Corporate Credit Rating

☐New ☒Update

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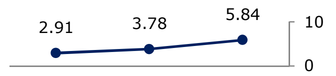
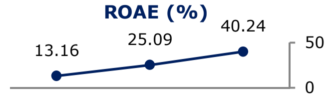
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A+ (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)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

** Assigned by JCR on Aug 18, 2022*

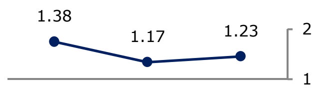
EBITDA Margin (%)



ROAE (%)

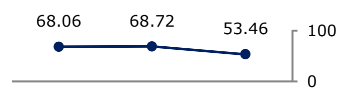


Current Ratio (x)

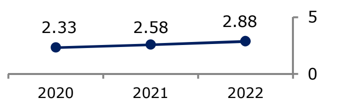


Adj.Net Debt/EBITDA (x)

Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



ULUSOY UN SANAYİ VE TİCARET ANONİM ŞİRKETİ

JCR Eurasia Rating, has evaluated the **"Ulusoy Un Sanayi ve Ticaret Anonim Şirketi"** in the investment-level category and revised the Long-Term National Issuer Credit Rating from **'A (tr)' to 'A+ (tr)'** and the Short-Term National Issuer Credit Rating at **'J1 (tr)'** with **'Stable'** outlook. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were determined as **'BB/Negative'** as parallel to international ratings and outlooks of Republic of Türkiye.

Ulusoy Un Sanayi ve Ticaret Anonim Şirketi (referred to as **'the Group'** or **'Ulusoy Un'**) was established in 1989 to manufacture, trade, import and export all kinds of foodstuffs such as flour, semolina, pasta and biscuits made of cereals and pulses. The main activity of Ulusoy Un is the production, trade of wheat flour, bran and other feed raw materials, domestic and foreign sales, as well as domestic and international trade of various cereals, especially wheat. The Group has three factories with a total wheat processing capacity of 3.925 tons/day, including 2.085 tons/day in Samsun, 400 tons /day in Çorlu and 1.440 tons /day in Aydın as well as silos, warehouses and free zone warehouses with a grain storage capacity of 300,000 tons. Ulusoy Un started exporting in 1995 and has exported flour and grain products to 92 countries to date. The Group has 4 subsidiaries and 1 affiliate. Licensed warehousing activities and sales channels are managed with these companies, of which Ulusoy Un is the sole shareholder. The Group ranked 273th in Türkiye's Top 500 Industrial Enterprises in 2022 (2021: 375th).

Ulusoy Un is managed by members of the Ulusoy Family. The main shareholder of Ulusoy Un is Eren Günhan Ulusoy with the share of 37.57% as of 3Q2022. Ulusoy Un's shares (34.02%) have been traded on Borsa İstanbul Index (BIST) since 2014 under the ticker-name of "ULUUN".

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

Strengths	Constraints
• Significant revenue growth in FY2022 and continuing sales performance in 3Q2023 period, supported by increased business volume, • Improvement in the gross profit and EBITDA generation capacity along with recovery in profitability indicators in FY2022, • Satisfactory level of equity supported by internal equity generation capacity, • Low level of operating ratio and improved cash cycle supporting efficiency, • Improvement in the NWC and cash flow metrics easing liquidity management in FY2022, • Operating in the food industry where demand elasticity is relatively low, • As a publicly traded company, compliance with Corporate Governance Practices.	• Despite the improvement in FY2022, increase in the mainly short-term debt level that is pressuring leverage metrics in 3Q2023, • Pressure on bottom-line results due to increasing financing costs largely dominated by FX losses, • Challenging macroeconomic backdrop given the monetary tightening implementations that limit access to finance.

