkish economy through the trade channel.

Russia has drastically reduced gas supplies to Europe in recent months which causes businesses to expect an increase in gas and electricity prices. With the upcoming winter and the prospect of Russia cutting off the remaining streams of gas it supplies to Europe very likely, additional volatility and price spikes should be expected.

The Share of EU in Export (%)
The Share of Near&Middle East in Export (%)



All things considered, uncertainties arose from the war in addition to global recessionary concerns overhang as the major threats for all sectors including pricing, demand, and supply chain in global trade which will be closely monitored by JCR Eurasia Rating.

With respect to the factors mentioned above, JCR Eurasia Rating has revised the Long-Term National Issuer Credit Rating of Kontrolmatik from **'A (tr)'** to **'A+ (tr)'** and the Short-Term National Issuer Credit Rating from **'J1 (tr)'** to **'J1+ (tr)'** in JCR Eurasia Rating's notation system.

When the global and national scale rating matching published by JCR Eurasia Rating is considered, the Group's Long-Term International Issuer Credit Ratings are assigned at **'BB'**.

2. Rating Outlook

Kontrolmatik's outlook is determined with respect to sustained revenue growth, profitability and EBITDA generation, shareholder structure, diverse customer base with expanding orders booked amount, capability to access funding resources, high earning potential with new contracts and ongoing investments, positive cash flow metrics in FY2022, acceptable level of compliance with Corporate Governance Practices as well as high indebtedness level, the effect of negatives in repayments on profitability and geopolitical risks-driven uncertainties.

JCR Eurasia Rating has affirmed a "**Stable**" outlook on the National Long and Short-Term Issuer Credit Rating perspectives of Kontrolmatik, taking into consideration the Group's proven track record, global market conditions of the sector. Kontrolmatik reflects an agile differentiated operation diversity through its services and competitive structure which are expected to strengthen its market position.

Additionally, the outlook on the International Long-Term Issuer Credit Rating perspectives of Kontrolmatik Teknoloji have been assigned as '**Negative'** in line with the sovereign rating outlooks of the Türkiye.

Significant factors that may be taken into consideration for any future change in ratings and outlook status:

Factors that Could Lead to an Upgrade

- Steady growth in sales volume and revenues,
- Continuation of steady EBITDA generation capacity,
- Cash capital injections,
- Further improvement in profitability indicators,
- Notable decrease in financial borrowings,
- Improvement of the operating environment in the domestic and international markets,
- Upgrades in Türkiye's sovereign ratings and economic growth prospects.

Factors that Could Lead to a Downgrade

- Sharp degradation in operational efficiency and decrease in customer demand,
- Suspension/termination of ongoing projects,
- Deterioration in the EBITDA margin and other profitability indicators,
- Deterioration of indebtedness indicators and liquidity profile,
- Decreasing asset quality along with increasing share of doubtful receivables,
- Significant increase in indebtedness level and financial leverage,
- Changes in the sovereign rating level of Türkiye represent the factors that might affect the outlooks.

JCR Eurasia Rating will monitor developments in the periods to come with regard to the proposed projections by the Company management including particularly improvement in profitability and impact of the ongoing and possible changes in regulations.

3. Projections

The consolidated projection for 2023, 2024, 2025 and 2026 provided by the Company is presented in the table below.

(USD mn)	2023	2024	2025	2026
Net Sales Revenue	281,8	591,3	802,3	867,7
EBITDA	71,5	163,3	219,9	235,3

**This projection includes EPC,IoT-Controlix, Batary, Robotics activities.*

In the projection and budget studies for the next period, the Company expects revenue to increase significantly. The Company generate USD 281.8mn net sales as of FYE2023.

Taking into consideration the Company's past growth, ongoing projects size and future projections relating to the between FYE2023 and FYE2026 we, as JCR Eurasia Rating, are of the opinion that the Group shall fulfil the obligations in a timely manner and without distress as long as it preserves its current market shares, business mix and efficiency along with no deterioration in the general macro-economic context and sector dynamics.

4. Company Profile & Industry

a. History and Activities

Kontrolmatik Teknoloji Enerji Ve Mühendislik A.Ş. was established in 2008 with the partnership of Sami Aslanhan and Ömer Ünsalan as Kontrolmatik Bina Yönetim Sanayi ve Dış Ticaret Ltd. In 2004, the Company changed its type from LTD to A.Ş and in 2020, the Company had current title of Kontrolmatik Teknoloji Enerji ve Mühendislik A.Ş. The Company went public in Borsa Istanbul (BIST) in 2020. The Company currently provides solutions to companies with engineering, contracting and technology solutions.

