RATING BİLDİRİM FORMU

Derecelendirme Kuruluşu	: JCR AVRASYA DERECELENDİRME A.Ş.
Derecelendirilen Kuruluş	: Mega Metal Sanayi ve Ticaret A.Ş.
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Tarih	: 27.06.2024
Konu	: SPK Seri VIII, No 51 sayılı Esaslar Tebliğinin 26.maddesi

SPK- Muhasebe Standartları Dairesi Başkanlığı'na
Merkezi Kayıt Kuruluşu A.Ş.- Kamuyu Aydınlatma Platformu

"Mega Metal Sanayi ve Ticaret A.Ş." JCR Eurasia tarafından değerlendirilmiştir.

- Çeşitli ürün yelpazesi ve yüksek kapasite kullanım oranları sayesinde 2023 mali yılında FAVÖK üretimindeki artış
- 2023 mali yılında net borç/FAVÖK çarpanındaki iyileşmeyle desteklenen tatminkâr seviyedeki borç ödeme kapasitesi
- Likidite yönetimini kolaylaştıran pozitif nakit akışı göstergeleri ve net işletme sermayesi seviyesi
- Dönemsel net kar oluşturma kabiliyetiyle kârlı faaliyetlerini devam ettirmesi
- Kısa nakit dönüşüm döngüsüyle desteklenen operasyonel verimlilik
- Uluslararası operasyonlarda konsantrasyon riskini önleyen ihracat gelirlerinin coğrafi olarak çeşitliliği
- Kurumsal yönetim ilkelerine yüksek uyum göstermesi
- Gümüş kaplı bakır tel üretimi sayesinde sektörde farklılaşmanın yanı sıra uzun süreli performans geçmişi
- Sektörün doğası gereği nispeten düşük karlılık marjları
- Yabancı para çevrim farklarının özkaynaklar içindeki önemli nakit dışı katkısı
- Sektörün rekabetçi yapısı
- Öncü ekonomik göstergeler küresel çapta ekonomik yavaşlamaya işaret ederken, miktarsal sıkılaştırma tedbirlerinin yurt içinde tüketim artışını kısıtlamayı ve yumuşak iniş sağlamayı hedeflemesi

Esas itibariyle yukarıdaki hususlar kapsamında **"Mega Metal Sanayi ve Ticaret A.Ş.**" nin Uzun Vadeli Ulusal Kurum Kredi Rating Notu **"A+ (tr)"** seviyesinden **"AA- (tr)"** seviyesine revize edilmiş olup diğer tüm notlar aşağıdaki şekilde oluşmuştur.

Uzun Vadeli Ulusal Kurum Kredi Rating Notu	:	**AA- (tr)** / (Stabil Görünüm)
Kısa Vadeli Ulusal Kurum Kredi Rating Notu	:	**J1+ (tr)** / (Stabil Görünüm)
Uzun Vadeli Uluslararası Yabancı Para Kurum Kredi Rating Notu	:	**BB** / (Stabil Görünüm)
Uzun Vadeli Uluslararası Yerel Para Kurum Kredi Rating Notu	:	**BB** / (Stabil Görünüm)

Not: *JCR AVRASYA DERECELENDİRME A.Ş. derecelendirmeleri, bir menkul kıymetin ve/veya ihraççının kredi itibarına ilişkin objektif ve bağımsız görüşler olup herhangi bir menkul kıymetin satın alınması, tutulması, satılması veya kredi verilmesi tavsiyesi olarak değerlendirilmemelidir. Derecelendirme raporları yayımlama tarihinden itibaren aksi belirtilmedikçe 1 yıl geçerlidir. Ara dönem gözden geçirmelerin geçerlilik tarihi, orijinal raporun geçerlilik tarihini aşamaz.*

Saygılarımızla,
JCR AVRASYA DERECELENDİRME A.Ş.

Şevket GÜLEÇ	**Prof. Dr. Feyzullah YETGİN**
Genel Müdür Yardımcısı	**Genel Müdür**

Corporate Credit Rating

☐New ☒Update

Sector: Metal Industry
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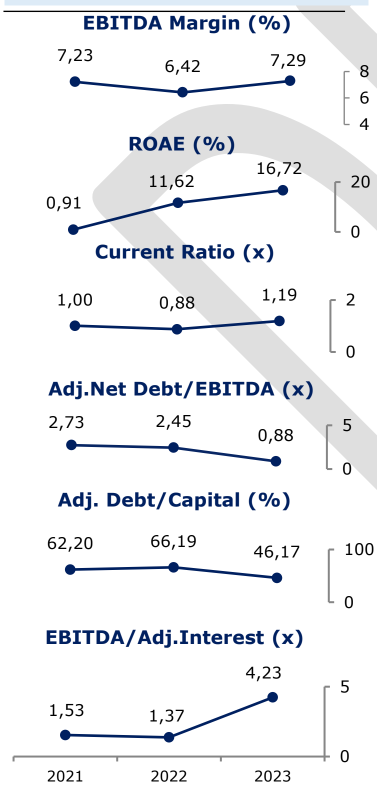
RATINGS

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	AA- (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 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*



MEGA METAL SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating has evaluated **"Mega Metal Sanayi ve Ticaret A.Ş."** in the investment grade category with very high credit quality and revised the Long-Term National Issuer Credit Rating from **"A+ (tr)"** to **"AA- (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 Ratings and outlooks of the Company have been assigned as **"BB /Stable"** as parallel to international ratings and outlooks of the Republic of Türkiye.

"Mega Metal Sanayi ve Ticaret A.Ş." (hereinafter referred to as **"Mega Metal"** or the **"Company"**) was formally founded in 2004 in order to produce oxygen-free electrolytic copper wire production in Kayseri. Also, the Company manufactures and exports these products in international and domestic trade. Mega Metal's production plant is located in Kayseri, which has an indoor area of 45,000 square meters and a total area of 75,000 square meters. The Company's current capacity is 48,000 tons in copper wire production annually, considering the main production line. The Company has been quoted on the Borsa Istanbul Stock Exchange (BIST) since 7-8 December 2023 and 23.68% of shares are publicly traded on the BIST with the ticker symbol **"MEGMT"** as of FYE2023. The paid in capital and equity of Mega Metal stood at TRY 265mn and TRY 2.77bn, respectively in FYE2023. Also, Mr. Cüneyt Ali Turgut has been the ultimate shareholder of "Mega Metal San. ve Tic. A.Ş." as of the report date.

Mega Metal, which meets a notable portion of Türkiye's superfine copper wire production, exports to more than 30 countries all over the world particularly to the European Union countries. The Company serves in the energy production, power generation and distribution, electricity, electronics, communications, renewable energy, electrical appliances, white goods, special industrial applications (robotics), aviation and automotive sectors with its unique oxygen-free electrolytic copper wires.

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

Strengths

- Enhancement in EBITDA generation in FY2023 thanks to various product range and high-capacity utilization rates
- Satisfactory debt service capacity underpinned by improvement in net debt/EBITDA multiplier in FY2023
- Positive cash flow metrics and net working capital level facilitating liquidity management
- Maintaining profitable operations by ability to generate periodic income
- Operational efficiency supported by short cash conversion cycle
- Geographical diversification of export revenues preventing concentration risk in international operations
- High compliance with the corporate governance principles
- Long-lasting track record along with differentiation in the sector thanks to the production of silver-plated copper wire

Constraints

- Relatively low profitability margins as a nature of the business
- Significant share of non-cash contribution of foreign currency translation differences in equity
- Competitive structure of the sector
- Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side

Considering the aforementioned drivers, the Company's the Long-Term National Issuer Credit Rating has been upgraded to **"AA- (tr)"** from **"A+ (tr)"**. The competitive advantage obtained through its steady growth in revenue streams, ongoing EBITDA generation, liquidity profile, diversified production and processing capacity, protection of asset quality, competition and market efficiency in the inter/national market, political tensions and other global downsides have been evaluated as important indicators for the stability of the ratings and the outlooks for Long-Term and Short-Term National Issuer Credit Ratings are determined as **"Stable"**. The Company's equity level, fluctuations of the exchange rates, debt maturity and its level, cash flow and liquidity level, EBITDA margin and net profit indicators are the prior issues to be followed by JCR Eurasia Rating in the upcoming period. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored as well.

1. Rating Rationale

Enhancement in EBITDA Generation in FY2023 Thanks to Various Product Range and High-Capacity Utilization Rates

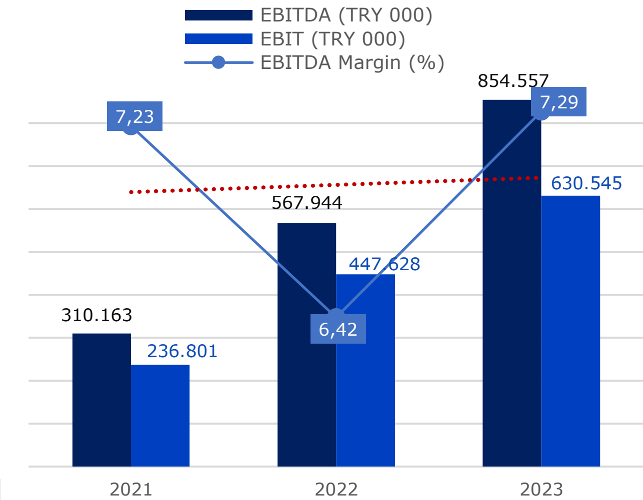
Mega Metal's production plant is located in Kayseri, which has an indoor area of 45,000 square meters and a total area of 75,000 square meters. The Company's current capacity is 48,000 tons in copper wire production annually, considering the main production line. According to this, Mega Metal realized a gross production of 45,281 tons this year in line with market demands with 94% capacity utilization rate as of FYE2023 (FYE2022: 44,697 tons).

Mega Metal, which meets a notable portion of Türkiye's superfine copper wire production, exports to more than 30 countries all over the world particularly to the European Union countries. The Company serves in the energy production, power generation and distribution, electricity, electronics, communications, renewable energy, electrical appliances, white goods, special industrial applications (robotics), aviation and automotive sectors with its unique oxygen-free electrolytic copper wires.

Despite the recessionary concerns throughout FY2023, the Company's financial performance was stable during the reporting period even with its slow-down in sales growth. Contrarywise, Mega Metal realized a gross production of 45,281 tons this year in line with market demands with 94% capacity utilization rate as of FYE2023 (FYE2022: 44,697 tons). Also, it must be noted that Mega Metal reached the highest January-April production and sales figures in the Company's history on a tonnage basis in the January-March 2024 period. While the Company produced a total of 15,737 tons and sold 14,681 tons of wire in the January-April period of 2023; in the January-April period of 2024, Mega Metal produced 17,048 tons and sold 16,081 tons of wire.

Mega Metal's EBITDA generation capacity is in an upward trend and totaled TRY 854.56mn in FY2023, increased by 50.47% from TRY 567.94mn in FY2022. Likewise, the Company's EBITDA margin stood at 7.29% in FY2023 (FY2022: 6.42%).

Also, it must be noted that the Company has a sustainable EBITDA generation capacity in the examined period.



Also, Mega Metal's principle financial indicators for the last three-years and 3M2024 period including JCR-ER's adjustments are shown as in the table below.

TRY (000)	3M2024*	2023**	2022	2021
EBIT***	227,974	630,545	447,628	236,801
Depreciation & Amortization	78,663	224,012	120,316	73,362
EBITDA****	306,637	854,557	567,944	360,163
Net Financial Debt*****	1,447,725	754,668	1,393,531	846,639
EBITDA/Interest Paid (x)	NM	4.23	1.37	1.53
Net Financial Debt/EBITDA (x)	1.18	0.88	2.45	2.73

*Based on limited financial statements as of 3M2024
**Based on audited financial statements and independent audit report (01.01.2023-31.12.2023)
***EBIT= Gross Profit - OpEx (SG&A, Marketing and R&D expenses)
****EBITDA= EBIT + Depreciation & Amortization
*****Net Financial Debt = Financial Liabilities (including IFRS 16 lease liabilities) - Cash & Cash Equivalents – Financial Investments (exchange rate protected deposits)
***** As of 3M2024, net financial debt to EBITDA was calculated by considering the EBITDA of the last 12 months.

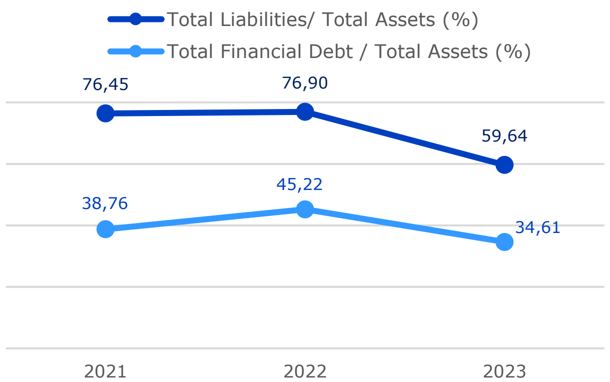
NM: not meaningful

Satisfactory Debt Service Capacity Underpinned by Improvement in Net Debt/EBITDA Multiplier in FY2023

Mega Metal's total financial borrowings amounted to TRY 2.37bn at FYE2023 -including IFRS 16- (TRY 1.61bn at FYE2022), which equated to nearly 20.24% of sales revenues. However, when cash and cash equivalent items are excluded (TRY 110.99mn were deemed as cash equivalents in financial investments as of FYE2023) from net financial borrowings, net debt amounted to TRY 754.67mn at FYE2023 in comparison to the reported EBITDA of TRY 854.56mn as of FY2023.

The debt ratio, that of total liabilities to total assets, stood in a relatively low position considering the Company's position and activities, 59.64% as of FYE2023, indicating a decay from the level of 76.90% at FYE2022 even with the increase in financial loans.

On the other hand, the total financial debt to assets ratios decreased to 34.61% at FYE2023 from 45.22% at FYE2022.



The investment securities, which were related to currency protected deposit accounts, in current assets (TRY 110.99mn) were deemed as cash equivalents at FYE2023. Thus, the Company's net debt-to-EBITDA improved to 0.88x in FYE2023 from 2.45x in FYE2022, even with the increase in financial loans. Also, the Company's net debt-to-equity ratio improved to 0.31x at FYE2023 from 1.69x at FYE2022.

	3M2024**	2023	2022	2021
Net Debt / EBITDA (x)	1.18	0.88	2.45	2.73
Net Debt / Equity (x)	0.49	0.31	1.69	1.45

*Includes IFRS 16 lease liabilities
**Based on limited financial statements as of 3M2024
** As of 3M2024, net financial debt to EBITDA was calculated by considering the EBITDA of the last 12 months.