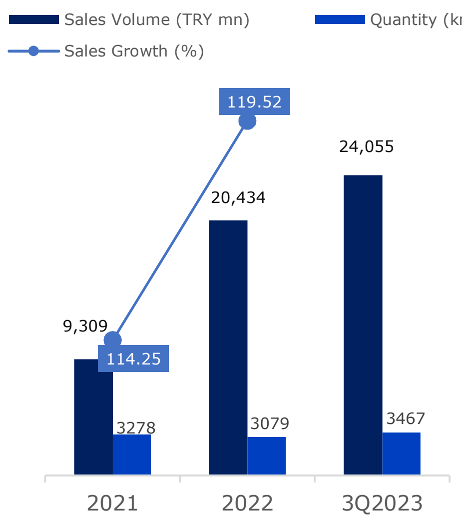
Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been revised from **'A (tr)'** to **'A+ (tr)'**. The Group's sales performance, EBITDA generation capacity, asset quality, liquidity structure, leverage level and wide product range have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Group's financial structure, market conditions, EBITDA generation capacity, debt ratios, liquidity ratios and developments in the global economy together with the trends in the industries will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

1. Rating Rationale

Significant Revenue Growth in FY2022 and Continuing Sales Performance in 3Q2023 Period, Supported by Increased Business Volume

Ulusoy Un, which accounts for approximately 5% of Türkiye's total flour exports, recorded 119.52% growth in total revenues in FY2022 compared to the FY2021. The Group, which continued its upward momentum according to consolidated revenues, reached a sales figure of TRY 24,054.68mn in the period as of 3Q2022.

The Group's sales revenue showed a notable upward trend during the reviewed periods, mostly stemming from price hike of wheat due to the Russia-Ukraine tension. Since Russia and Ukraine are the principal wheat exporters around the world, wheat prices fluctuated drastically in 2022, however then gradually stabilized and exhibited a downward trend by Grain Corridor Agreement.



The Group's sales growth in terms of volumes showed a slowdown in FYE2022 indicating that the sales revenue growth was mainly underpinned by unit price hike as mentioned before due to the political changes.

Analyzing the Group's sales performance in 2023, as of the end of September, the Group's sales volume surpassed the previous year. As of 3Q2023, Ulusoy Un generated revenues of TRY 24.05 bn with a sales volume of 3.467 metric tons (3Q2022: TRY 13.71mn).

The group's export sales increased to TRY 17.86 bn in 3Q2023 with an increase of 92.73% compared to the same period of the previous year (FY2022: TRY 13.28bn). The export sales constitute 74.24% of 3Q2023 sales revenues, providing foreign currency cash flows to service its foreign currency denominated debt.

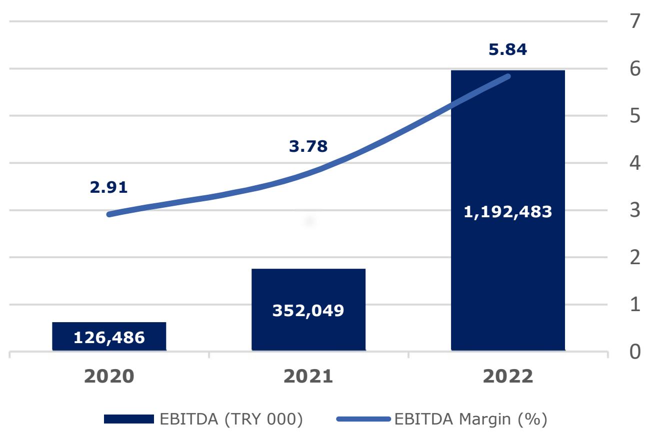
The Group was ranked 247th (FYE2021: 323th) largest exporter company of Türkiye in the annual Top 1000 Exporter Companies list compiled by the Turkish Exporters Assembly (TEA) in 2022. In addition, the Group ranks 17th in the sector.

Improvement in the Gross Profit and EBITDA Generation Capacity Along with Recovery in Profitability Indicators in FY2022

Ulusoy Un's principle financial indicators for the last two-year and 3Q2023 period including JCR-ER's adjustments are shown in the table below.

(TRY 000)	3Q2023	FY2022	FY2021
Net Revenue	24,054,685	20,434,426	9,308,745
Gross Profit	1,333,640	1,642,797	523,437
Gross Profit Margin (%)	5.54	8.04	5.62
EBITDA	736,557	1,192,483	352,049
EBITDA Margin (%)	3.06	5.84	3.78

Parallel to the increase in sales amount, the Group's EBITDA amount has indicated a visible improvement in the last year. The EBITDA amount reached TRY 1.19bn in FY2022 (FY2021: TRY 352.05mn). With the improvement in EBITDA generation, the Group's EBITDA margin increased to 5.84% in FY2022 (FY2021: 3.78%). Although Ulusoy Un maintained its sales strength in the 3Q2023, profitability margins deteriorated as can be seen in the table above.