Headquartered in Esenler / Istanbul, the Company has a factory that produces mobile solutions for the energy sector with an area of 8,000 m2 in Kahramankazan / Ankara. With this factory, it produces portable energy generation, transmission and distribution equipment such as E-House, Energy Storage Systems, Mobile Hybrid Energy Production Units.

Electromechanical productions, Mobile Transformer Substations, Hybrid container production started in the factory with a closed area of 4,000 m2, which was rented in Ankara in April 2021.

Kontrolmatik added a new one to its immovables in 2021 and acquired its new facility in Polatlı / Ankara with a land of 100,000 m2. In this facility, which is aimed to be invested in 2023, it is planned to produce Lithium Ion battery cells and high technology communication devices. With this facility, these products will be supplied primarily to Türkiye, then to the European, Asian, African and American markets, and the region will be a technology base by increasing its capacity with new investments.

Kontrolmatik provides strategic solutions including facility design, electrification, mechanical, instrumentation, automation, IoT and civil works with its experienced and educated teams. The solutions and sectors offered by Kontrolmatik are as follows;

- Balance of Plant: Kontrolmatik provides specific solutions for all kinds of power plants that are nuclear, conventional and renewable.
- Automation: Automation and control systems enable efficient and safe operation of industries, production processes and power plants by minimizing the risks.
- E-House & Compact Mobile Solutions: There are ready to Use, Cost and Time Effective Mobile Systems.
- Digitalization: These are Smart Factories, Efficient Workflows, Secure Data, Fast Adaptation, Robotic Solutions, Fully Integrated Facility and Systems.
- Energy Storage Systems: Energy Storage Systems are the future of the world and Kontrolmatik produces these systems as a turnkey.
- ICS Cybersecurity: Expanding connectivity linking IT and OT with digital and cyber-physical systems means that there is no longer a singular perimeter.
- Electrification: Facilities and power plants need qualified and trained human power, large investment expenses and technologies in order to meet the increasing demand for energy. At this point, smart and efficient electric infrastructure is now an indispensable need.
- EPCM Solutions: Kontrolmatik provides comprehensive project services as an EPC. Whether it is the design or construction of a new plant or modernization of the existing plants, we offer our value-added services to meet the specific requirements of worldwide procurement, international financing and computer communication networking.
- High Voltage Tests for Cables and GIS: With their Mobile High Voltage Test Truck, they successfully perform underground cable and GIS substation tests up to 600 kV voltage level all over the world.
- Low Voltage Panel: A world brand in panel manufacturing and installation with their years of experience.
- IOT and Data Analytics: With IoT and Data Analytics solutions, Kontrolmatik aims to gain better visibility for your assets. Experience gained through various projects makes us your reliable and preferred partner along this journey. In partnership with the

world giants in the IT and OT sectors, Kontrolmatik offers tailored solutions with state-of-the-art software and hardware.

- Instrumentation: These are instrumentation and Control Solutions That Increase Efficiency and Safety.

Kontrolmatik ranked 37th in the World`s Largest System Integrators list published by Control Engineering in 2020, becoming one of the youngest companies in the most prestigious list of the industry. Also, the Company reached to 28th level/degree in 2021. The Company aims to be one of the first 10 companies worldwide by increasing this success in the following years.

The number of people employed across Group as of December 2022 is 496. (31 December 2021: 226).

b. Shareholders, Subsidiaries & Affiliates

Kontrolmatik's shareholder structure is shown below.

Kontrolmatik's Shareholder Structure

TRY	December, 2022		December,2021	
Shareholders Name	Amount-TRY	%	Amount-TRY	%
Sami Aslanhan	58,181,444	29	14,500,000	38
Ömer Ünsalan	58,181,444	29	14,500,000	38
Other (Publicly Held)	83,637,112	42	9,062,500	24
Total	**200,000,000**	**100**	**38,062,500**	**100**

The Company's public offering was approved by the Capital Markets Board on September 24, 2020. The Company started to be traded on BIST on 19 October 2020. The Company's capital reached TRY 200.000.000 after the public offering from internal resources.

Kontrolmatik's current BoD is listed below in the chart:

Board of Directors	Duty
Sami ASLANHAN	Chairman
Ömer ÜNSALAN	Deputy Chairman
Murat TANRIÖVER	Board Member
Burhanettin Koray TUNÇALP	Independent Board Member
Bikem KANIK	Independent Board Member

Kontrolmatik has 11 subsidiaries as of 31.12.2022 and there are shown below in the chart:

Subsidiaries of Kontrolmatik Teknoloji Enerji Ve Mühendislik A.Ş.