Furthermore, financial liabilities constituted 58.04% of the total liabilities at FYE2023 with a decay by 0.76% compared to FYE2022. Related to this, Mega Metal's financial liabilities were mostly composed of less than one-year maturity bracket with a rate of 83.30% at FYE2023. As of December, 2023, financial debt due in next 12 months amounts to TRY equivalent of 1.98bn, which includes lease liabilities. However, when cash and cash equivalent items (including currency protected deposit accounts), which were totalled TRY 1.62bn, were excluded from current financial borrowings, the Company had TRY 358.15mn short-term financial net debt at FYE2023. Short maturity profile of the funding exerts pressure on liquidity management through renewal risk of borrowings. Whereas the total EBITDA of the Company will be expected to be over TRY 854.56mn which is efficiently capable to overcome the short-term debt as of FYE2024.

Total Financial Borrowings Repayment Schedule:

Financial Borrowings Repayment Schedule (TRY 000)	FYE2023*	FYE2022
Less than 1 year	1,977,200	1,302,394
1-5 years	390,254	270,793
More than 5 years	6,261	37,837
Total Financial Liabilities	**2,373,715**	**1,611,023**

(*) Based on audited financial statements and independent audit report (01.01.2023-31.12.2023)

As of FYE2023, TRY 474mn of the Company's financial borrowings consist of IFRS 16 lease obligations.

On the other hand, when the USD-based reporting is taken as a basis, as of FYE2023, Mega Metal's total financial liabilities diminished to USD 80.49mn at FYE2023 from USD 86mn at FYE2022.

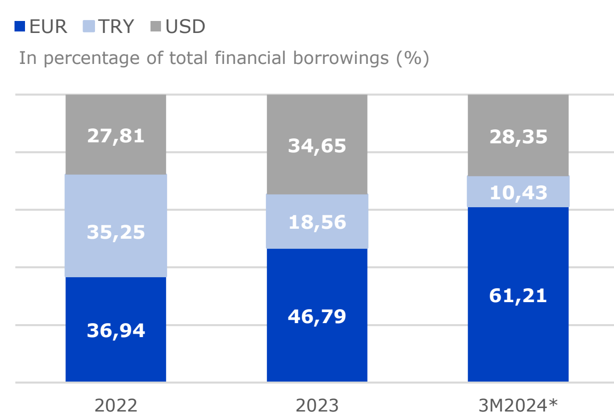
USD-based financial statements as of FYE2023:

(USD 000)	FYE2023	FYE2022	FYE2021
Financial Liabilities	80,489	86,004	71,924
Less: Cash & Cash Equivalents	(6,755)	(12,651)	(9,525)
Net Debt	**23,733**	**73,353**	**62,398**

*Includes IFRS 16 lease liabilities

As of FYE2023, the currencies of all the both short-term & long-term loans of the Company were in EUR, USD and TRY, the effective interest rates were 9%, 10% and 41% respectively, per year (FYE2022: 7% & 9% & 18%).

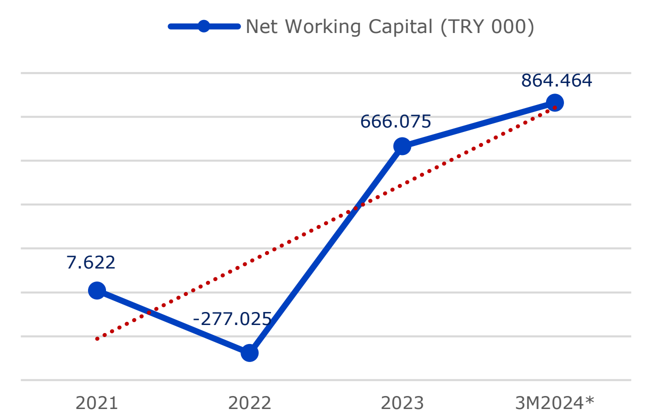
Bank loans, mainly consisting of EUR denominated debt, accounted for 46.79% of the bank loans (3M2024: 61.21%), followed by USD denominated liabilities with 34.65% (3M2024: 28.35%) at FYE2023.



*Based on limited financial statements as of 3M2024

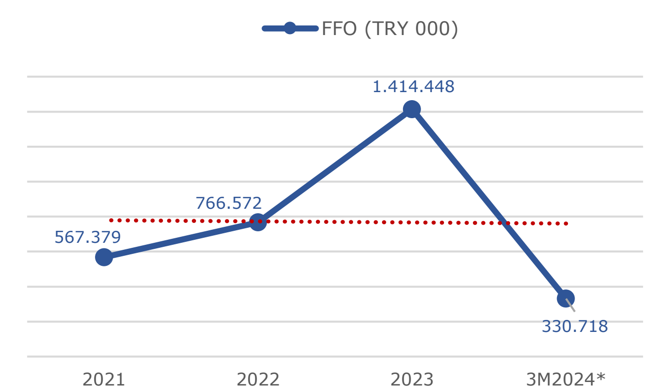
Positive Cash Flow Metrics and Net Working Capital Level Facilitating Liquidity Management

The principal liquidity ratios; current ratio, liquidity ratio and FFO debt service coverage were 1.19x, 1.24x and 0.65x respectively, at FYE2023. Also, Mega Metal's net working capital stood at TRY 666.08mn at FYE2023 (3M2024: TRY 864.46mn based on limited financial statements) therefore the Company still has sufficient networking capital. Whereas, the total financial liabilities of the firm rose to TRY 2.37bn at FYE2023 from TRY 1.61bn at FYE2022, due to the exchange rate difference since most of the bank loans are in foreign currency.



*Based on limited financial statements as of 3M2024

Likewise, the Company's FFO increased to TRY 1.41bn in FY2023 from TRY 766.57mn in FY2022, which also supports the liquidity position to a certain extent in FY2023 (3M2024: TRY 330.72mn based on limited financial statements).



*Based on limited financial statements as of 3M2024

Operating cash flow (CFO) of the Company improved considerably to TRY 1.19bn at FYE2023 from TRY 593.46mn at FYE2022. Therefore, Mega Metal is able to generate cash flow to service its capital expenditures and interest payments on the financial debt as of FYE2023.

(TRY 000)	FYE2023*	FYE2022
Funds from Operations (FFO)	**1,414,448**	**766,572**
Changes in Working Capital	(220,800)	(173,110)
Cash Flow from Operations (CFO)	**1,193,648**	**593,462**
Net Cash Flows used in/ from Investing Activities	(363,075)	(443,426)
Free Operating Cash Flow (FOCF)	**830,573**	**150,036**

(*) Based on audited financial statements (01.01.2023-31.12.2023)

As of FYE2023, the Company generated a CFO of TRY 1.19bn, (FYE2022: TRY 593.46mn), interest payments required. While Mega Metal's short-term net debt was TRY 358.15mn, it is expected that the Company maintains its both revolving and committed credit lines to manage its short-term liquidity given moderate leverage and reasonable cash flows, particularly in FYE2023.

In addition, the investments related to SPP projects, these 3 projects, which will be implemented in Kütahya and Bilecik, are planned to be commissioned at the end of the 2nd quarter of 2024, and the project planned to be implemented in Tunceli is planned to be commissioned in the 1st quarter of 2025. When the 3 projects come into operation, the average annual electricity production amount will be 57 Mwatt (Megawatt) and 85% of the electricity consumption will be met through offsetting; savings in electricity costs can be provided.

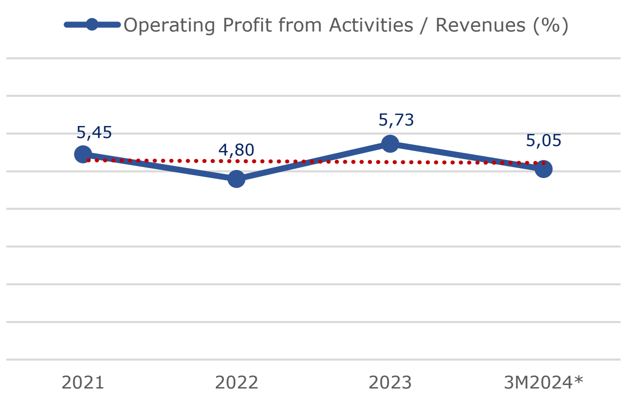
Also, silver coated wire investment was done via EUR 1 million. The Company made attempts in August, 2022 and then the production has started in September, 2022. Silver-coated wire is the only copper wire product that can be used particularly in space seconds, and a different alternative wire group cannot be used. It is especially used in the aerospace industry, qualified electrical machines, medical type instruments and robotic instruments.

Maintaining Profitable Operations by Ability to Generate Periodic Income

Raw material and commodity prices are based on LME (London Metal Exchange), and the increase in raw material prices mainly affects the turnover of the Company. However, Mega Metal's profitability margins stayed in a favorable bandwidth in the analyzed period due to a consistent price increase over reference prices.

Mega Metal has maintained its satisfactory profitability indicators throughout FY2023-2021 particularly due to the FX rate growths and reflecting increasing costs to its products in a certain extent. As of FY2023, the Company's operating profit from principal activities augmented to TRY 671.55mn from TRY 423.92mn in FY2022, with a growth by 58.41%. Also, operating profit margin increased to 5.73% in FY2023 from 4.80% in FY2022 mainly due to the effective cost management (3M2024: 5.05% based on limited financial statements).

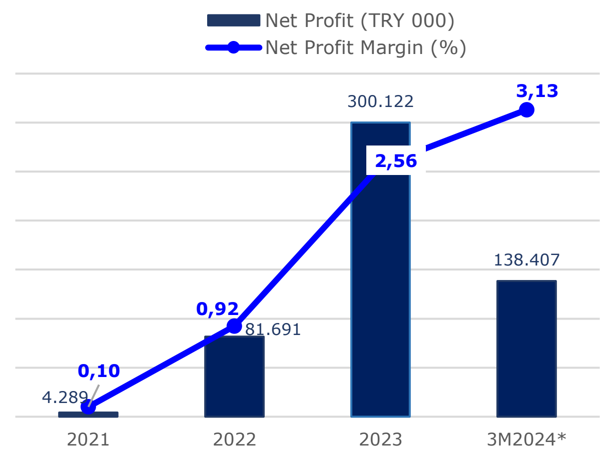
According to the provisional tax return figures as of 31.03.2024, Mega Metal's operating profit reached to TRY 248.27mn, which was higher than the 3M2023 level, which was TRY 145.62mn.



*Based on limited financial statements as of 3M2024

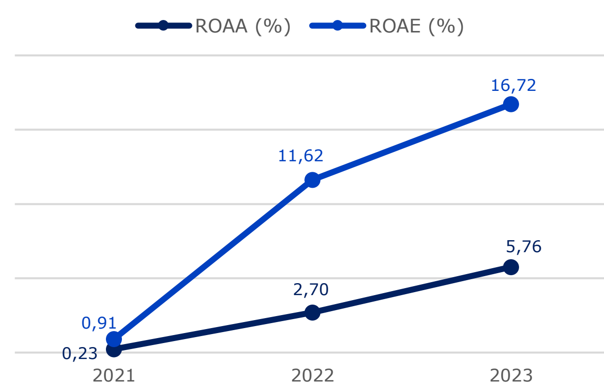
Due to sharp increase in commodities across the board with the resumption of economic activities, higher raw material prices support better profits for Mega Metal even with the sensitivity to global prices in revenue base, as indicated by the increase in revenues according to audited financial statements.

As of FY2023, Mega Metal's net profit augmented to TRY 300.12mn from TRY 81.69mn in FY2022 (3M2024: TRY 138.41mn based on limited financial statements). Also, the Company's net profit margin rose to 2.56% in FY2023 from 0.92% in FY2022.



*Based on limited financial statements as of 3M2024

On the other hand, profitability metrics of the return on average assets (ROAA) and equity (ROAE), which are calculated using Mega Metal's net profitability attained values of 5.76% and 16.72% in FY2023 (2.70% and 11.62% in FY2022).



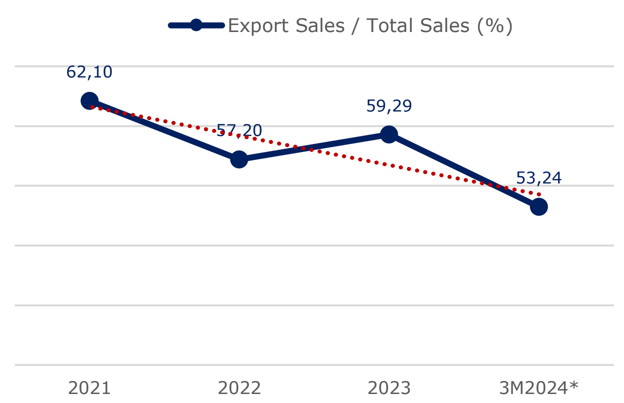
Operational Efficiency Supported by Short Cash Conversion Cycle

A shorter cash conversion cycle is better than a longer one because it means a business is operating more efficiently. When a company collects outstanding payments quickly, correctly forecasts inventory needs, or pays its bills slowly, it shortens the cash conversion cycle. Thus, a shorter cash conversion cycle means the Company operates more efficiently than long cash conversion cycle. Mega Metal does not have an issue for getting the payments due to majority of sales are realized via cash advance in the analysed period. Also, the Company's cash conversion cycle was 29 days in FY2023, which was 26 days in FY2022, which signifies an effective cash conversion cycle.

Geographical Diversification of Export Revenues Preventing Concentration Risk in International Operations

Currently, Mega Metal makes about 55-60% of its sales to abroad. The Company is aimed to increase export revenues, which have an important level in total revenues, in the upcoming period. For this purpose, the Company is planned to improve its production activities in abroad and international sales in the North American and European markets, and increase the Company's market share in foreign sales, especially in North America and Europe.

Furthermore, Mega Metal's sales revenues have been increasing over the years since 2016 and, likewise the Company's international revenues to total revenues stood at 59.29%, which constitutes more than half of the revenues as of FY2023 (3M2024: 53.24% based on limited financial statements). Mega Metal has a considerable market share in Europe and America. Besides, the Company exports mostly to Italia, Germany, France, USA, Slovakia and Austria, respectively.



*Based on limited financial statements as of 3M2024

High Compliance with the Corporate Governance Principles

Mega Metal has been listed on the Borsa Istanbul since 7-8 December 2023 with a ticker-name of "MEGMT". Depends on listed status, the Company complies with corporate governance practices and 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 namely Audit Committee, the Early Risk Detection Committee, Sustainability Committee and the Corporate Governance Committee. The Company's Board comprises of 10 members, 3 of whom are independent.

The Company's website is highly transparent and provides information about the history, vision and mission, board of directors and senior management, organizational chart and shareholders structure and operating fields, investor relations' information. Detailed financial and operational information is provided including annual report and audit reports, corporate governance principles compliance reports.

Long-Lasting Track Record Along with Differentiation in the Sector Thanks to the Production of Silver-Plated Copper Wire

"Mega Metal San. ve Tic. Ltd. Şti." was established in 2004 by Cüneyt Ali Turgut and Abdullah Turgut. As of FY2017, the Company changed its title to "Mega Metal San. ve Tic. A.Ş.". Currently, Mega Metal continues its activities with the production of electrolytic copper wire, bare and tinned mono wire, twisted wires and coil wires in its factory with a 45,000 m^2 closed area and a total area of 75,000 m^2 in Kayseri. The Company's current capacity is 48,000 tons in copper wire production annually, considering the main production line. The Company has been quoted on the Borsa Istanbul Stock Exchange (BIST) since 7-8 December 2023 and 23.68% of shares are publicly traded on the BIST with the ticker symbol "MEGMT" as of FYE2023.

