

CREDIT RATING REPORT

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ISUER: BATI HATTI DOĞALGAZ TİCARET A.Ş.

ISSUE: -

CORE BUSINESS

NATURAL GAS IMPORT

NEW:



UPDATE:



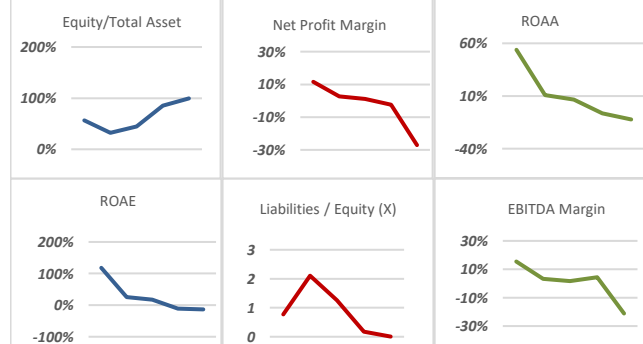
	RATINGS*					
	ISSUER RATING		OUTLOOK	ISSUE RATING		OUTLOOK
	LONG TERM	SHORT TERM		LONG TERM	SHORT TERM	
Batı Hattı Doğalgaz Ticaret A.Ş. Ord. Prof. Kerim Gökay Caddesi, No: 36, Altunizade / İstanbul Tel: (0216) 544 24 00 www.batihatti.com						
INTERNATIONAL FOREIGN CURRENCY	-	-	-			
INTERNATIONAL LOCAL CURRENCY	-	-	-			
NATIONAL RATING	TR BBB- NR	TR A-2 NR	Stable NR			

*Previous ratings are at the bottom right of the cells. **NR:** Not rated by DRC RATING. **Outlook:** Positive, Negative, Stable, Developing.

SUMMARY: Batı Hattı Doğalgaz ve Ticaret A.Ş. (hereafter Batı Hattı or the Company) has been assigned a **long-term national credit rating of TR BBB-** a **short-term national credit rating of TR A-2** and **outlook Stable**. The credit ratings reflect our opinion that the Turkish natural gas market was not adversely affected by the Epidemic, despite the damage caused by the ongoing Covid-19 Pandemic (Pandemic) in macroeconomic indicators and the slowdown in economic activities and the main partner Eksim Yatırım Holding A.Ş. (the Holding) and other partners' ability and desire to financially support the Company, the fact that almost all of its activities are funded with equity, low collection and exchange rate risks, the existence of stable and experienced management staff, our view on the ongoing dispute between Gazprom and Batı Hattı due to the demand for retroactive payment due to the price difference, regarding the contract signed with Gazprom Export Limited Liability Company (Gazprom) in 2013 providing the privilege to import 1 billion m³ of natural gas annually for 20 years, the conclusion of the decision against Batı Hattı in the lawsuit filed in the international arbitration court for the settlement of the dispute, and the fact of the sales revenues and asset size declined rapidly due to the lack of natural gas import since the beginning of 2019, and the net losses for the period in 2019 and 2020.

Key Financial Data (Million ₺)

	2016	2017	2018	2019	2020
Total Assets	143.3	192.9	166.7	77.2	58.0
Trade Receivables	74.8	123.2	24.3	7.7	0.0
Inventories	0.0	25.0	81.6	20.2	26.3
Trade Payables	54.5	99.3	26.0	7.7	0.1
Equity	81.0	62.1	74.0	66.0	57.7
Net Profit	67.7	18.4	11.9	-8.0	-8.3





İstanbul, November 5th, 2021

Financial Data

December 31st, 2020

(Million ₺)

Total Assets	58.0
Trade Receivables	0.0
Inventories	26.3
Financial Liabilities	0.0
Trade Payables	0.1
Gross Sales	30.6
Equity	57.7
Net Profit/Loss	-8.3

Financial Ratios

ROAA (%)	-12.3
ROAE (%)	-13.4
EBITDA Margin (%)	-21.1
Equity/Total Assets (%)	99.5
Total Liabilities/Equity (%)	0.0

Ratings Rationale, Outlook and Important Factors for the Future:

The credit ratings reflect our opinion that the Turkish natural gas market was not adversely affected by the Pandemic, despite the damage caused by the ongoing Covid-19 Pandemic (Pandemic) in macroeconomic indicators and the slowdown in economic activities and the main partner Eksim Yatırım Holding A.Ş. (the Holding) and other partners' ability and desire to financially support the Company, the fact that almost all of its activities are funded with equity, low collection and exchange rate risks, the existence of stable and experienced management staff, our view on the ongoing dispute between Gazprom and Batı Hattı due to the demand for retroactive payment due to the price difference, regarding the contract signed with Gazprom Export Limited Liability Company (Gazprom) in 2013 providing the privilege to import 1 billion m³ of natural gas annually for 20 years, the conclusion of the decision against Batı Hattı in the lawsuit filed in the international arbitration court for the settlement of the dispute, and the fact of the sales revenues and asset size declined rapidly due to the lack of natural gas import since the beginning of 2019, and the net losses for the period in 2019 and 2020.

Turkey's natural gas consumption in 2020, which was estimated as 52 billion m³ by EMRA, was 48.3 billion m³ with a deviation of 7.8%. Of the natural gas consumption, which increased by 6.8% compared to the previous year, residences took the biggest share with 32.4%; followed by cycle power plants producing electricity from natural gas with 28.3% and industrial companies using natural gas as an energy source with 26.3%. In Turkey in the year 2020, 90% of the natural gas supply was fulfilled by BOTAŞ, 9% by other import licensed companies and 1% by others' own

production.

The fact that the natural gas in the Company's inventory, whose price has increased in the spot markets, can increase the revenues of 2021 to higher levels, has been evaluated positively. The absence of financial debt and the decline in commercial debt to low levels as of the end of 2020 are evaluated as a positive factor as well. On the other hand, the Company's liabilities will increase if the appellate court, upholds the arbitration court's decision regarding the case by Gazprom against Batı Hattı and if the retroactive payments are invoiced by Gazprom. Gross sales profit, which decreased by 33% to 26.7 million ₺ in 2019, turned into a negative with -80 thousand ₺ in 2020. Despite the net foreign exchange profit in 2020, with the addition of operational expenses to gross sales loss an EBITDA margin of -6.5 million ₺ and an EBITDA margin of -21.1% occurred.

DRC RATING has determined the outlook of Batı Hattı's National Long-Term Credit Rating as "Stable". Financial strength of corporate main shareholder and shareholders consisting of leading businessmen of their sectors, available support from group companies, low exchange rate risk, planned sukuk issue, low leverage ratios and high net working capital were taken into account and positive/negative factors were evaluated in determining the outlook.

Key factors to consider for the future change in rating and outlook are:

Positive

- The ongoing negotiations with Gazprom results favorably for Batı Hattı and natural gas import restarts,
- The negative ROAA and ROAE returns to positive,
- Increase in the equity with a net income realized for the period,
- Due to the increase in Spot LNG prices in parallel with natural gas in Europe, BOTAŞ turns to domestic importers to procure, instead of importing Spot LNG,

Negative:

- Negative effects of EMRA regulations on the activities of the Company,
- The negative impact on profitability of fluctuations in cost of financial debt and exchange rates,
- Adverse conclusion of the ongoing negotiations with Gazprom,
- Increase in commercial debt in case Gazprom invoices retroactive payments,



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