Title	%
Pomega Enerji Depolama Tekno. A.Ş.	89
Progresiva Enerji Yatırımları A.Ş.	95
Enwair Enerji Teknolojileri A.Ş.	50,1
Mcfly Robot Teknolojileri A.Ş. (Mcfly)	75
Kontrolmatik Toshkent LLC (Kontr Taşkent)	100
Plan S Uydu ve Uzay Teknolojileri A.Ş.	25
Kontrolmatik Tek.Ene. ve Müh. A.Ş. Ve Siterm Isı San. A.Ş. İş Ort (Siterm)	50
Mint Elektrikli Araç teknolojileri A.Ş.	40
Kontrolmatik Enerji ve Müh. A.Ş. ve Skysens Tek. A.Ş. İş Ort. (IOT)	50
Kontrolmatik Enerji ve Müh. A.Ş. ve Skysens Tek. A.Ş. İş Ort. (SAY)	50

Pomega Enerji Depolama A.Ş: The Company was established with the aim of carrying out electrochemical energy storage cell production facility, energy storage cell production, battery pack production, energy storage system design and turnkey solution activities using lithium ion on 08.12.2021. As of 31 December 2022, the Company has 48 employees.

Progresiva Enerji Yatırımları A.Ş.: The Company was established on 17.12.2021 with the aim of being an energy storage facility and obtained a Supply License for trade electrical energy for 20 years. As of 31 December 2022, the Company has 1 employee.

Enwair Enerji Teknolojileri A.Ş.: As of 01.07.2022, the Company has purchased 50,1% of Enwair shares for a price of TRY 6.2mn. Enwair; is an R&D company that develops anode and cathode material technologies for battery technologies. 1 Kosgeb, 1 Tübitak 1501, 1 European Union Era Net project has been completed and 1 Tübitak 1501 and 1 European Union Horizon project are currently ongoing. 1 PCT and 1 TR patent have been registered and there are 3 ongoing studies in the patent process.

Mcfly Robot Teknolojileri A.Ş. (Mcfly) : The Company was established as of 17.10.2022. Kontrolmatik acquired 75% of the Company with TRY 10mn capital. Mcfly manufactures and integrates all kinds of robots, robot grippers, robot end elements. As of 31 December 2022, the Company has 15 employees.

Kontrolmatik Toshkent LLC: The Company was established in 2021 in Uzbekistan with the aim of continuing its current activities on this country.

c. Industry Assessment

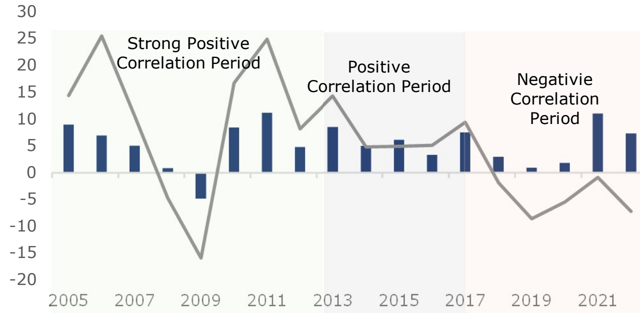
Architectural and Engineering;

Architectural and engineering activities has a strong relationship with construction industry. Construction industry plays a critical role in Türkiye economic development with a multiplier effect. According to the Turkish Contracting in The International Market Reports published by Turkish Contractors Association, construction industry accounts for nearly 6% of GDP and employs almost 1.5 million people and with the direct and indirect impacts on other sectors the share of the construction sector in the Turkish economy reaches 30%.

As can be seen graph below, the relation between GDP and construction growth have three different period: 2005-2013, 2014-2017 and 2018-2021. Positive relation during the first period indicates that the construction sector has outperformed to GDP in the boom period of the economy whlist the sector has performed worst compare to GDP. On the contrary to positive correlation period, during the second period which started in 2014 correlation continued, but strong relation dissappeared. The last period where positivity has been disapperaed and construction sector recorded negative growth where economic growth rate were positive.

In 2021, GDP increased by 11% whilst construction industry declined by 0.9% in Türkiye. The negative correlation between GDP growth and construction industry continued in 2022, as well. The industry's negative outlook remained unchanged in the first three quarters of 2022 and construction activities contracted by 10.8% in the first nine month of 2022 while GDP growth was 6.2%. In this regard, cement production declined by 9.2% as of August 2022 compared the same period of previous year.

GDP and **Construction Sector Growth** (YoY)

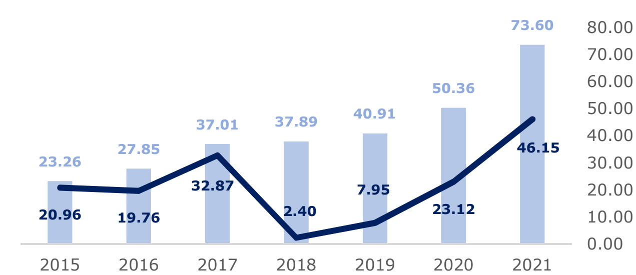


Source: TurkStat, JCR-ER

According to the Company Accounts data of the joint work of Turkish Statistical Institute and The Central Bank of the Republic of Türkiye (CBRT), there are 34,037 companies engaged in architectural and engineering activities (technical testing and analyzing) in Türkiye and 192,500 employees are employed as of 2021. This group includes the provision of architectural services, engineering services, technical drafting services, building inspection services and topography and mapping services and etc.