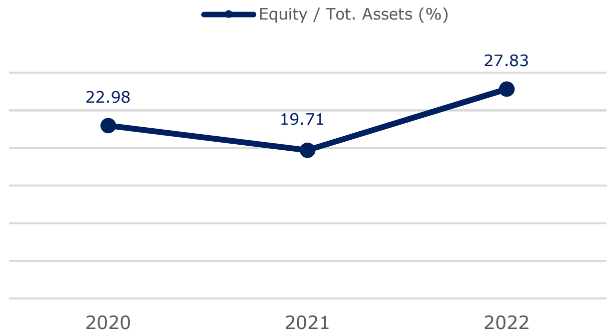
Satisfactory Level of Equity Supported by Internal Equity Generation Capacity

Ulusoy Un has generated net profit through analyzed years and the Group's equity size increased by 286.58% to TRY 2.82bn in FYE2022 thanks to the retained profits (3Q2023: TRY 4.09bn). The Group's equity increased throughout the period thanks to its ability to generate internal resources. The other factor behind the increase in equity is the increase in the revaluation fund for tangible fixed assets. Revaluation funds, arises as a result of the revaluation of tangible fixed assets, at a value of TRY 1.57bn constituting 55.93% of total equity in FY2022. At this point, revaluation gains included in equity do not represent a cash asset from the main activities.

The equity structure of the Group is presented in the table below.

(TRY 000)	3Q2023	FYE2022	FYE2021
Share Capital	190,970	190,970	190,970
Repurchased Shares (-)	(128,912)	(64,568)	(26,765)
Share Premium (Discount)	445,982	15,269	15,269
Other Accumulated Comprehensive Income (Expenses) That Will Not Be Reclassified to Profit or Loss	1,560,754	1,574,558	251,661
Other Accumulated Comprehensive Income (Expenses) to be Reclassified to Profit or Loss	340,359	144,881	55,994
Restricted Reserves	209,114	78,622	36,867
Previous Years Profits or Losses	878,847	162,445	64,605
Net Profit or Loss	304,990	712,885	139,595
Total Equity	**4,089,667**	**2,815,062**	**728,196**

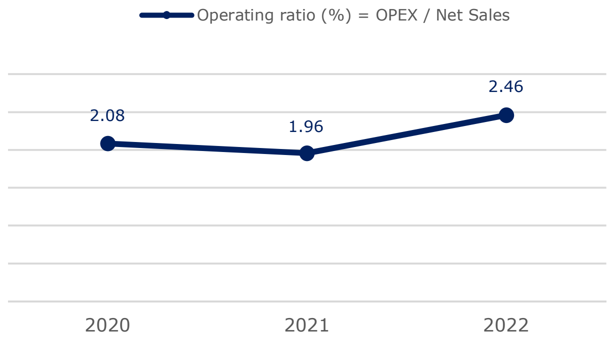
The share of equity in total assets reached its highest level during the period under review and stood at 27.83% in FYE2022.



Low Level of Operating Ratio and Improved Cash Cycle Supporting Efficiency

Operating ratio refers to a measure used by the Group to determine how efficient the Group 's management is in keeping operating costs low while generating revenue or sales by comparing the Group 's total operating expenses to its net sales.

A higher ratio would indicate that the Group 's expenses exceed its ability to generate sufficient income and could be considered inefficient. Similarly, a relatively low ratio would be considered a good sign, as the Group's expenses are less than its income.



The Group's OpEX figure increased by 175.73% amounting TRY 502.37mn as of FY2022. Accordingly, as seen in the table above, OpEX ratio of the Group has caught an increasing trend in FYE2022. However, it is still at low levels in all periods which realized as 2.46% as of FY2022.

Moreover, the cash conversion cycle of the Group is at very good levels. The cash conversion cycle (CCC) is a measure how long net input is tied up in the production and sales process before it gets converted into cash received. CCC is one of several quantitative measures that help evaluate the efficiency of a company's operations and management.