It must be noted that single wire diameters up to 50 microns can be produced thanks to Mega Metal's ability to produce very thin copper wire. Therefore, the Company is positioned in a very special area in the market. In this way, its oxygen-free copper production is directly preferred in the production of cables with very special uses, from robotic products to medical products.

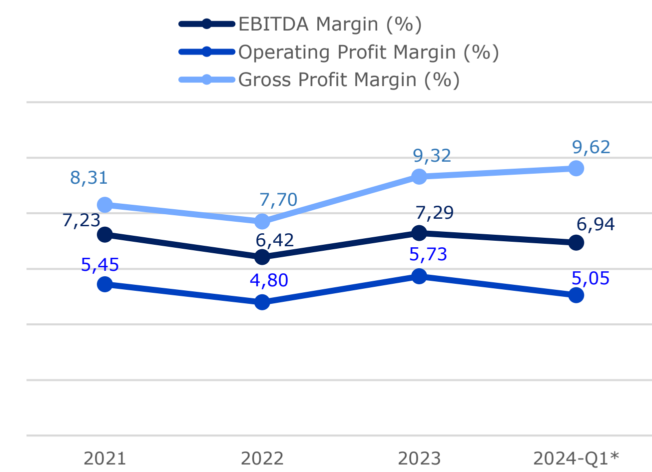
In addition to the Mega Metal's existing value-added (fine and niche) products, the Company starts the production of silver-plated copper wire from September 2022. With this product, Mega Metal will be almost the only company in Türkiye that produces silver-plated copper wire between China and America, so it will contribute to both the profitability of the Company and the country's economy with high exports. This production will generally be made for export purposes. With this investment, Mega Metal expects to become among the limited number of companies in the world that produce silver-plated copper wire.

Mega Metal, which meets more than half of Türkiye's superfine copper wire production according to the information provided by the Company, exports to more than 30 countries all over the world particularly to the European Union countries and thus 60% of Mega Metal's sales are comprised of export sales. The Company serves in the energy production, power generation and distribution, electricity, electronics, communications, renewable energy, electrical appliances, white goods, special industrial applications (robotics), aviation and automotive sectors with its unique oxygen-free electrolytic copper wires. According to the Istanbul Chamber of Industry every year, Mega Metal ranked 115th in the ISO 500 list in 2022 and also ranked 100th in 2021.

Relatively Low Profitability Margins as a Nature of the Business

Regarding the copper sector in which the Company operates; since copper is found in almost all regions of the world, it can be produced on a large scale. It is the metal that conducts electricity best among all other metals after silver, and it has high industrial importance, such as brass, bronze, etc. It has a wide range of uses due to reasons such as making alloys. Today, copper is the third most consumed metal after iron and aluminum.

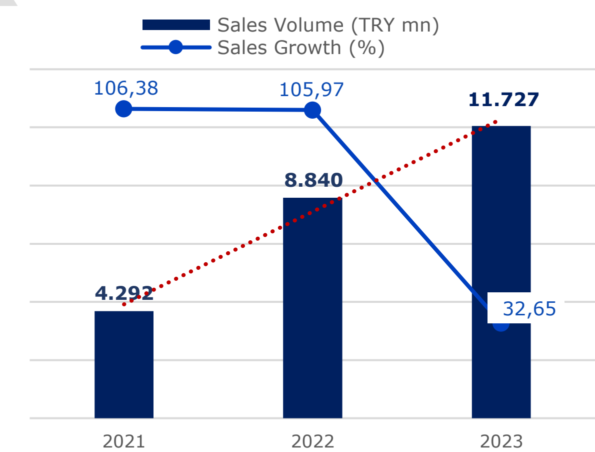
Although copper provides advantages with its unique properties in the areas where it is used, it is a substitutable metal and many different materials can be used instead. Copper can be replaced with various non-ferrous metals or non-metallic materials. These are substituted for automobile radiators, cooling and freezing pipes, aluminum for electronic equipment and power cables, titanium and steel for heat exchangers, fiber optics for telecommunications applications, water lines and waste drains, and plastic for plumbing accessories. However, high energy prices and rising copper prices suppress the development and profitability margins of the sector. Copper cutoff is included in both sales revenues and cost of sales. Therefore, even if gross profit increases, the profitability margin is suppressed as the copper prices increase.



*Based on limited financial statements as of 3M2024

Mega Metal sells to various sectors such as automotive OEM, aviation and space, energy generation and distribution, electricity, electronics, communication, renewable energy, electrical household appliances, white goods, special industrial applications and defense industry. In line with this, Mega Metal's sales revenues stood at TRY 11.73bn with a growth of 32.65% in FY2023 from TRY 8.84bn in FY2022. Sales growth rate slowed down due to the recessionary environment in Europe in FY2023. Also, the sales decreased by 3.10% in terms of tonnage compared to the previous year.

In addition, according to the limited financial statements as of 31.03.2024, the Company's sales revenues were TRY 4.42bn as of 3M2024.



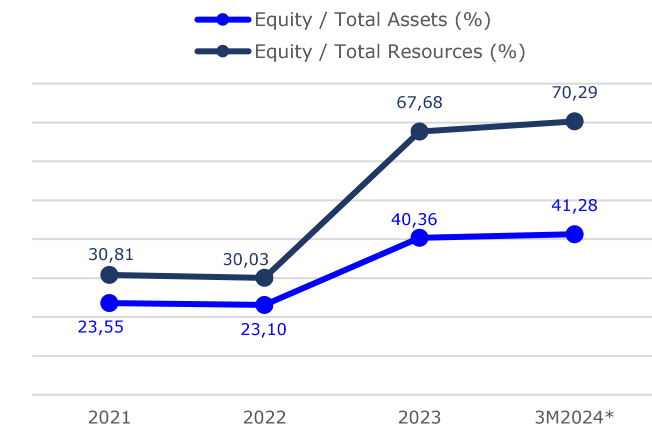
According to Mega Metal's growth strategy, starting from oxygen-free copper wire in these special products and diameters and then going down to thin diameters significantly increases the conductivity, flexibility and resistance to breakage of the wires that Mega Metal produces compared to competing production processes. Besides, the Company starts the production of silver-plated copper wire from September 2022 therefore Mega Metal will be almost the only company in Türkiye that produces silver-plated copper wire between China and America.

Significant Share of Non-Cash Contribution of Foreign Currency Translation Differences in Equity

Mega Metal's paid in capital and equity stood at TRY 265mn and TRY 2.77bn, respectively at FYE2023. In line with this, in 2023 and 2022, 38.42% and 60.11% of the equity came from FX translation differences, respectively. Since the functional currency is USD, a large part of the equity in the balance sheet is considered as non-cash contribution of foreign currency translation differences in equity. At this point, FX translation differences included directly or indirectly (stemming from net profit) in equity do not represent a cash inflow from the main activities. Therefore, the equity displays a relatively lower organic growth through internal resource generation from core operations when FX translation differences excluded.

On the other hand, as of FYE2023, Mega Metal's paid-in capital increased to TRY 265mn from TRY 225mn at FYE2022. It has been decided that the increased (B) group shares with a nominal value of TRY 40 million will be offered to the public by completely restricting the rights of the existing partners to purchase new shares.

In addition, equity to total liabilities ratio improved to 67.68% at FYE2023 from 30.03% at FYE2022. Likewise, equity to total assets ratio rose to 40.36% at FYE2023 from 23.10% at FYE2022. Thus, the Company still has a sufficient equity level as of FYE2023. Also, most of the previous year's profits are added to the capital instead of being distributed to the partners as dividends, which also strengthens the capital structure of the Company.



*Based on limited financial statements as of 3M2024

Competitive Structure of the Sector

Türkiye imports 60% of iron ore, 70% of scrap and 90% of coking coal which are main raw materials used in the production of steel since Türkiye lack of raw material sources. Hence, both the industry and the Company is facing raw material price fluctuations and inventory risks. Scrap metal is the main raw material used in production and since the scrap in the domestic market is not sufficient, facilities operating in the same sector that produce liquid steel from the arc furnace, import most of the scrap. Scrap supplier countries are developed countries that have already completed their industrialization and USA, UK and EU are among the largest scrap exporter countries. The private sector in Türkiye focused on arc furnace facility investments due to limited iron ore resources in Türkiye, investment cost and technological advantages of arc furnaces compared to blast furnaces. Therefore, Türkiye has become one of the biggest scrap importers in the World.

The bargaining power of scrap suppliers is relatively high due to the restricted number of international scrap suppliers and Türkiye's high demand in raw materials. Additionally, some large steel producing countries such as China, who mainly produce from iron ore, cause price fluctuations in iron ore and coking coal used in blast furnaces and this in turn from time to time affect the scrap prices as well. Raw material prices periodically varied depending on the demand and production in the global steel industry. Plants with arc furnaces produce much lower carbon emissions than those that produce from blast furnaces and are more advantageous in terms of carbon emissions. This situation provides a competitive advantage to producers in Türkiye compared to countries such as China in case of carbon trade requirements might be required within the framework of future climate agreements. Large international scrap companies are the important suppliers of the Company. In Türkiye, generally, US, Canadian and European origin scraps are imported by ships.

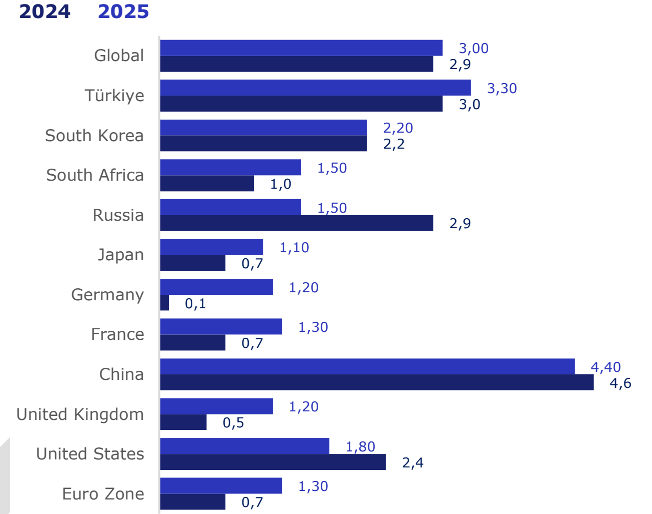
Metal prices have experienced a significant decline in 2023 due to weak demand in major economies. The ongoing weakness in the real estate sector has had a significant impact, particularly in China, which accounts for nearly 60% of global metal consumption. It is expected that metal prices will decrease further in 2024, and that prices will recover in 2025 as China's real estate sector stabilizes and the demand for metals such as copper and nickel used in green transformation increases. A larger-than-expected decline in China's real estate sector has the potential to pose a significant downside risk for metal prices.

Leading Economic Indicators Signal Global Economic Slowdown Whereas Quantitative Tightening Actions aim to Restrict Consumption Growth and Achieve a Soft-Landing in the Domestic Side

Companies based in Türkiye face several headwinds, stemming from both global and domestic conditions. Major central banks have been hiking rates at the most rapid pace in near history and net lending standards have been tightening as well. In Türkiye, Central Bank of Republic of Türkiye (CBRT) also joined the hiking central banks in June 2023, at a rapid pace as well. CBRT hiked the rates from 8.5% to 50% in a quick succession targeting ex-ante real interest and gradually lifted previously implemented macroprudential measures affecting bank lending. The aim of administration is to achieve a soft landing via curbing consumption, though selective lending to support exports & investments persist. As such, export-focused growth policies of China loom as a threat to domestic exports, who also face a slow growth in key markets and significant production costs.

The tightening actions of major central banks (increasing interest rates and quantitative tightening), especially the Fed, in order to fight inflation, increased global recession concerns. Accompanied by tightening financial conditions, a weak growth outlook emerged in 2023, especially in Europe and Euro Zone completed next year with only annual growth of 0.4% (2022: 3.4%). The weak growth outlook for Europe is still expected for 2024 (especially in Germany). In addition, ongoing geopolitical risks are still on the agenda.

GDP Outlook for 2024-25 (Annual Average Growth, %)

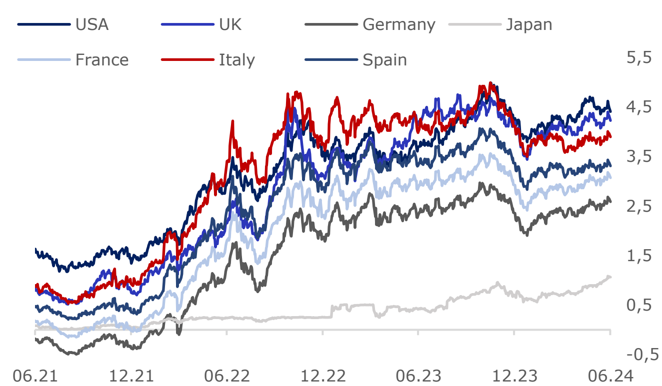


Source: Refinitiv Datastream, Reuters Poll (Median Forecast)
*As of 04-06-2024

Unprecedented pace of tightening and geopolitical risks severely limited the risk appetite towards emerging markets while the flow of funds to emerging markets weakened. Funds instead flowed to safe instruments such as the dollar and gold, fueled partly by the fear of credit/counterparty risk. With these expectations and central banks' guidance, government bond's yields were at record high level almost all over the world until last quarter of 2023.

In the first half of 2024, pullback in inflation, especially with the support of energy prices, has changed market expectations towards monetary expansion at an earlier date than expected before. Thus, global government bond yield has been starting to decrease from record high level.

10Y Government Bond Yield (%)



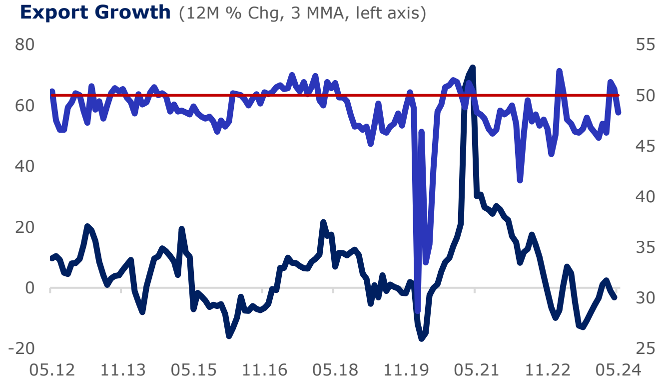
Source: Refinitiv Datastream

Recently, in line with the major central banks' guidance and the announced macroeconomic data, market expectations have become compatible with the central banks. The first easing step came from ECB in June. As JCR-ER, we expect major central banks to continue monetary expansion in the second half of 2024. With the monetary easing steps expected to be taken as of the second half of the 2024 (provided that rising oil prices due to possible geopolitical tension do not pose a risk on inflation), it is expected that the global demand outlook will recover compared the 2023, and this recovery will accelerate in 2025.