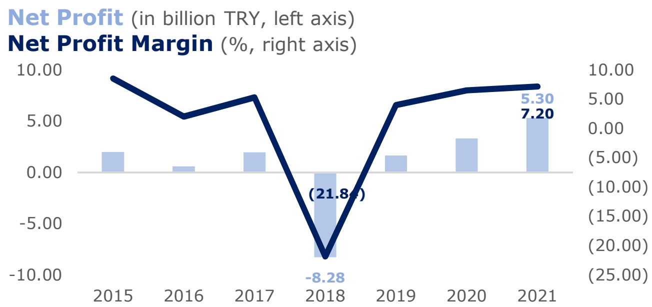
These companies recorded TRY 73.60bn net sales and TRY 5.30bn net profit with an annual increase of 46.15% and 60.76% as of FY2021, respectively.

Net Sales (in billion TRY)
Sales Growth (annual % change)



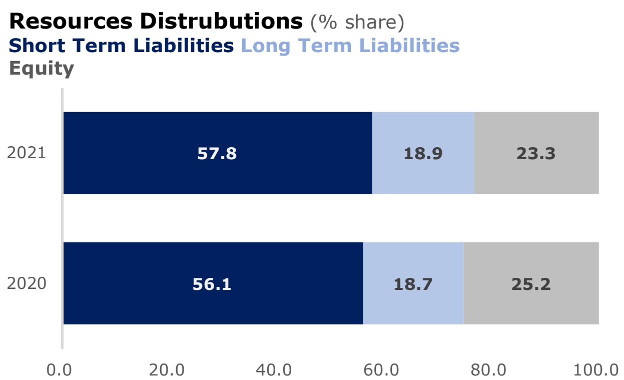
Source: CBRT, Company Accounts Statistic for 2009-2021

At FYE2018, architectural and engineering companies had TRY 8.28bn net loss due to high level of FX loss which was stem from TRY depreciation and recorded -21.84% net margin. In 2021, thanks to increasing net sales, net profit materialized as TRY 5.30bn and net profit margin rose to 7.2%, the highest level in 5 years.



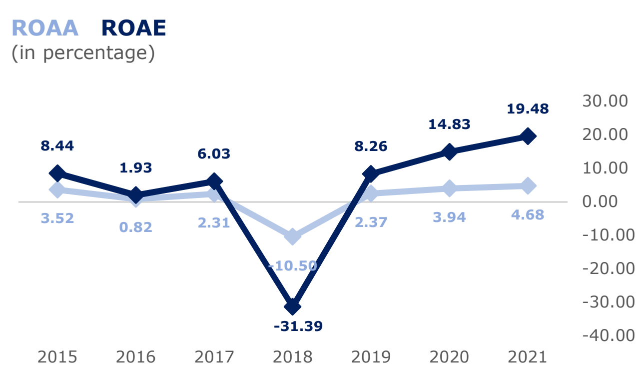
Source: CBRT, Company Accounts Statistic for 2009-2021

High short-term liabilities stand out in the consolidated balance sheets of companies operating in the field of architecture and engineering. At FYE2021, the short-term liabilities mainly consisted of trade and other payables.



Source: CBRT, Company Accounts Statistic for 2009-2021

According to the consolidated financial statements, net profit margin increased from 6.55% to 7.20% whilst the indicators of Return on Average Assets (ROAA) and Return on Average Equity (ROAE) which are based on average asset and equity values of the last two financial years, increased from 3.94% and 14.83% to 4.68% and 19.48% at FYE2021, respectively.



Source: CBRT, Company Accounts Statistic for 2009-2021

Information About IoT Industry

The digital economy is outperforming all other sectors in terms of speed of growth, the dynamics of innovation, and the scope of influence. It is the key to creating new structures and mechanisms for economic growth. So far, more than 170 countries and regions have already published digital strategies. With the emergence of new technologies, particularly 5G, AI, cloud, and IoT, ICT is weaving into the fabric of vehicles, homes, businesses, and cities more rapidly than ever before.

The IoT market size was valued at more than USD 700 billion in 2021 and is expected to grow at a compound annual growth rate (CAGR) of more than 10% during 2021-2026. The increasing demand for mobile data connectivity at higher speeds, mainly driven by mobile video consumption, ultra-low latency communication services (e.g., gaming, AR, and VR), and the development of the mobile 5G, will support the adoption of IoT.