CCC is realized as 17 days in FY2022 which shows converting the Group's investments in inventory and other resources into cash flows from sales. This metric considers how much time the Group needs to sell its inventory, how much time it takes to collect receivables, and how much time it has to pay its debts.

	FYE2022	FYE2021	FYE2020
Account Receivables Turnover (x)	9.92	11.61	8.76
Inventory Turnover (x)	17.53	13.32	10.87
Payables Turnover (x)	8.90	11.47	8.57
Cash Conversion Cycle (days)	17	27	33

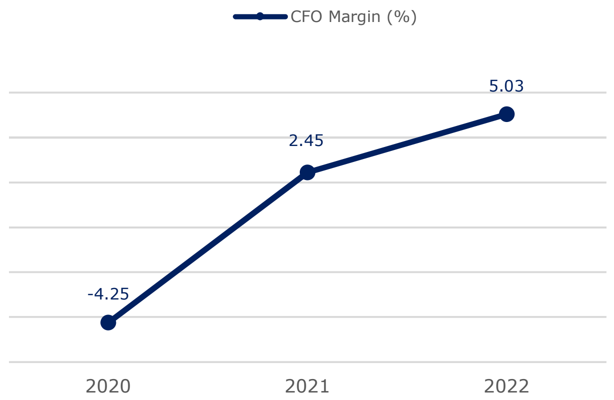
Improvement in the NWC and Cash Flow Metrics Easing Liquidity Management in FY2022

The Group has obtained positive cash flow from its activities for the last three-year period and it is observed that there is visible improvement in cash metrics over years.

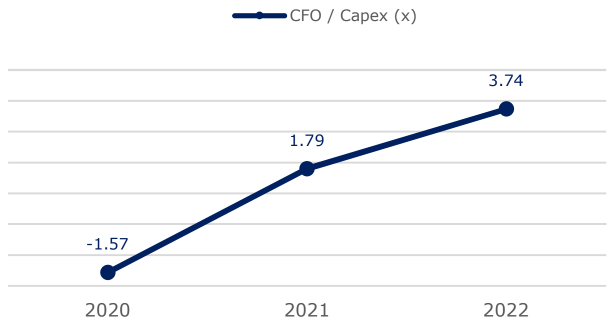
Key cash metrics of the Group are shown below:

(TRY 000)	FY2022	FY2021	FY2020
Funds from Operations (FFO)	865,160	100,782	48,790
Cash from Operations (CFO)	1,028,706	227,690	-184,620
Free Operating Cash Flow (FOCF)	753,318	100,740	-302,481

According to the cash flow metrics of the Group, cash generation from operations capacity improved over the years and its Funds from Operations (FFO, which refer to net cash generated from operating activities before changes in working capital, increased to TRY 865.16mn as of FYE2022 from TRY 100.78mn as of FYE2021 indicating a sufficient and desirable FFO position. Cash Flow Operations (CFO) increased to TRY 1.02bn in FYE2022 from TRY 227.69mn in FYE2021. Free Operating Cash Flow (FOCF) increased to TRY 753.32mn as of FYE2022 from TRY 100.74mn as of FYE2021.

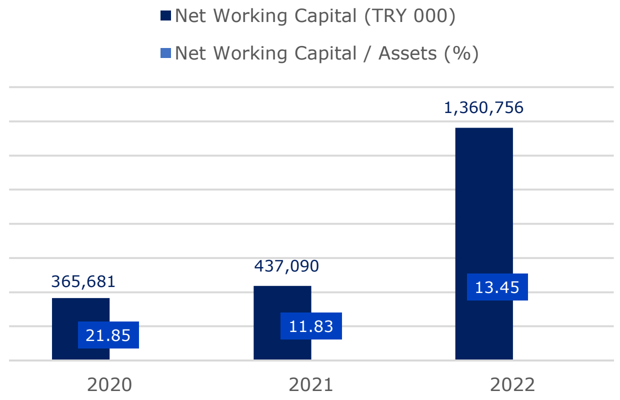


CFO is an important indicator to determine the financial success of a company's core business activities and coverage of investing expenditures. The Group has generated sufficient CFO that to cover its investment expenditures in the last 2 years, which reduces the Group's financial needs.