Following post-pandemic reopening, China took full advantage of its massive and integrated manufacturing sector, government subsidies to boost exports. On the other hand, domestic consumption is still weak after decades of investment/manufacturing focused policies. Therefore, for Chinese economy, the way forward is through shifting manufactured goods abroad, its long-term and global implications notwithstanding.

In this sense, we would expect China to double-down on any obstacle to its exports, as boosting domestic consumption requires a long and painful adjustment whereas boosting investment and consumption is more straightforward in the short run. In fact, as leading export indicators for China deteriorate, we would expect more aggressive policies to compensate for this. Therefore, Turkish companies face significant export competition from a global powerhouse.

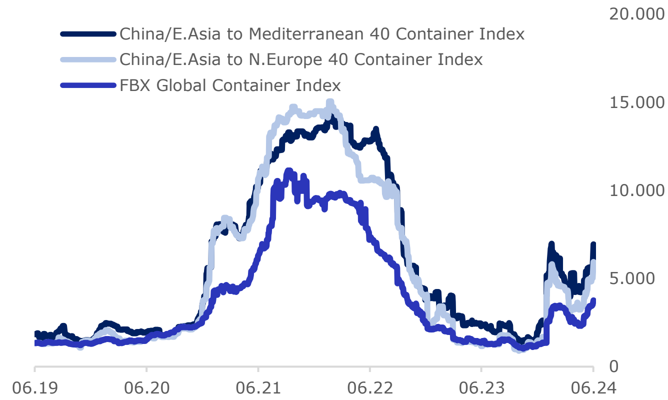
China
NBS PMI (new export orders) **Threshold**
Export Growth (12M % Chg, 3 MMA, left axis)



Source: Refinitiv Datastream

This strong commitment to supporting exports were coupled with freight rates which had normalized in 2023. This reversion of freight costs had helped Chinese manufacturers to compete more easily with exporters close to their trade partners geographically.

FBX Global Container Index



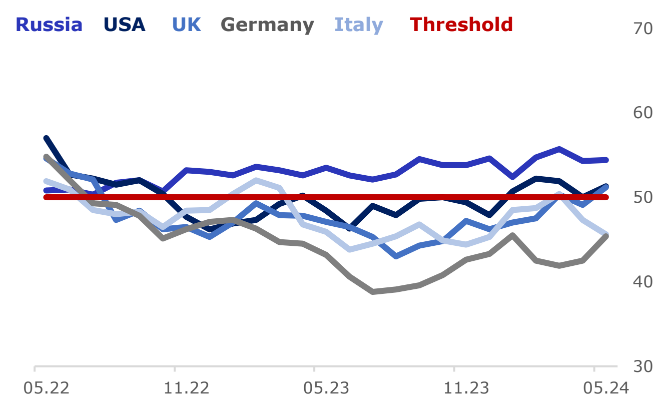
Source: Refinitiv Datastream

On the other hand, a new geopolitical risk is added to existing tensions created by Israel-Hamas conflict. Following the Houthi attacks to shipping vessels passing through the Red Sea, certain shipping companies suspended trade through the Suez Canal, increasing shipping costs and distressing the global supply chain. Additionally, tension between Iran and Israel should be followed closely in the context of geopolitical risks. However, the currently elevated levels are still lower than the spikes experienced during the supply chain shocks.

Global slowdown's impact on Türkiye

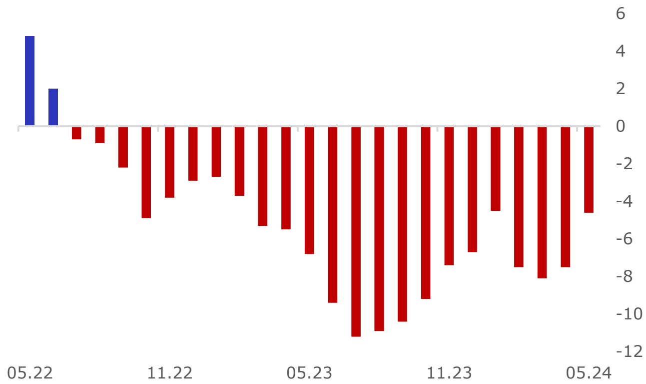
As of April, 2024, Turkish exports in the last twelve months to EU realized as USD 105.2bn which was USD 104.3bn in FY2023. Besides all these effects mentioned before, with the tightening conditions in Europe, economic activity remained weak in the first half of the year (especially in Germany, our largest trade partner).

Top 5 Export Market's Manufacturing PMI



Source: Refinitiv Datastream

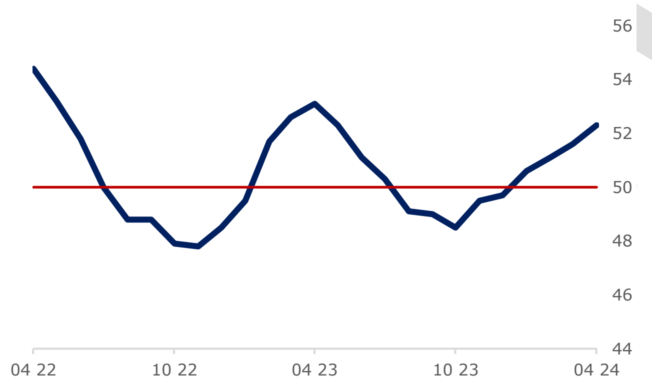
Germany Manufacturing PMI
(Deviations from threshold value)



Source: Refinitiv Datastream

On the other hand, Türkiye's exports has exhibited recovery signs for first quarter of 2024 and it made a positive contribution to growth after a long break. According to the ICI, in January, 2024, Türkiye Climate Index rose above threshold for the first time since July 2023 and still stood above threshold as of April 2024. Despite of weak growth outlook of Europe (especially in Germany and France), export to Middle East remained robust over the last two months of current year. In addition, due to the improving economic activity in the US and some European economies, demand conditions for Turkish manufacturing industry exporters have improved.

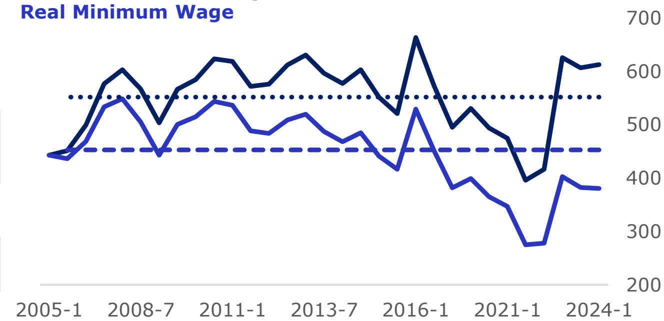
ICI Türkiye Export Climate Index
Threshold



Source: The Istanbul Chamber of Industry (ICI)

Further pressurizing the Turkish exporters are cost factors, mainly in terms of wages and energy prices. Minimum wage increased to TRY 23,502.94, including total costs to the employer (gross: TRY 20,002.50, net: TRY 17,002.12) for 2024. The latest increase in minimum wage pushed the total cost to employers to USD 610, using expected average USDTRY for the aforementioned year. Therefore, the expected level of minimum wage would realize above the average and would pressurize small scale businesses with labor intensive manufacturing and domestic focus. On the other hand, adjusting for US CPI, real minimum wage in USD terms is actually below the average, implying export focused companies should be able to manage these levels of increasing minimum wage.

Türkiye Minimum Wage
(Total cost to employer, USD, dashed lines 2005-2023 average)
Nominal Minimum Wage
Real Minimum Wage

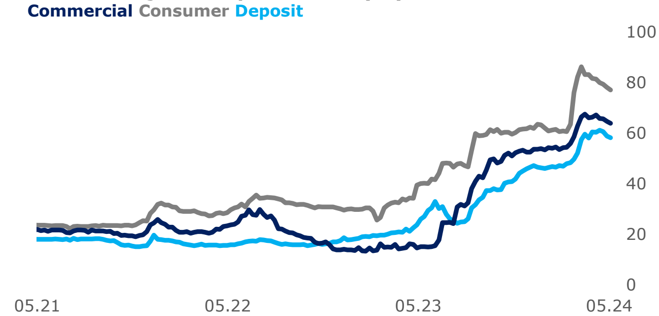


Source: Ministry of Labor and Social Security, Refinitiv, JCR-ER Research
Nominal minimum wage for 2024 is calculated using expected average USDTRY for the given year.

Domestic financial conditions are tightening, particularly in credit costs

Current economic program entails high interest rates at a level that would curb leveraged consumption and inventory hoarding as carrying costs rise. On the fiscal side, tax regulations and additional tightening measures aim to support the efforts to limit consumption. Moreover, long list of previously announced macroprudential regulations in the banking system are lifted, liberating banks to pursue more independent asset-liability management. This resulted in much higher credit interest rates.

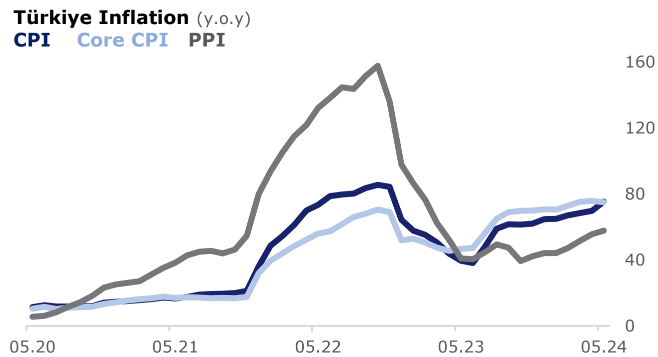
TRY Lending and Deposit Rates (%)
Commercial Consumer Deposit



Source: CBRT, JCR-ER

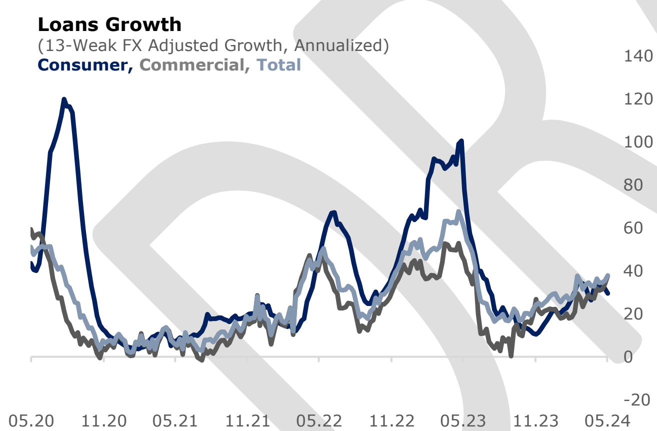
In May 2024, in line with the CBRT's realistic projection, inflation realized as 75.45%. This level is expected to be the peak and inflation is expected to end the year at

38%. We note that most firms had been able to pass through the production costs to the consumers, though efforts to limit consumption and suppress real income could break this mechanism. In fact, there are signs of this in discretionary sectors though services inflation is still resilient.

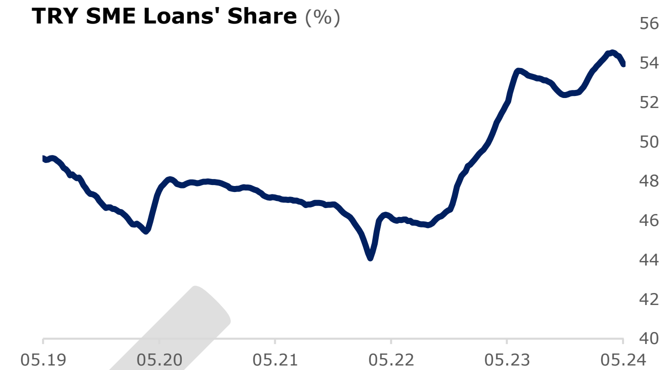


Source: Turkstat

Current economic program has affected loan growth and the growth rate is not as high as the excessive pace observed in the first half of 2023, as intended by the administration. Thus, firms which had relied on easy access to finance at low rates face significant financing costs and might need to rapidly deleverage.

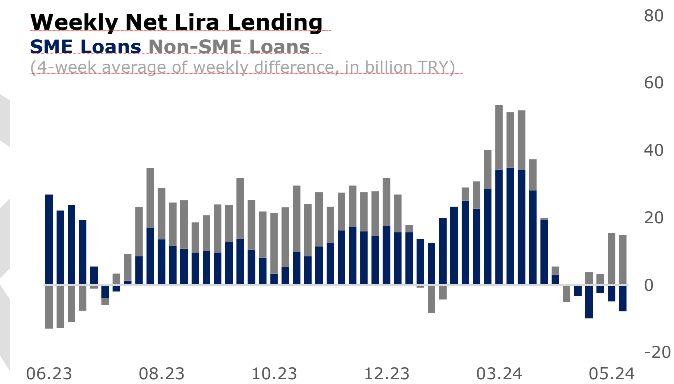


Source: BRSA, JCR-ER

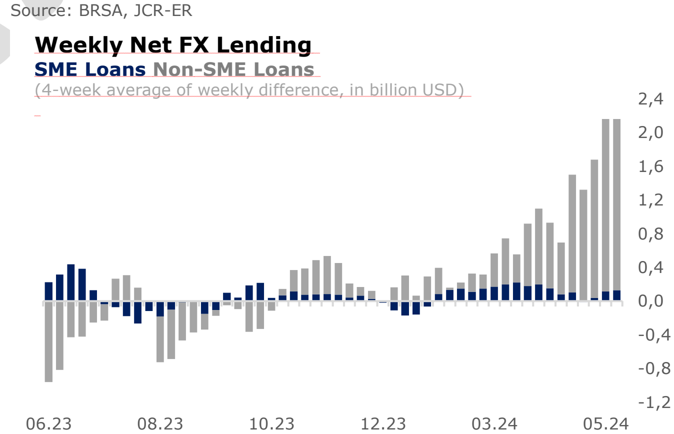


Source: BRSA, JCR-ER

In recent weeks, due to the effect of monetary tightening and historically high interest rates, there has been a decrease in commercial TRY lending. On the other hand, firms with access to FX financing has been using FX loans in an accelerated pace as the prospect of "real appreciation" of Lira is appealing to reduce funding costs.



Source: BRSA, JCR-ER



Source: BRSA, JCR-ER

Determined to fight inflation, CBRT has taken the measures in order to preserve macrofinancial stability, support the monetary transmission mechanism, and sterilize excess liquidity while keeping interest rates at high levels. According to that, reserve requirement ratios for Turkish lira deposits and FX-protected deposits have been increased and changes have been made regarding the remuneration and commission practices for reserve requirements. On the other hand, a monthly growth limit of 2% has been introduced for foreign currency loans, and it has been decided that Turkish lira required reserves amounting to loans exceeding the limit will be blocked for one year. We therefore expect a slowdown in FX lending, mirroring the slowdown in TL lending. Therefore, the slowdown in both FX and LCY lending and prohibitively high TL interest rates will likely keep fresh liquidity flows to the non-financial corporates at a very low level.