Although the market is gaining traction, manufacturers of IoT devices face major design challenges. The battery life of IoT products is a serious limitation. Manufacturers face issues in packaging and integration of small-sized chips with less weight and power consumption. Computers are getting smaller, but battery energy remains the same.

According to GlobalData estimates, the global IoT market will grow from more than US$ 700 billion in 2021 to more than US$ 1200 billion in 2026 at a CAGR of more than 10% from 2021 to 2026. The sector has been able to grow so rapidly partly due to a lack of standards. The leading standards body for the Industrial Internet is called the Industrial Internet Consortium (IIC), founded in 2014. The IIC – whose founding members include Intel, Cisco, AT&T, GE, and IBM – aims "to test applications, coming up with best practices and standards, influencing IoT standards for Internet and industrial systems, creating a forum for sharing ideas and in general, pushing the ecosystem forward." It has a broad membership of over 250 firms, including Microsoft, Samsung Electronics, Infosys, SAP, Kuka, Dell, and HP.

5. Additional Rating Assessments

Credit, market, operational and liquidity risks represent the major categories of risks for Kontrolmatik resulting from its operations. Kontrolmatik is exposed to a variety of financial risks, including the effects of changes in debt and capital market prices, foreign exchange rates and interest rates.

The Company's risk management program focuses on the unpredictability of financial markets and targets to minimize the potential negative effects on the financial performance of the Company. Credit, market, liquidity and operational risks are monitored by the Company. The Board of Directors is responsible for the necessary.

Credit Risk

Credit risk concerns the risk that a loss will be suffered due the inability of the counterparty to meet its obligations. A financial loss which may occur due to the inability to fulfil their outstanding commitments of either parties of a financial instrument is defined as credit risk. Therefore, trade receivables, other receivables, bank deposits and cash and cash equivalents are the major items that make the Company be exposed to credit risk. The Credit risk consist of cash and cash equivalents, trade receivables and bank deposits.

As stated in the audit report, the principle items exposed to credit risk include trade receivables, other receivables and cash equivalents which collectively amounted to TRY 2.16bn at FYE2022 with an increase from the previous year's figure of TRY 505.15mn.

The credit risk of the Company is scattered due to the fact that the Company works with many customers and this situation is evaluated positively. The Company had undertaken the project on a turnkey basis.

This credit risk was mainly derived from an increase in the trade receivables and bank deposit with a rise of 113.38% and 15-fold in FYE2022, respectively. Total credit risk exposure comprised 53.72% and 49.41% of total asset size as of FYE2021 and FYE2022, respectively. On the other hand, cash and cash equivalents significantly increase from TRY 76.91mn to TRY 1.25bn in FYE2022. (Deposits and Mutual Funds balance is included in the balance of Deposits at Banks).

The Company allows full provision for its impaired receivables that minimizes the negative effects of non-collected receivables on the equity. The doubtful trade receivables have maintained at levels amounted with TRY 31.23mn as of FYE2022 (doubtful receivables correspond to 3.41% total of trade and other receivables) whereas the total receivables were TRY 916.03mn at FYE2022.

Market Risk

Market risks stem from fluctuations in the value of a financial instrument which could potentially impact the Company's future cash flows. These include foreign currency risk, interest rate risks and risks relating to changes in the prices of financial instruments and commodities.

Foreign Currency Risk:

The Company's foreign currency-based assets and liabilities mainly consist of foreign currency trade receivables, trade payables and financial liabilities. The Company is exposed to market risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company, mainly in USD. Due to the high level of foreign currency denominated trade receivables and other financial assets, the Company operates with long FX position in FY2022.

The distribution of foreign currency assets and liabilities as of 2022 and 2021 year-ends are shown below.

FX Position		
(TRY)	2022	2021
Assets	1.794.394.663	483.074.326
Liabilities	-746.604.405	-436.891.290
Net FX Position	1.047.790.258	46.183.036

When all other factors are kept constant, before tax profit (loss) and equity include a variance range of (+/-) of TRY 104.779.026 in the case of and increase/decrease of 10% in exchange rates as of FYE2022 (FYE2021: (+/-) TRY 4.62mn). The Company aims to increase its profitability with the surging price movements and ultimately benefit from leverage, without creating an additional currency and significant interest rate risk with TRY loans with relatively low interest rates.

Interest Rate Risk:

The interest rate risk is managed by carrying interest rate sensitive financial assets in response to short-term financial instruments. At FY2022, the Company carries an interest rate risk arising from the fixed and variable interest rate among the bank loans. Total monetary value of the liabilities exposed to interest rate risk was TRY 1.77bn at FYE2022. TRY 1.53bn is fixed rate financial liabilities and TRY 238.4mn is floating rate financial instruments.