Therefore, access to finance and the cost of financing is still a substantial topic affecting Turkish corporates, as the selective lending policies aimed to supporting exports, agricultural production, investments and high-tech and SMEs have resulted in a divergence in financial conditions. In fact, CBRT recently announced "Advance Loans Against Investment Commitment" framework to support investments with adequate Technology/Strategy scores, providing them with affordable loans up to 10 years of maturity. In this sense, current outlook is more accommodative for export, technology and investment-oriented firms. On the other hand, for other companies, high loan rates (especially considering expected inflation trend) and moderating credit growth would translate into tighter credit standards. In fact, BRSA loan data underpins the net tightening of Lira loans where most SMEs face significant difficulties in obtaining liquidity. However, export-oriented and large-scale firms with FX loan access are currently in a more favorable position.

Tightening financial conditions, expected slowdown in consumer spending and weak outlook in major export markets will likely result in a lower growth rate in 2024 compared to last year. In fact, economic administration expects a negative output gap in 2024, implying an annual growth rate of 2-2.5%. On the other hand, government expenditures and still relatively resilient consumption might push the growth a bit higher.

With respect to the factors mentioned above, JCR Eurasia Rating has upgraded the Long-Term National Issuer Credit Rating of **"Mega Metal Sanayi ve Ticaret A.Ş."** to **"AA- (tr)"** from **"A+ (tr)"**. On the other hand, JCR Eurasia Rating has upgraded Short-Term National Rating from **"J1 (tr)"** to **"J1+ (tr)"** in JCR Eurasia Rating's notation system.

In addition, the Long Term International Foreign and Local Currency Issuer Credit Ratings were assigned as **"BB"** as parallel to international ratings of the Republic of Türkiye.

2. Rating Outlook

JCR Eurasia Rating has assigned a **"Stable"** outlook on the National Long- and Short-Term Issuer Credit Rating perspectives of the Company, taking into consideration of its steady growth in revenue streams, ongoing EBITDA generation, liquidity profile, diversified production and processing capacity, protection of asset quality, competition and market efficiency in the inter/national market, political tensions and other global downsides.

The Company 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 perspective of the Company has been assigned as **"Stable"** in line with the sovereign rating outlooks of the Republic of 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

- A noticeable increase in new customer acquisition and/or in total sales,
- Maintenance of leading positions in core markets with EBITDA/margin growth trend,
- Further material reduction in net debt and enhancement in debt service coverage,
- Increase in geographical diversification of operating activity into various markets with steady operational efficiency,
- Upgrades in Türkiye's sovereign ratings and economic growth prospects.

Factors that Could Lead to a Downgrade

- Contraction of sales performance, cash generation and notable decline in operating profitability,
- Severe deterioration in indebtedness metrics,
- Increase in cost of sales leading to reduction in gross profit margin,
- Sustained total debt with equity credit to operating EBITDA,
- Degradation in operational efficiency due to high operating expenses,

- Downgrades in Türkiye's sovereign ratings and economic growth prospects.

JCR Eurasia Rating will monitor the Company's revenue generation performance, profitability, leverage profile, liquidity and cash flow metrics as well as macroeconomic indicators at national and international markets along with market conditions and legal framework about the sector in the upcoming periods.

3. Projections

In 2024, total revenue generation depended on developments about the demand conditions, commodity prices, political tensions, protectionist measures, etc. On the other hand, sales volume in TRY terms depend on additional factors such as raw material prices, a function of FX rates and tax policies. The Company is expected to maintain adequate debt service coverage and the Company can scale its activities depending on the market conditions.

Mega Metal San. ve Tic. A.Ş. (TRY 000)	3M2024	3M2023
Revenue	4,420,091	2,486,159
Gross Profit	425,030	207,653
Operating Profit	223,399	110,791
Net Profit	306,637	161,241
Gross Profit Margin (%)	9.62	8.35
Operating Profit Margin (%)	5.05	4.46
Net Profit Margin (%)	6.94	6.49

(*) Based on limited audit report as of 3M2024

It is expected that cash flow generation of Mega Metal from operations and the Company's sector experience and export power are sufficient to support the planned Capex without increasing leverage. In addition to the existing value-added (fine and niche) products, investment in silver-plated copper wire is expected to be done. In this way, it is planned to contribute to the profitability of the Company and to the country's economy as there is no substitute for this investment in Türkiye. With this investment, the Company will also operate in the aviation sector, too.

As stated in the SPP projects, these 3 projects, which will be implemented in Kütahya and Bilecik, are planned to be commissioned at the end of the 2nd quarter of 2024, and the project planned to be implemented in Tunceli is planned to be commissioned in the 1st quarter of 2025. When the 3 projects come into operation, the average annual electricity production amount will be 57 Mwatt (Megawatt) and 85% of the electricity consumption will be met through offsetting; this amount of savings can be achieved in electricity costs. With the commissioning of all 3 projects, it is expected that the profit from the electricity expenses involved in the Company's production and activities will have a positive impact on the Company's EBITDA and net profitability in proportion to the savings to be made.

In addition, based on the PDP statement dated 22.05.2024, the negotiations regarding the acquisition of a company located in the USA have been concluded positively and an agreement has been reached in principle for the acquisition of the USA based company mentioned in the special event disclosure dated 22.05.2024. Following the due diligence studies regarding the Company (due diligence process) and the purchase and transfer agreement studies carried out by the legal teams of both parties, the signature process for the purchase was made. The agreement may become final. It is planned that the work on the acquisition of the Company and the final signature process and the purchase agreement will be completed by the end of the last quarter of 2024, and the transfer to Mega Metal will be made in the first quarter of 2025.

Thus, taking into consideration the Company's past growth and operating performance and future projections relating to the FY2024e period, we, as JCR Eurasia Rating, are of the opinion that the Company shall fulfil the obligations in a timely manner and without distress as long as it preserves its current market share and efficiency along with no deterioration in the general macro-economic context and sector dynamics.

4. Company Profile & Industry

a. History and Activities

The Company was established with the title of "Dost Telekomünikasyon Hizmetleri Tic. Ltd. Şti." in Istanbul / Eminönü on 10.05.2004 by Cüneyt Ali TURGUT and Abdullah TURGUT to operate in telecommunication, electronics and computer business. With the registration dated 03.09.2004, the Company had updated its logo and all corporate identity as "Mega Metal San. ve Tic. Ltd. Şti." and changed its field of activity to sectors such as copper, aluminum, plastic raw materials and electrical materials.

As of FY2017, the Company has changed its title to "Mega Metal San. ve Tic. A.Ş.". On 15.02.2019, Ömer Faruk TURGUT, one of the partners, transferred his shares to his brothers and left the partnership and the current partnership structure was formed. Currently, Mega Metal continues its activities with the production of electrolytic copper wire, bare and tinned mono wire, twisted wires and coil wires in its factory with a 45,000 m^2 closed area in Kayseri. The Company's current capacity is 48,000 tons in copper wire production annually, considering the main production line. The Company has been quoted on the Borsa Istanbul Stock Exchange (BIST) since 7-8 December 2023 and 23.68% of shares are publicly traded on the BIST with the ticker symbol "MEGMT" as of FYE2023.

Mega Metal, which meets more than half of Türkiye's superfine copper wire production, exports to more than 30 countries all over the world particularly to the European Union countries. The Company serves in the energy production, power generation and distribution, electricity, electronics, communications, renewable energy, electrical appliances, white goods, special industrial applications (robotics), aviation and automotive sectors with its unique oxygen-free electrolytic copper wires.

The Company carries out energy-intensive production at its production facility located in Kayseri Organized Industrial Site. The Company has realized a total electricity consumption of approximately 60 Mw for its production activities in FY2023. Currently, there is a rooftop solar system with an installed power of 5 Mw located on the roof of the Company's production facility. The Company provides approximately 8-9% of its annual energy needs from solar energy, which is a renewable energy source.

With the principle of sustainable production, Mega Metal plans to increase its installed solar power up to 57 Megawatt in order to meet the energy needs in production processes with a lower cost and environmentally friendly way. The Company plans to use 10% of the net fund it will obtain from the public offering to finance the said renewable energy investment.

Also, in line with Mega Metal's growth strategy, the Company's existing value added (fine and niche) products has been planning to invest in silver plated copper wire since FY2022. In this way, it is planned to contribute to the profitability of the Company, as well as to the country's economy since this investment has no substitute in Türkiye. With this investment, Mega Metal will be positioned in the aviation sector as well. Note that this product is planned to be exported and pre orders from main customers are started to be received.

Mega Metal has 1 commercial office in İstanbul and a production factory in Kayseri, respectively with 690 employees as of 31.03.2024 (FYE2023: 677). Also, the Company has two warehouses, located in Istanbul, Çatalca and Kayseri. Mega Metal has developed itself in the production of copper wire, and single wire diameters up to 50 microns can be produced. Therefore, Mega Metal is positioned in a very special area in the market compared to its competitors. In this way, oxygen-free copper production is directly preferred in the production of cables with very special uses, from robotic products to medical products, from automotive to white goods.

Also, in the upcoming period, the Company wants to focused on potential markets in Europe and America. Mega Metal especially wants to establish its own production facility on the American side or enter the American market by purchasing it. Likewise, Mega Metal evaluates potential purchase opportunities in the European region. The Company also wants to establish a new factory in near Istanbul in 2024-2025, depending on the conditions.

b. Shareholders, Subsidiaries & Affiliates

Cüneyt Ali TURGUT is the ultimate shareholder of the Company as of FYE2023. Mega Metal increased its equity to TRY 265mn at FYE2023 from TRY 225mn at FYE2022. The Company has been quoted on the Borsa Istanbul Stock Exchange (BIST) since 7-8 December 2023 and 23.68% of shares are publicly traded on the BIST with the ticker symbol "MEGMT" as of FYE2023.

The following table shows the shareholder structure of Mega Metal:

Shareholders Share of %	3M2024	FYE2023	FYE2022
Cüneyt Ali TURGUT	36.44	36.55	70.00
Abdullah TURGUT	22.90	22.90	30.00
Fatma DÖNMEZ	8.48	8.48	-
İhsan Ahmet TURGUT	4.25	4.25	-
Mehmet Emin TURGUT	4.25	4.25	-
Publicly traded*	23.68	23.68	-
Total	**100.00**	**100.00**	**100.00**
Share Capital/ TRY (000)	**265,000****	**265,000**	**225,000*****

(*) As of 7-8 December 2023, 23.68% of Mega Metal's shares are in circulation in Borsa Istanbul (BIST)

(**) The Company's shares with a nominal value of TRY 40 million, which will be increased due to the increase in its issued capital from TRY 225 million to TRY 265 million, and the portion of its existing shares with a nominal value of TRY 22.5 million, will be sold at TRY 28.30 per share on 7 and 8 December 2023. It was offered to the public with the "Fixed Price Book Building" method at a price of TRY, and all of the shares offered to the public were sold on the relevant dates. From the sale of the shares with an increased nominal value of TRY 40 million, an issue premium of TRY 1,047 million was obtained after the public offering expenses. This capital increase was published in the Trade Registry Gazette dated January 29, 2024.

(***) As of FY2022, Mega Metal's paid-in capital increased to TRY 225mn from TRY 215mn at FYE2021 by obtaining from TRY 10mn from the other capital reserves/capital advances.

As of FY2020, Mega Metal has 2 related parties which has been provided in the table below. However, in FY2021, Mega Metal merged with its subsidiary "Mega Araç Kiralama İnşaat Taahhüt San. ve Tic. Ltd. Şti." and the Company has one related party as of FYE2023.

Related Parties	Country	Nature of Operations
Megatech Yatırım Holding A.Ş.	Türkiye	Consultant

Board of the "Mega Metal San. ve Tic. A.Ş." consists of 10 members and 3 of them are independent board members. The members of the Board of Directors are listed below as the report date.

Board of Directors 3M2024	
Cüneyt Ali TURGUT	Chairman
Abdullah TURGUT	Vice Chairman
Mehmet Emin TURGUT	Board Member
İhsan Ahmet TURGUT	Board Member
Mehmet Emin TURGUT	Board Member
Mehmet Gültekin YILDIZ	Board Member
Meliha SEYHAN	Board Member
Mehmet Fatih KERESTECİ	Independent Board Member
Özlem VİDİN ENGİNDENİZ	Independent Board Member
Nihal MASHAKİ SEÇKİN	Independent Board Member

Cüneyt Ali TURGUT, who is the Chairman of the Board of Directors of Mega Metal San. ve Tic. A.Ş., founded the Company in 2004 and has been the Chairman of the Board of Directors of the Company more than 15 years.

c. Industry Assessment

Metal Industry

The steel industry has long held a strategic place in the global economy, fostering innovation, growth, and employment. Steel is closely linked to numerous industrial sectors such as automotive, construction, electronics and renewable industries.

According to data from the World Steel Association, global crude steel production recorded a decrease of 0.02% in 2023 compared to the previous year, reaching a total of 1,888.3mn tons. The leading producer, China, accounted for 54% of the world's total production by manufacturing 1,019.1mn tons. Following China, India and Japan ranked second and third, respectively, in terms of crude steel production in FYE2023. Before 2022 Türkiye was Europe's largest steel producer, however, after 2022 Türkiye placed in the 8th position and lost its status to Germany. Türkiye's crude steel production decreased by 4.0% compared to the previous year and realized 33.7mn tons in FYE2023. Brazil followed Türkiye, with a production of 31.9mn tons, experiencing an annual decrease of 6.5% and securing the 9th position on the list.

Total Production of Crude Steel (million tons)

Country	2020	2021	2022	2023
World	**1,884.01**	**1,962.44**	**1,888.69**	**1,888.25**
China	1,064.77	1,035.24	1,019.08	1,019.08
India	100.26	118.20	125.38	140.17
Japan	83.19	96.34	89.23	87.00
United States	72.73	85.79	80.54	80.66
Russia	71.62	77.02	71.75	75.80
South Korea	67.08	70.42	65.85	66.68
Germany	35.68	40.24	36.86	35.44
Türkiye	**35.81**	**40.36**	**35.13**	**33.71**
Brazil	31.41	36.07	34.09	31.87

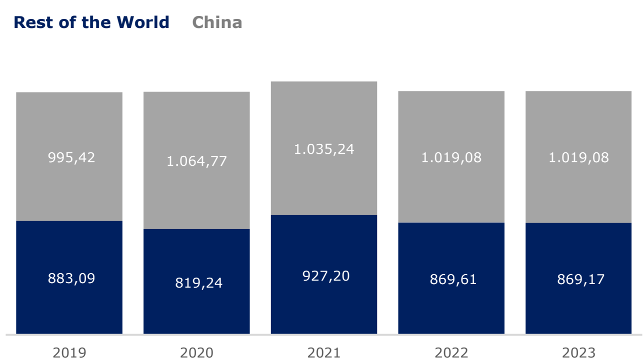
Source: Worldsteel Association

China has been the world's largest steel producer for years. Although there is a relative decrease in production figures in 2021 due to the effect of the Covid-19 pandemic, the industry has still been dominated by China.

Following post-pandemic reopening, China took full advantage of its massive and integrated manufacturing sector, government subsidies to boost exports. On the other hand, domestic consumption is still weak after decades of investment/manufacturing focused policies. Therefore, for the Chinese economy, the way forward is through shifting manufactured goods abroad, its long-term and global implications notwithstanding.

In this sense, we would expect China to double-down on any obstacle to its exports, as boosting domestic consumption requires a long and painful adjustment whereas boosting investment and consumption is more straightforward in the short run. In fact, as main metal exports for China deteriorate, we would expect more aggressive policies to compensate for this.

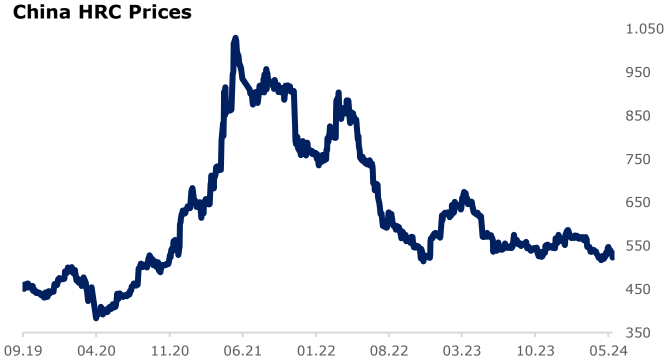
World Crude Steel Production (million tons)



Source: Worldsteel Association, JCR-ER

The effects of the pandemic caused steel prices to increase in 2020. Although prices experienced a decline towards the end of the year as part of the normalization process, a crisis between Russia and Ukraine in February 2022 led to an upward trend. The tension between Russia and Ukraine resulted in increased energy prices, and the ultra-expansive monetary and fiscal policies implemented post-pandemic have contributed to global inflationary pressures. Central banks have embarked on a strong monetary tightening process in order to combat with inflation, leading to disruptions in the global economic growth outlook.

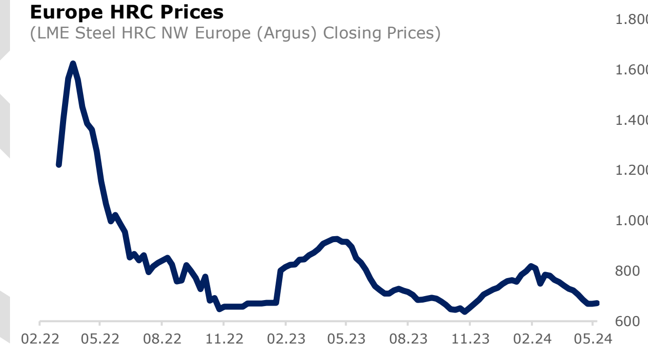
China HRC Prices



Source: Refinitiv

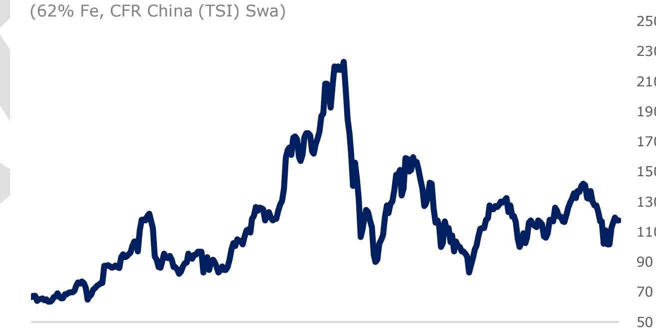
Persistent inflation and high interest rates in most economies have been limiting the recovery of steel demand in 2023, despite positive factors like China's reopening, Europe's resilience in the face of the energy crisis, and the easing of supply chain bottlenecks. As of 2023, economies have tightened financial conditions to combat inflation. These tightening financial conditions have resulted in disruptions in the growth outlook, particularly affecting commodity prices, including base metals. In addition, tension between Israel and Palestine has brought geopolitical risks back into focus, contributing to the upward movement in oil prices. Rising oil prices may increase costs in the steel industry.

Europe HRC Prices
(LME Steel HRC NW Europe (Argus) Closing Prices)



Source: Refinitiv, LME

Iron Ore Prices
(62% Fe, CFR China (TSI) Swa)



Source: Refinitiv

Steel Industry in Türkiye

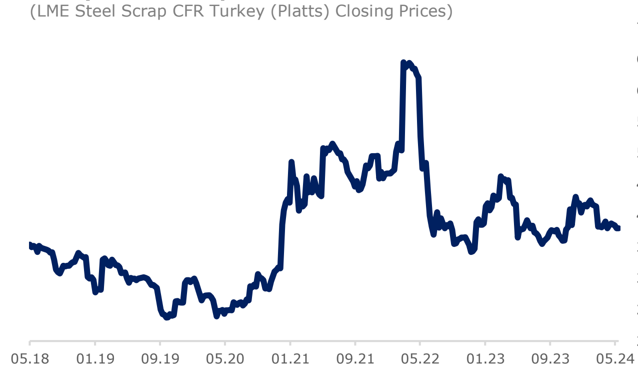
Finished steel output is divided into two broad categories – long and flat products. In addition, finished steel output also includes alloy steel. Flat steel products accounted for roughly half of the total production followed by long steel products and alloy steel which contributed in the range of roughly 40-45% and 5-10% respectively. Long products are generally used for construction, mechanical engineering and energy industries. Flat products are supplied in Hot Rolled, Cold Rolled or in coated conditions depending upon the requirement. Flat products are generally used for automotive and truck wheel frames and body parts, heavy machinery, pipes and tubes, construction, packaging and appliances.

All steel manufacturing companies operating in Türkiye are privately owned and technological developments in the global marketplace are constantly monitored. While 75% of the world's steel production is produced in basic oxygen furnace facilities; contrary to the World, Türkiye's crude steel production is largely carried out in Electric Arc Furnace (EAF) -based plants. These manufacturers that use scrap metal in the production process, meet their intermediate goods from foreign markets. Consequently, Türkiye is one of the biggest scrap importers in the world.

In 2023, the sector's outlook is supported by the retreat in raw material prices, as well as positive demand conditions at the international level. The increasing demand for scrap, which is the raw material for steel products obtained through recycling in the context of green transformation, has led to the European Union's request to include scrap on the critical raw materials list, as well as India's progressive increase in demand for scrap as part of their green transformation efforts. Therefore, it is vital to take necessary measures to ensure the sector does not encounter difficulties in accessing scrap, emphasizing the importance of addressing potential challenges in scrap accessibility.

On the other hand, Türkiye's steel industry faces additional cost pressure from rising energy tariffs. At the end of September 2023, the Economic Coordination Board in Türkiye decided to raise electricity prices for industrial users by 20 percent. Also, as of October 1, 2023, natural gas prices for industrial users and power plants in Türkiye was increased by 20%. According to BOTAŞ, which stated that the rising tariffs were due to market conditions, the country's economic conditions, market price stability and costs. Access to affordable, fossil-free electricity is critical for the Turkish steel sector to remain globally competitive.

Türkiye Steel Scrap Prices
(LME Steel Scrap CFR Turkey (Platts) Closing Prices)

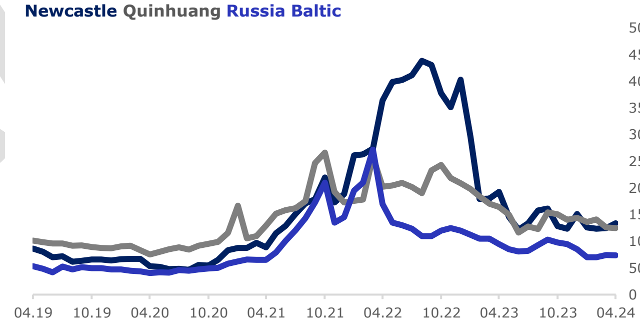


Source: Refinitiv

Iron and steel production in Türkiye are generally performed through electric arc furnaces while integrated facilities are engaged in production worldwide. Iron and steel industries maintain to be dominated by long products production. Over 50% of hot-rolled coil (HRC) production capacity utilizes EAFs instead of BOF facilities in Türkiye.

Energy cost is one of the major costs of steel production in the basic oxygen furnace facilities, mainly coal, petroleum coke and hard coal are used. Following the downward trend in energy prices, it is expected that steel production costs will decrease, leading to increased profit margins for companies.

Coal Prices (USD/ton)



Source: Refinitiv

Electricity and natural gas are mainly used in steel production facilities with Electric Arc Furnaces. The increase in electricity prices has also affected the steel industry negatively.

As of FYE2023, Türkiye's steel exports realized as 10.5mn tons, reflecting a decline of 30.6% compared to the previous year. In the mentioned period, although there was a decline of 4.0% in production per ton, both consumption and imports increased by 17.1% and 15.5% respectively. As of FYE2023, the recovery in the demand for the automotive, housing and white goods sectors had a positive impact on the iron and steel industry.

Turkish Steel (mn tons)	**2021**	**2022**	**2023**	**Chg** (%)
Production	40.4	35.1	33.7	-4.0
Consumption	33.4	32.5	38.1	17.1
Export	23.9	15.1	10.5	-30.6
Import	17.8	14.8	17.1	15.5

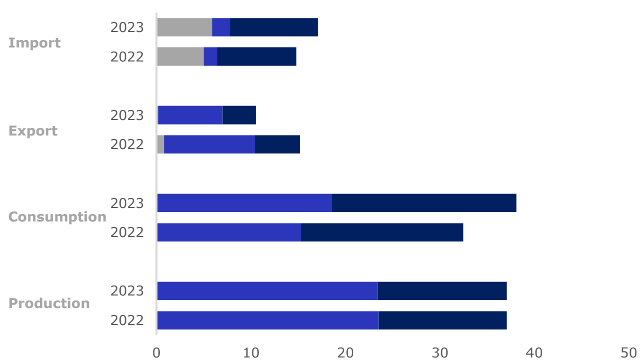
Source: Turkish Steel Producers Association (TÇÜD)

The most exported steel products by Türkiye mainly consisted of long and flat products with a share of 50% and 24% respectively as of FYE2022. Even though Türkiye exports long-type steel, Türkiye also imports flat-type steel.

The construction sector in Türkiye had been shrinking from 2018 to 2022 however, the sector grew by 6.2% in 2Q2023. Additionally, reconstruction activities in the earthquake zone and urban transformation projects in other provinces are expected to boost domestic demand for the construction materials in the coming periods.

Turkish Steel (mn tons)

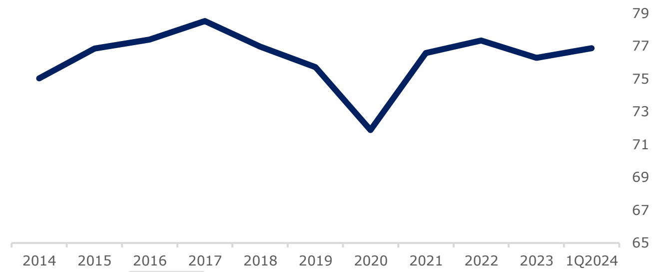
Long **Flat** **Semi-finished** (Billet+Slab)



Source: Turkish Steel Exporters Association (ÇİB), JCR-ER

The capacity utilization rate in the main metal industry peaked at 78.53% as of FYE2017, after challenges such as the trade war between China and USA in 2018 and the Covid-19 pandemic the rate dropped to 71.88% in 2020. However, the capacity utilization rate was realized as 76.28% as of FYE2023 and 76.87% as of 1Q2024.

Metal Industry Capacity Utilization Rate
(seasonal adjusted, in percentage)



Source: CBRT, EVDS, JCR-ER

It is thought that efforts to reduce carbon emissions caused by the steel industry with high energy consumption will be one of the most important factors that will shape the global steel market in the future. Studies to be carried out within this scope are also of great importance in terms of sustaining exports to the EU, which is the main export market of the sector. In addition, it is considered that the problems arising from natural gas and electricity cuts experienced in the country in recent days, which are stated to be of a temporary nature, may partially negatively affect the production in the sector due to the high energy demand.

Development in energy prices will also be important for the industry in the upcoming period. On the other hand, the fact that steel production takes place mainly in electric arc furnace facilities creates high scrap demand. Rising scrap prices are another factor that puts pressure on costs.

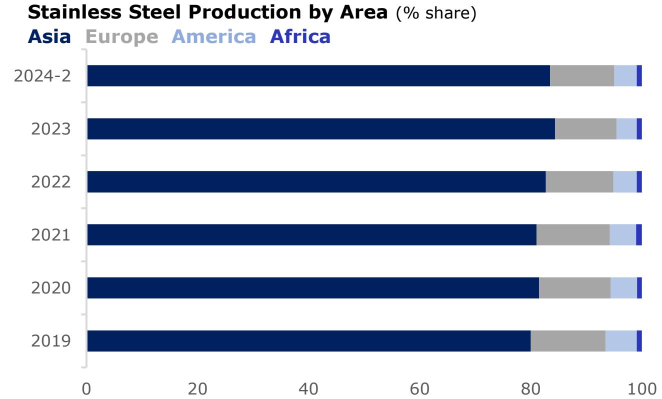
As global demand conditions have not fully recovered, along with tightening financial conditions, and export-focused growth policies of China loom as a threat to domestic exports, who also face a slow growth in the industry and significant production costs. Therefore, these developments pose a potential risk in the sector in the upcoming period, and JCR-ER will be monitoring the process.

Stainless Steel Industry

Stainless steel, which contains a minimum %10.5 chromium in it, is the generic name for several different plates of steel used primarily for their corrosion resistance. Stainless is stain-proof material and these properties can be made stronger by adding different elements to steel. The most widely used element is nickel and another very common element is molybdenum. A combination of all these elements makes stainless steel stronger in corrosion resistance in hard environments. Stainless steel is a type of steel with wide use and is mainly used in metal products and mechanical engineering.

As of FYE2023, global stainless-steel production reached a total of 58.25mn tons, with Asia accounting for 84.4% of the overall output. Notably, China emerged as the leading producer both in the region and World. During the same year, China's contribution to Asian production stood at 74.6%, while its global share amounted to 63.0%. Moving forward, in the first two months of 2024, global production totalled 9.85mn tons.