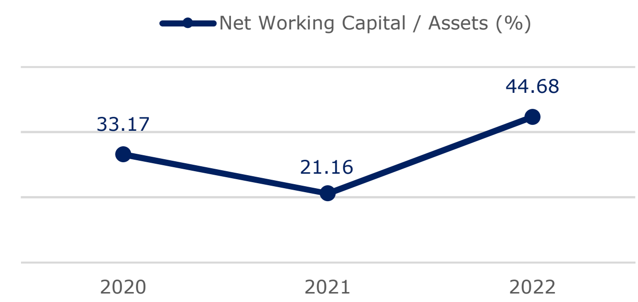
At FYE2022, if interest rates on USD denominated borrowings had been higher by 100 base point with all other variables held same, profit before income taxes would have been TRY 5.9mn (FY2021: TRY 2.7mn) lower, principally as a result of high interest expense on floating rate borrowings.

Moreover, the Company is exposed to financial risks related to price risk, changes in interest rates and exchange rates due to its activities. In this context, the distribution of incomes and expenses according to foreign currency types and the distribution of debts according to foreign currency types and with variable and fixed interest rates are followed by the Company management.

Liquidity Risk

Liquidity risk refers to the possible inability to fund payment obligations. It arises in the general funding of the Company's activities and in the management of positions. The principle responsibility for liquidity risk management rests with the Company's Board which formulated an appropriate risk management policy for the short, medium, and long-term funding and liquidity requirements. The probable and real cash flows are monitored on a regular basis and through matching the maturities of financial assets and liabilities whilst maintaining access to adequate funds and debt reserves.
To assess the liquidity risk of a company, it is important to track net working capital level, total cash credit lines, maturity profile of liabilities, cash and cash equivalents. The share of liquid assets (comprising of cash items) in relation to total liabilities (excluding equity) ratio has surged to 38.40% at FYE2022 from 11.80% at FYE2021, primarily driven by the increase in bank deposits and demonstrates a sufficient liquidity position.

The Company's NWC has seen more than 8-fold increase jumping from TRY 199mn to TRY 1.96bn in FYE2022. Also, the Company's net working capital to assets ratio also realized as 44.68% in FYE2022.



The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. As of FYE2022, the Company's current ratio level realized as 2.70x.

As of 27.02.2023, credit lines of the Company were provided by 25 different financial institutions worth circa TRY 2.73bn and 64.11% of this total line was drawn upon.

Operational, Legal Regulatory & Other Risks

Operational risk is the risk of direct or indirect loss arising from operational activities and other processes related with the Company's activities which are prone to certain risks associated with the Company's processes, personnel, technology, and infrastructure. In the event that necessary precautions are not taken in time, these risks cause a loss and may dampen the brand value of the institutions. The senior management carries out duties to avoid probable operational risks when required as well as with a specific unit.

Kontrolmatik is acting with a human-oriented risk perception, prioritizes the health and safety of its employees and focuses on measures in this direction. In this period, OHS (Occupational health and safety) trainings and precautions given utmost importance. Thus, the firm creates and implements policies to prevent risks and minimize their effects.

Although the use of high technology and automation has a large place in the industry today, it is seen that there are still areas where manpower is needed and these activities bring some operational risks in terms of occupational health and safety. The Company's sensitivity to occupational health and safety is a positive reference in terms of operational and reputational risk management.

Coordinated by the Board of Directors and senior management to create scenarios for foreseeable and unforeseen risks and to develop preventive and protective strategies against these scenarios. Especially collection, resource management, budget balance, cash flow, currency risk, pandemic, work accident, etc. measures are being developed against risks.

On the other hand, The Internal Audit and Control Mechanism at the Company operates especially budget controls of projects, control of expenditures and audit, compliance law and regulations and also on many subjects. Early Detection of Risk Committee was established on 08.03.2021 pursuant to CMB Legislation.

All these issues are among the important operational risks for the Company, and Kontrolmatik carries out its operations in accordance with national and international standards to mitigate such risks.