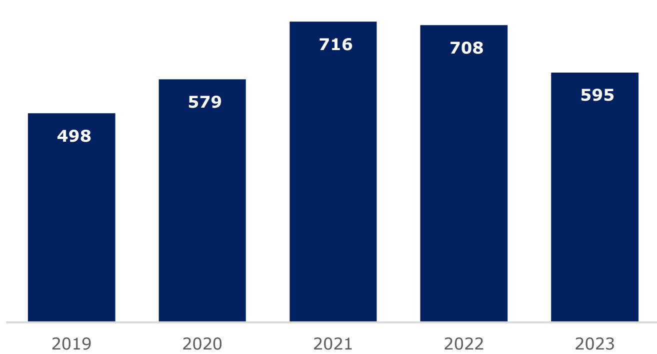
Stainless Steel Production by Area (% share)



Source: Refinitiv, JCR-ER

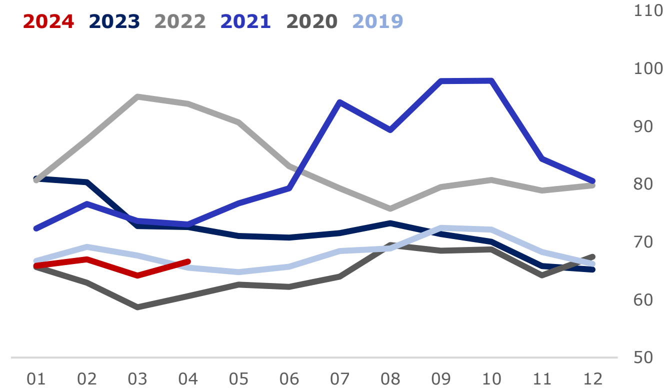
Türkiye's capacity in stainless steel, which is a product with high added value, is insufficient and there is a need for investment. Türkiye’s stainless-steel products’ demand was covered by imports. As of FYE2023, Türkiye’s stainless steel consumption was realized as 595k tons while the World’s total consumption was 51.11mn tons. The mentioned figures were 72.35k tons and 8.65mn tons respectively in the first two months of 2024.

Türkiye's Stainless Steel Consumption (thousand tons)



Source: Refinitiv, JCR-ER

Stainless Steel Price Index
(Shanghai Steelhome Information Technology (SHM))

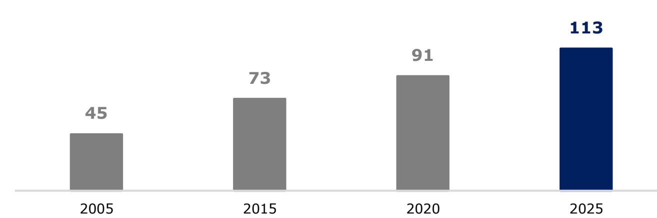


Source: Refinitiv, JCR-ER

Aluminum Industry

Aluminum, which is light and suitable for 100% recycling, is increasing day by day, especially in the construction, automotive, packaging, defense and aviation sectors. In addition to sectors that have gained more importance recently such as health and energy, it is frequently used especially in new-generation vehicles and structures. Aluminum has a wide-range usage thanks to its resistance to corrosion. The metal does not react with air because it has a thin protective coating of aluminum oxide preventing further oxidation thus this is why aluminum is used in most household appliances. When mixed with other metals, aluminum helps make them more lightweight, resulting in an increase in use in the aerospace and transportation industries in particular. It is also used as a substitute for copper in electrical wiring as it is a good conductor of electricity. The World aluminum usage trend is seen below with an ongoing rise.

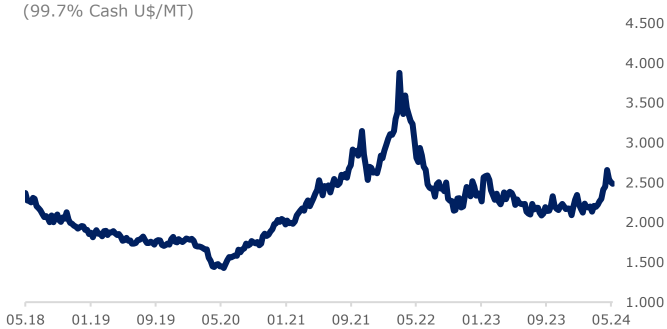
World Aluminum Consumption
(million tons)



Source: MBR The Global Aluminum Industry Outlook to 2025, World Bank
*2025 figures are the World Bank’s forecast

Aluminum futures are mostly traded on the London Metal Exchange (LME), the New York Mercantile Exchange (COMEX) and the Shanghai Futures Exchange. According to the LME aluminum prices reached to the highest level in February 2022. The crisis between Russia and Ukraine triggered the aluminum prices upwards due to high energy costs. However, the normalization in energy prices caused the decrease in aluminum prices, starting from April to the first half of 2022, prices decreased to USD 2,100-2,500 levels. From February 2024 to May 2024, the prices surpassed USD 2,500 level and increased to USD 2,600 level due to increased demand in the USA and China.

LME Aluminium Prices
(99.7% Cash U$/MT)



Source: Refinitiv

According to the Istanbul Ferrous and Non-Ferrous Metals Exporters' Association (IDDMIB), in 2023, the proportion of Aluminum sector exports in the Iron and Non-Ferrous Metals sector was 40%, and a total of USD 4.89 bn of exports were conducted during that period. During FYE2023, Türkiye's Aluminum exports have demonstrated a decrease in both quantity and value when compared to the corresponding period in the previous year. As of FYE2023, a total of 1,093.33mn tons and USD 4,897.97mn worth of exports have been carried out which indicates a 14.96% decrease in amount and 22.48% decrease in value compared to the previous year. As of FYE2023 Türkiye's total export rates were realized as 37.9% in bar-profile exports, 18.6% in sheet-strip exports, 11.1% in construction equipment exports, and 10.5% in foil exports. In the first four months of 2024, Türkiye exported 367.80mn kilograms and 1,503.26 mn USD of aluminum. The quantity and value of Turkiye's exports decreased by 10.73% and 11.75% respectively compared to the same period in the previous year.

Türkiye's Top 5 Aluminum Export Destinations in World

	FYE2022		FYE2023	
Country	Amount (kg mn)	Value (USD mn)	Amount (kg mn)	Value (USD mn)
Germany	208.14	1,084.03	170.61	804.27
USA	120.06	552.71	75.74	335.69
Iraq	55.78	289.28	58.73	275.02
Poland	73.40	359.17	65.08	270.92
UK	52.07	261.92	53.52	221.44

Source: turkishmetals.org, Istanbul Ferrous and Non-Ferrous Metals Exporters' Association

Türkiye's Top 5 Aluminum Export Destinations in World

	Jan-Apr 2023		Jan-Apr 2024	
Country	Amount (kg mn)	Value (USD mn)	Amount (kg mn)	Value (USD mn)
Germany	56.01	282.63	51.38	219.95
USA	23.41	102.91	25.32	101.90
Iraq	15.55	76.54	21.16	97.41
Poland	21.92	97.49	24.73	90.18
Italy	20.96	84.28	22.96	77.90

Source: turkishmetals.org, Istanbul Ferrous and Non-Ferrous Metals Exporters' Association

The Aluminum Industry is dependent on foreign sources as raw material sources. 90% of the primary aluminum that Türkiye needs is supplied from abroad. In 2023, 2.17 billion tons of primary aluminum was imported and USD 5.92 billion was paid in return.

Copper Industry

Copper, which is widely used in the industry thanks to its conductivity feature, has a wide usage area in electricity and electronics, energy, transportation, automotive, construction, jewellery, ornaments, chemistry sectors. Thanks to its high conductivity, it is used in voltage power cables, generators and transformers. In addition to its wide usage area, Copper is a valuable commodity that is also traded in financial markets. In today's world, where concepts such as innovation, value-added product production and brand come to the fore with economic and technological developments, the need for copper has increased and it is frequently encountered in daily life. Copper and copper alloys are the basic input of mobile phones, computers and network cables.

As of FYE2023 Türkiye's exports in the copper industry decreased in both value and quantity by 13.53% and 14.55% respectively compared to the previous year. A total of 213.32 thousand tons of copper was exported, worth USD 2.07bn. During the January-April period of 2024, Türkiye's copper exports decreased in both value and quantity by 5.53% and 0.74% respectively compared to the same period of the previous year. Thus, Türkiye exported a total of 77.40 thousand tons of copper which was worth USD 734.10mn.

When the product distribution of Türkiye's total copper exports is examined, it can be seen that in 2023, the highest share was attributed to copper wires (USD 789.88mn; 82.79K tons) and copper ropes (USD 586.32mn; 58.03K tons). In the January-April period of 2024, the highest share was attributed to copper wires (USD 282.03mn; 29.78K tons) and copper ropes (USD 185.22mn; 18.50K tons).

Türkiye's Copper Exports by Products				
Products	**FYE2022** (thousand tons)	**FYE2023** (thousand tons)	**Jan-Apr 2024** (thousand tons)	**2023-2022 Change** (%)
Bar & Profiles	22.37	17.44	5.44	-22.03
Wires	89.82	82.79	29.78	-7.83
Ropes	62.47	58.03	18.50	-7.11
Plates	34.28	29.06	10.06	-15.24
Scrap	5.73	5.14	3.57	-10.32
Other	34.96	20.86	10.05	-40.33
Total	**249.63**	**213.32**	**77.40**	**-14.55**

Source: turkishmetals.org, Istanbul Ferrous and Non-Ferrous Metals Exporters' Association

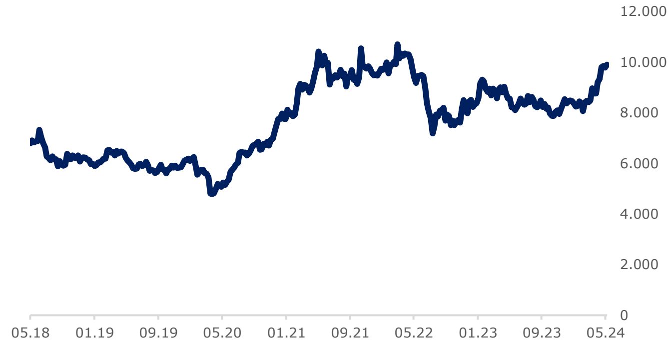
Italy is the leading destination for Türkiye's exports, with a total value of USD 358mn as of FYE2023. In the 12 months of 2023, Türkiye's copper exports have reached 213.3mn kilograms in quantity and USD 2,070.6mn in value. Upon comparing these statistics with the same period of the previous year, Türkiye's exports were 249.6mn kilograms and USD 2,394.7mn respectively. During the four-month period of 2024 Türkiye's top five export destinations were Italy, Bulgaria, Germany, UK and Israel.

Türkiye's Top 5 Copper Exports				
Country	**FYE2022** (mn USD)	**FYE2023** (mn USD)	**Jan-Apr 2024** (mn USD)	**2023-2022 Change** (%)
Italy	467.10	358.19	116.46	-23.32
Bulgaria	294.81	282.45	107.91	-4.19
Germany	208.91	159.14	51.19	-23.83
France	126.40	112.99	34.16	-10.61
Israel	131.03	112.94	34.45	-13.81
Total	**2,394.69**	**2,070.62**	**734.10**	**-13.53**

Source: turkishmetals.org, Istanbul Ferrous and Non-Ferrous Metals Exporters' Association

In the sector where raw materials are intensively utilized, there are challenges arising from escalating costs and acquiring new customers. Considering the criterion of being European among countries in the European markets and the decline in exports to the Middle East market due to political factors, the sector is facing demanding circumstances. The restriction of scrap imports to industrialists only, coupled with the inability to import scrap from Iraq for security reasons, poses a significant problem for the sector, which relies on external sources for 95% of its raw materials. Moreover, the sector has been adversely affected by the sluggishness and inadequate demand in global markets, exacerbated by trade wars. Besides, as renewable energy usage continues to surge, particularly the growing adoption of solar energy, there is a projected increase in the demand for copper, which holds substantial importance in solar panel manufacturing.

LME-Copper Grade
(A Cash U$/MT)



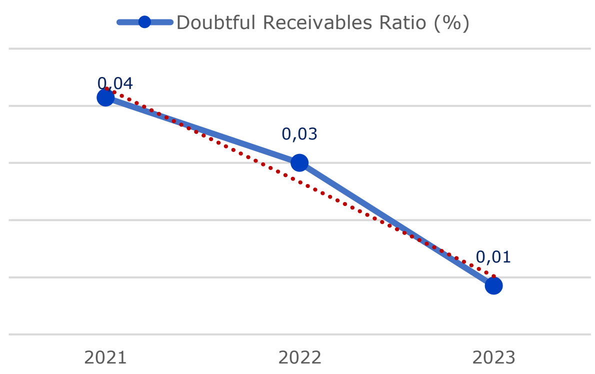
Source: Refinitiv

5. Additional Rating Assessments

Credit Risk

As stated in the audit report, trade receivables, receivables from related parties, other receivables, deposits held in banks and financial investments are the major items exposed to credit risk. The total monetary value of the items carrying credit risk amounted to TRY 2.56bn as of December 31, 2023 indicating a growth of 150.28% in absolute terms in comparison to FYE2022. In addition, items exposed to credit risk comprised 37.39% (FYE2022: 28.75%) of total asset and 92.63% (FYE2022: 124.49%) of equity at FYE2023. When excluding the receivables from related parties and regulated financial markets, the Company's real credit risk exposure would be TRY 1.05bn and constituted 15.27% of the total assets and 37.83% of the total equity as of FYE2023.

In addition, various guarantees are received from related customers, mainly on receivable insurance and letter of guarantee and these risks on customer basis are monitored regularly and managed proactively. Also, it must be noted that foreign receivables are guaranteed within the scope of receivables insurance, and no risk is taken beyond the established limit. Besides the Company allows full provision for its impaired receivables that minimizes the negative effects of non-collected receivables on the equity.



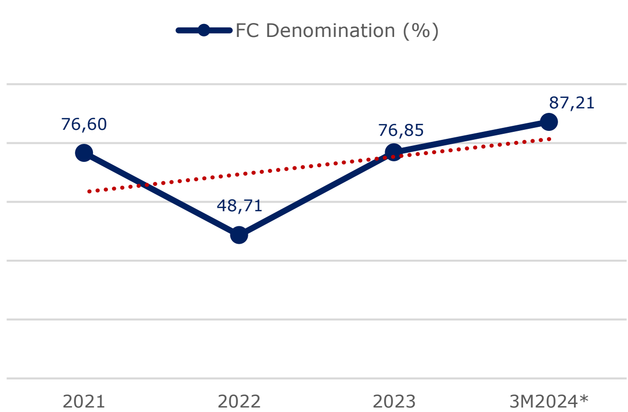
Market Risk

In the scope of market risk, Mega Metal is principally exposed to foreign exchange, interest rate and financial risk due to its activities in the scope of market risk.

Foreign Currency Risk:

The Company is exposed to foreign exchange risk through the impact of rate changes on translation into TRY of foreign currency denominated assets and liabilities. These risks are monitored and limited by analysis of the foreign currency position.

Regarding the FX risk, the Company had a net short position in EUR and USD and total net foreign currency position equivalent to TRY 236.13mn at FYE2023, stemming from mostly EUR denominated financial liabilities and financial assets. Foreign currency risk is minimized by natural and financial hedging.



*Based on limited financial statements as of 3M2024

Furthermore, at FYE2023, if 10% appreciation/loss of USD against TRY with all other variables held same, profit before income taxes would have been TRY 131.53mn (FYE2022: TRY 116.16mn) lower/higher. Also, at FYE2023, if EUR gains/losses 10% against TRY with all other variables held same, profit before income taxes would have been TRY 110.19mn (FYE2022: TRY 367,608) lower/higher.

Interest Rate Risk:

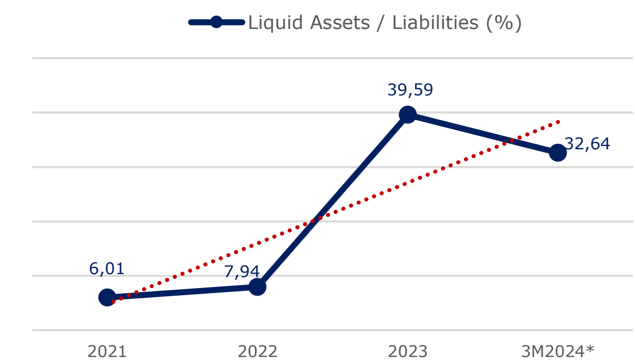
Fluctuations may occur in the values of financial instruments due to changes in market prices. Aforementioned fluctuations may result from changes in the price of securities or factors specific to the issuer of such security or factors affecting the entire market. Since the Company does not have financial instruments with variable interest rates, there is no interest rate risk as of FY2023.

Liquidity Risk

The Board established an appropriate liquidity risk management policy for Mega Metal's short, medium and long-term funding requirements. Realized cash flows are monitored regularly along with the matching of the maturities of financial assets and liabilities to ensure continuity of funds and sufficient debt reserves. The Company has afforded cash credit opportunities from the banking system and trade receivables. The Company's liquidity management consists of matching the maturities of financial assets and liabilities and closely monitoring the cash flows generated from its operations.

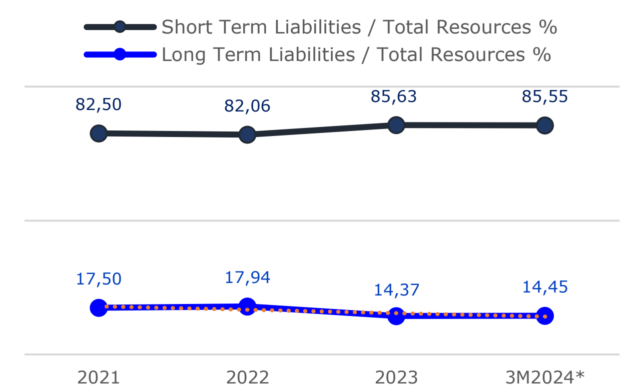
Additionally, the Company has access to funding sources from financial institutions and a certain level of assets in cash and cash equivalents is retained for daily operations of the firm. The funding risk of the loan requirements is managed by maintaining the availability of a sufficient number and high quality of lenders. The Company steadily evaluates the liquidity risk by monitoring changes in funding.

As displayed below, liquid assets to total liabilities (excluding equity) ratio improved notably to 39.59% at FYE2023 from 7.94% at FYE2022. According to this, Mega Metal's liquids assets are in a high level when the growth and the complexity of the Company's business is considered.



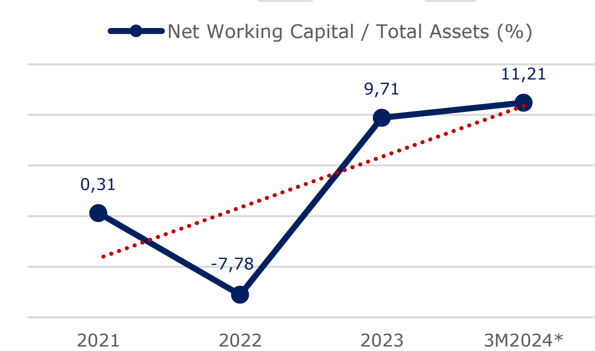
*Based on limited financial statements as of 3M2024

Mega Metal's maturity composition of funding structure has been constituted of both short and long-term liabilities while that of short-term borrowings has remained within a high range of 85.63% as of FYE2023.



*Based on limited financial statements as of 3M2024

The Company's net working capital amounted to TRY -666.08mn at FYE2023, indicating a growth from the negative level of TRY 277.03mn at FYE2022 (3M2024: TRY 864.46mn based on limited financial statements). Thus, the Company's net working capital to total assets ratio augmented to 9.71% at FYE2023 from -7.78% at FYE2022. Therefore, it must be noted the Company has a sufficient net working capital in order to maintain its operations.



*Based on limited financial statements as of 3M2024

On the other hand, as per to the Risk Center Report of the Banks Association of Türkiye, dated 02 June 2024, Mega Metal's total cash credit lines (including intermediated loans) which were TRY 6.37bn and TRY 3.96bn have been drawn upon, with free total cash lines amounting to 38% of the granted credit lines. The free lines specify the financial strength and capability of the Company with respect to accessing credit lines when necessary.

Operational, Legal Regulatory & Other Risks

In order to minimize or avoid operational risks and their probable adversities, the Company implements policies regarding occupational safety, ethical and business standards, segregation of duties, compliance with legal and regulatory requirements, risk mitigation and documentation of processes as well as development of polices regarding the definition, measurement and control of operational risks. The principal responsibility for the improvement and implementation of controls to manage operational risk is given to top management within each business unit. This responsibility is supported by the development of overall Company standards. When the Company makes risk assessment and account issues such as income, expense currencies distribution, funding strategy, liquidity, cash flow and maturity mismatches are considered, and also derivative transactions are actively used in actions taken.

The list of some of the product-system documents that Mega Metal has received for many years as a result of both national and international standards/commitments are; ISO 9001: 2015 – Quality Management System, ISO 45001: 2021- Occupational Health and Safety Management System and ISO 27001: 2013 Information Security Management System (RINA) certifications.

On the other hand, the Company has also not reported any losses resulting from system failures & errors or human related factors.

MEGA METAL SANAYİ VE TİCARET ANONİM ŞİRKETİ

Balance Sheet (000' TRY)

	3M2024*	2023	2022	2021
TOTAL ASSETS	**7.708.613**	**6.857.856**	**3.562.881**	**2.477.802**
CURRENT ASSETS	**4.737.362**	**4.168.104**	**1.971.499**	**1.570.267**
Cash and Cash Equivalents	1.355.452	1.508.059	217.493	113.757
Financial Investments	121.955	132.702	0	13.204
Trade Receivables	1.382.841	880.094	618.974	554.522
Trade Receivables from Third Parties	1.382.841	880.094	618.974	554.522
Other Receivables	81.364	174.528	279.300	101.742
Other Receivables from Related Parties	8.684	7.569	151.175	41.130
Other Receivables from Third Parties	72.680	166.959	128.125	60.612
Inventories	1.566.335	1.345.349	745.904	714.832
Prepaid Expenses	223.697	126.782	101.136	11.523
Other Current Assets	5.718	590	8.692	60.687
FIXED ASSETS	**2.971.251**	**2.689.752**	**1.591.382**	**907.535**
Financial Investments	33.212	30.012	19.063	0
Investment Properties	410.414	374.220	265.515	99.968
Tangible Fixed Assets	2.380.074	2.179.045	1.296.306	797.297
Land	113.295	103.304	32.482	15.625
Land Improvements	1.283	1.216	868	699
Buildings	372.455	341.531	215.415	140.831
Machinery, Equipment and Installations	1.603.528	1.475.917	920.643	546.654
Vehicles	118.535	101.655	57.505	41.816
Furniture and Fixtures	130.297	109.119	62.961	41.195
Special Costs	12.462	10.969	3.781	324
Construction in Progress	28.219	35.334	2.651	10.153
Right-of-Use Assets	16.297	17.565	9.237	780
Intangible Fixed Assets	5.367	3.614	1.233	1.306
Prepaid Expenses	125.887	85.296	28	8.184

(*) Based on limited financial statements as of 3M2024

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

MEGA METAL SANAYİ VE TİCARET ANONİM ŞİRKETİ

Balance Sheet (000' TRY)

	3M2024*	2023	2022	2021
TOTAL LIABILITIES & EQUITY	**7.708.613**	**6.857.856**	**3.562.881**	**2.477.802**
SHORT TERM LIABILITIES	**3.872.898**	**3.502.029**	**2.248.524**	**1.562.645**
Short Term Borrowings	2.345.146	1.777.062	891.673	559.409
Short Term Portion of Long Term Borrowings	190.480	200.138	410.721	161.488
Trade Payables	986.775	1.071.587	710.988	670.608
Trade Payables to Third Parties	986.775	1.071.587	710.988	670.608
Employee Benefits	35.184	20.965	9.885	4.658
Other Payables	37.873	37.894	254	1.690
Other Payables to Related Parties	37.835	37.835	0	0
Other Payables to Third Parties	38	59	254	1.690
Derivative Instruments	0	0	1.304	5.530
Deferred Income	236.949	367.874	208.619	151.728
Short Term Provisions	32.047	20.373	12.823	4.341
Other Short Term Liabilities	8.444	6.136	2.257	3.193
LONG TERM LIABILITIES	**653.966**	**587.780**	**491.427**	**331.512**
Long Term Borrowings	389.506	396.515	308.630	239.499
Deferred Income	134.833	136.022	110.376	78.539
Long Term Provisions	51.760	33.611	20.398	8.039
Deferred Tax Liabilities	77.867	21.632	52.023	5.435
EQUITY	**3.181.749**	**2.768.047**	**822.930**	**583.645**
Controlling Interest	3.181.749	2.768.047	822.930	583.645
Share Capital	265.000	265.000	225.000	215.000
Share Premium (Discount)	1.046.789	1.046.789	0	0
Other Accumulated Comprehensive Income (Expenses) That Will Not Be Reclassified To Profit or Loss	-7.477	-7.716	2.806	6.043
Other Accumulated Comprehensive Income (Expenses) to be Reclassified to Profit or Loss	1.338.420	1.063.363	494.635	333.804
Restricted Reserves	12.921	3.567	3.567	3.567
Previous Years Profits or Losses	387.689	96.922	15.231	20.942
Net Profit or Loss	138.407	300.122	81.691	4.289

(*) Based on limited financial statements as of 3M2024

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

MEGA METAL SANAYİ VE TİCARET ANONİM ŞİRKETİ
Income Statement (000' TRY)

	3M2024*	2023	2022	2021
Revenue	4.420.091	11.726.940	8.840.193	4.291.957
Cost of Sales	-3.995.061	-10.633.580	-8.159.087	-3.935.499
GROSS PROFIT (LOSS)	**425.030**	**1.093.360**	**681.106**	**356.458**
General and Administrative Expenses	-89.600	-169.120	-58.785	-29.777
Marketing Expenses	-107.456	-293.695	-174.693	-89.880
Other Operating Income	21.597	84.970	9.144	1.625
Other Operating Expenses	-26.172	-43.970	-32.854	-4.718
OPERATING PROFIT (LOSS)	**223.399**	**671.545**	**423.918**	**233.708**
Income from Investment Activities	21.174	86.073	137.826	19.767
Expenses from Investment Activities	0	-50.214	-1.154	-1.204
OPERATING PROFIT (LOSS) BEFORE FINANCING ACTIVITIES	**244.573**	**707.404**	**560.590**	**252.271**
Financing Income	139.271	87.535	18.196	2.503
Financing Expenses	-194.170	-541.536	-431.859	-204.595
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**189.674**	**253.403**	**146.927**	**50.179**
Tax Income Expense from Continuing Operations	**-51.267**	**46.719**	**-65.236**	**-45.890**
Deferred Tax (Expense) Income	-51.267	46.719	-65.236	-45.890
NET PROFIT FROM CONTINUING OPERATIONS	**138.407**	**300.122**	**81.691**	**4.289**
NET PROFIT (LOSS) FOR THE PERIOD	**138.407**	**300.122**	**81.691**	**4.289**
Distribution of Profit (Loss) for the Period	138.407	300.122	81.691	4.289
Parent Shares	138.407	300.122	81.691	4.289

(*) Based on limited financial statements as of 3M2024

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

MEGA METAL SANAYİ VE TİCARET ANONİM ŞİRKETİ

Key Ratios & Metrics

	2023	2022	2021
PROFITABILITY			
EBITDA Margin (%)	7,29	6,42	7,23
EBIT Margin (%)	5,38	5,06	5,52
CFO Margin (%)	10,18	6,71	8,56
Return on Average Assets (ROaA) (%)	5,76	2,70	0,23
Return on Average Equity (ROaE) (%)	16,72	11,62	0,91
Net Profit Margin (%)	2,56	0,92	0,10
Operating Profit Margin (%)	5,73	4,80	5,45
Gross Profit Margin (%)	9,32	7,70	8,31
LIQUIDITY			
FFO Debt Service Coverage (x)	0,65	0,45	0,61
Current Ratio (x)	1,19	0,88	1,00
Net Working Capital / Assets (%)	9,71	-7,78	0,31
LEVERAGE			
FFO / Adjusted Net Debt (%)	187,43	55,01	67,02
Adjusted Net Debt / EBITDA (x)	0,88	2,45	2,73
FOCF / Adjusted Net Debt (%)	110,06	10,77	31,06
Adjusted Debt / Capital (%)	46,17	66,19	62,20
Adjusted Short-Term Net Debt / EBITDA (x)	0,42	1,91	1,96
EFFICIENCY			
RoC (Return on Capital) = EBIT / Avg. Capital (%)	16,65	22,51	19,33
Working Capital Turnover Ratio (x)	60,29	-65,63	82,13
Operating Ratio (%) = OPEX / Net Sales	3,95	2,64	2,79
Equity Turnover (x)	6,53	12,57	9,12
Cash Conversion Cycle (days)	29	26	42
Account Receivables Turnover (x)	15,65	15,07	10,12
Inventory Turnover (x)	10,17	11,17	7,44
Payables Turnover (x)	11,93	11,81	8,54
COVERAGE			
EBITDA / Adjusted Interest (x)	4,23	1,37	1,53
FFO Interest Coverage= (FFO) / Adjusted Interest Paid (x)	7,01	1,85	2,81
CFO / Capex (x)	3,29	1,34	3,52
GROWTH			
Sales Growth (%)	32,65	105,97	106,19
EBITDA Growth (%)	50,47	83,11	87,23
Asset Growth (%)	92,48	43,79	92,73

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

Rating Info

Rated Company:	MEGA METAL SANAYİ VE TİCARET A.Ş. Meclis-i Mebusan Cad. Fındıklı Han No:63 K:2 34427 Fındıklı Beyoğlu İstanbul TEL: 0212 243 54 54
Rating Report Preparation Period:	24.05.2024-26.06.2024
Rating Publishing Date:	27.06.2024
Rating Expiration Date:	1 full year after publishing date, unless otherwise stated
Audited Financial Statements:	FYE2023-FYE2022-FYE2021/ 3M2024 | Solo
Previous Rating Results:	**August 29, 2023 / Long Term National Scale / 'A+ (tr)' | 'Stable'**
Rating Committee Members:	Ş. Güleç (Executive Vice President), B. Pakyürek (Manager), Ç. Küçükbakırcı (Manager)

Disclaimer

The ratings upgraded 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, 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 Türkiye), 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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