KONTROLMATİK TEKNOLOJİ ENERJİ VE MÜHENDİSLİK ANONİM ŞİRKETİ (Consolidated Financials)

Balance Sheet (000' TRY)

	2022	2021	2020
TOTAL ASSETS	**4.376.863**	**940.426**	**320.073**
CURRENT ASSETS	**3.108.475**	**778.898**	**281.013**
Cash and Cash Equivalents	1.182.097	77.149	52.087
Financial Investments	134.898	40.979	4.882
Trade Receivables	835.359	393.794	113.251
Trade Receivables from Related Parties	12.914	6.768	8.946
Trade Receivables from Third Parties	822.445	387.026	104.305
Other Receivables	80.669	36.308	25.400
Contract Assets	33.229	4.097	643
Inventories	408.767	133.991	59.841
Prepaid Expenses	406.969	71.985	20.568
Current Tax Assets	7.150	673	2.709
Other Current Assets	19.337	19.922	1.632
FIXED ASSETS	**1.268.388**	**161.528**	**39.060**
Financial Investments	7.113	2.109	0
Investments Valued by Equity Method	45.030	4.789	-54
Investment Properties	89.123	46.374	23.182
Tangible Fixed Assets	627.574	65.829	12.766
Right-of-Use Assets	1.189	788	0
Intangible Fixed Assets	38.270	22.607	213
Prepaid Expenses	292.325	11.576	339
Deferred Tax Asset	167.764	7.456	2.614
TOTAL LIABILITIES & EQUITY	**4.376.863**	**940.426**	**320.073**
SHORT TERM LIABILITIES	**1.152.679**	**579.885**	**174.829**
Short Term Borrowings	390.068	179.060	42.323
Short Term Portion of Long Term Borrowings	100.949	42.514	6.852
Trade Payables	473.489	157.818	81.330
Trade Payables to Related Parties	6.031	340	0
Trade Payables to Third Parties	467.458	157.478	81.330
Employee Benefits	13.797	2.929	1.321
Other Payables	5.411	4.449	69
Contract Liabilities	38.235	2.047	2.262
Deferred Income	82.337	175.210	37.563
Current Tax Liabilities	36.362	10.264	1.360
Short Term Provisions	2.678	1.224	649
Other Short Term Liabilities	9.353	4.370	1.100
LONG TERM LIABILITIES	**1.925.303**	**74.141**	**11.517**
Long Term Borrowings	688.881	67.942	6.886
Other Payables	1.201.855	0	0
Other Payables to Related Parties	1.201.855	0	0
Long Term Provisions	2.701	1.294	904
Deferred Tax Liabilities	31.866	4.905	3.727
EQUITY	**1.298.881**	**286.400**	**133.727**
Share Capital	200.000	38.063	38.063
Repurchased Shares (-)	-14.150	0	0
Share Premium (Discount)	438.588	59.332	59.332
Other Accumulated Comprehensive Income (Expenses) That Will Not Be Reclassified To Profit or Loss	151.647	32.855	4.298
Other Accumulated Comprehensive Income (Expenses) to be Reclassified to Profit or Loss	3.542	469	0
Restricted Reserves	11.129	1.617	10
Previous Years Profits or Losses	18.917	23.574	8.109
Net Profit or Loss	469.061	130.668	23.979

- *Including JCR Eurasia Rating's adjustments where applicable,*

KONTROLMATİK TEKNOLOJİ ENERJİ VE MÜHENDİSLİK ANONİM ŞİRKETİ (Consolidated Financials)

Income Statement (000' TRY)

	2022	2021	2020
Revenue	1.791.154	611.808	201.142
Cost of Sales	-1.308.889	-446.449	-153.570
GROSS PROFIT (LOSS)	**482.265**	**165.359**	**47.572**
General and Administrative Expenses	-55.923	-18.237	-15.652
Marketing Expenses	-42.376	-27.125	-5.958
R&D Expenses	-13.620	-4.405	-875
Other Operating Income	331.197	179.221	46.814
Other Operating Expenses	-202.967	-126.232	-40.255
OPERATING PROFIT (LOSS)	**498.576**	**168.581**	**31.646**
Income from Investment Activities	126.768	65.079	4.863
Expenses from Investment Activities	-9.389	-902	-197
Shares of Investments' Profits (Losses) Valued by Equity Method	-259	-158	-39
OPERATING PROFIT (LOSS) BEFORE FINANCING ACTIVITIES	**615.696**	**232.600**	**36.273**
Financing Income	39.168	3.454	1.712
Financing Expenses	-232.484	-87.152	-10.986
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**422.380**	**148.902**	**26.999**
Tax Income Expense from Continuing Operations	**61.412**	**-18.348**	**-3.012**
Current Tax (Expense) Income	-87.049	-23.481	-3.137
Deferred Tax (Expense) Income	148.461	5.133	125
NET PROFIT FROM CONTINUING OPERATIONS	**483.792**	**130.554**	**23.987**
NET PROFIT (LOSS) FOR THE PERIOD	**483.792**	**130.554**	**23.987**
Non-Controlling Shares	14.732	-114	8
Parent Shares	469.060	130.668	23.979

- *Including JCR Eurasia Rating's adjustments where applicable,*

KONTROLMATİK TEKNOLOJİ ENERJİ VE MÜHENDİSLİK ANONİM ŞİRKETİ (Consolidated Financials)

Key Ratios & Metrics

	2022	2021	2020
PROFITABILITY			
EBITDA Margin (%)	21,52	20,02	13,35
EBIT Margin (%)	20,68	18,89	12,47
CFO Margin (%)	19,08	-22,12	-28,58
Return on Average Assets (ROaA) (%)	18,20	20,71	9,67
Return on Average Equity (ROaE) (%)	61,04	62,15	27,24
Net Profit Margin (%)	27,01	21,34	11,93
Operating Profit Margin (%)	27,84	27,55	15,73
Gross Profit Margin (%)	26,92	27,03	23,65
LIQUIDITY			
FFO Debt Service Coverage (x)	0,78	0,59	0,59
Current Ratio (x)	2,70	1,34	1,61
Net Working Capital / Assets (%)	44,68	21,16	33,17
LEVERAGE			
FFO / Adjusted Net Debt (%)	NM	59,89	688,12
Adjusted Net Debt / EBITDA (x)	CS	1,73	0,15
FOCF / Adjusted Net Debt (%)	NM	CS	NM
Adjusted Debt / Capital (%)	47,60	50,27	29,54
Adjusted Short-Term Net Debt / EBITDA (x)	CS	1,18	CS
EFFICIENCY			
RoC (Return on Capital) = EBIT / Avg. Capital (%)	24,25	30,19	19,15
Working Capital Turnover Ratio (x)	1,66	4,01	3,27
Operating Ratio (%) = OPEX / Net Sales	6,25	8,13	11,18
Equity Turnover (x)	2,26	2,91	2,28
Cash Conversion Cycle (days)	113	133	79
Account Receivables Turnover (x)	2,91	2,41	2,37
Inventory Turnover (x)	4,82	4,61	4,47
Payables Turnover (x)	4,15	3,73	2,34
COVERAGE			
EBITDA / Adjusted Interest (x)	13,56	13,34	6,82
FFO Interest Coverage= (FFO + Adjusted Interest Paid) / Adjusted Interest Paid (x)	14,17	14,85	7,95
CFO / Capex (x)	4,78	-2,41	-43,16
FOCF Dividend Coverage=FOCF (t-1) / Dividends Paid (t) (x)	-15,41	-8,52	NM
GROWTH			
Sales Growth (%)	192,76	204,17	7,78
EBITDA Growth (%)	214,65	356,33	-2,84
Asset Growth (%)	365,41	193,82	81,86

NM: Not Meaningful

CS: Cash Surplus

- *Including JCR Eurasia Rating's adjustments where applicable,*

Rating Info

Rated Company:	KONTROLMATIK TEKNOLOJI ENERJI VE MÜHENDISLIK A.Ş. Oruçreis Mahallesi, Tekstilkent Cad. No: 12-B/154 Esenler / İstanbul Telephone: +90 (212) 659 2441
Rating Report Preparation Period:	01.03.2023 – 14.03.2023
Rating Publishing Date:	22.03.2023
Rating Expiration Date:	1 full year after publishing date, unless otherwise stated
Audited Financial Statements:	FYE2022-FYE2021-FYE2020 | Consolidated
Previous Rating Results:	22.03.2022 / Long Term National Scale / “A (tr)” /Stable
Rating Committee Members:	Ş. Güleç (Executive Vice President), B. Pakyürek (Manager), K. F. Özüdoğru (Manager)

Disclaimer

The ratings revised by JCR Eurasia Rating are a reflection of the Company’s independent audit reports prepared in conformity with Turkish Financial Reporting Standards (TFRS) and International Financial Reporting Standards (IFRS), on and off-balance sheet figures, general market conditions in its fields of activity, unaudited financial statements, information and clarifications provided by the Company, and non-financial figures. Certain financial figures of the Company for previous years have been adjusted in line with the JCR Eurasia Rating’s criteria.

The Company’s balance sheet composition, asset quality, risk management practices, business profile, liquidity management, history in the sector, profitability figures, revenues, debt structure
e, growth rates, off-balance sheet commitments, and the financial and non-financial positions of the main shareholders were taken into consideration while determining the risk assessment of the long-term international local currency and foreign currency ratings as well as national ratings.

Considering the fact that there are no additional legal or financial collateral guarantees provided separately for the repayment of the bonds issued, the note assigned for the TRY dominated bond issuance is assigned as the same as the Company's Long and Short Term National Local Ratings, unless otherwise stated.

Previous rating results and other relevant information can be accessed on www.jcrer.com.tr

This rating report has been composed within the methodologies registered with and certified by the SPK (CMB-Capital Markets Board of Turkey), BDDK (BRSA-Banking Regulation and Supervision Agency) and internationally accepted rating principles and guidelines but is not covered by NRSRO regulations.

JCR Eurasia Rating
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