Net working capital is a measure of the Group's liquidity and refers to the difference between current assets and current liabilities. Hence, net working capital provides important information on behalf of the Group's liquidity, operational efficiency and its short-term financial health.

In parallel with the increase in liquid assets at FY2021 and FY2022, NWC materialized at a positive value of TRY 1.36bn in FY2022 and 437.09mn in FY2021. Consequently, net working capital to total assets ratio has indicated an increasing in FYE2022 as shown below.



Operating in the Food Industry Where Demand Elasticity is Relatively Low

Demand elasticity refers to the degree to which the demand for a product or service changes in response to changes in its price.

In general, the demand for food products is relatively inelastic, which means that the demand for these products is not very sensitive to changes in their price. This is because food is a necessity for human beings and they will continue to purchase it even if the price increases.

However, the demand elasticity for specific food products can vary. For example, the demand for luxury or specialty foods may be more elastic as consumers may be more willing to switch to alternative products if the price of these items increases.

As a result, operating in the food industry have an advantage in terms of demand elasticity due to the relative inelasticity of demand for many food products compared to other industries.

As a Publicly Traded Company, Compliance with Corporate Governance Practices

Compliance with corporate governance best practices provides guidance and sustainability for companies through the enhancement of their efficiency via transparent, widely accepted and continuously monitored processes and policies.

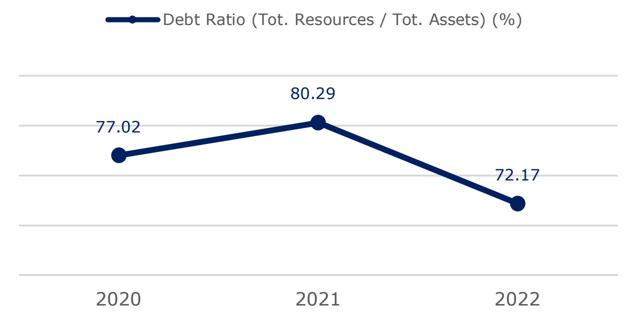
Ulusoy Un is registered within the Capital Market Board (CMB) and its shares have been traded on the Borsa Istanbul (BIST) under the ticker symbol ULUUN since November 20, 2014. Ulusoy Un's shares are owned by Ulusoy Family A.Ş. (63.83%), the Mithat Denizcigil (0.11%), and Kamil Adem (0.03%), 34.02% are publicly traded on the BIST as of Sep 30, 2022.

As a publicly traded company, Ulusoy Un is subject to certain compliance requirements concerning corporate governance principles and framework identified by CMB. As such, it has reached a high standard of compliance with the Corporate Governance Practices such as a comprehensive risk management framework, high degree of transparency, quality of financial reporting along with an emphasis on sustainability and efficiency which contributes to its current set of ratings.

The Board is comprised of 6 members, 2 of which are independent. There are 3 committees operating under the Board namely including the Audit, Corporate Governance and Early Identification of Risk, each of which is headed by an independent member, strengthening compliance with the principles.

Despite the Improvement in FY2022, Increase in the Mainly Short-Term Debt Level that is Pressuring Leverage Metrics in 3Q2023

Ulusoy Un's debt ratio was 72.17% as of FYE2022 and demonstrated a slight improvement when compared to 80.29% figure of FYE2021.



Financial liabilities, which is the largest external funding source of the Group, constituted 44.28% of total liabilities as of FYE2022 (FYE2021: 53.93%). When letter of credit classified as trade payables are included in financial liabilities, the financial liability ratio is 73.19% in FYE2022. To mention their maturity profile, 74.02% of total financial liabilities originated from short-term financial liabilities up to a year indicating a short-term maturity weighted composition of total financial liabilities as of FYE2022 (including letter of credit: 84.28%).

(TRY 000)	3Q2023	FYE2022	FYE2021
Short-Term Financial Debt	5,236,706	2,393,205	1,317,859
Letters of Credit	3,502,339	2,110,489	1,025,498
Long-Term Financial Debt	929,434	839,994	282,251
Total Financial Debt	**9,668,480**	**5,343,688**	**2,625,608**

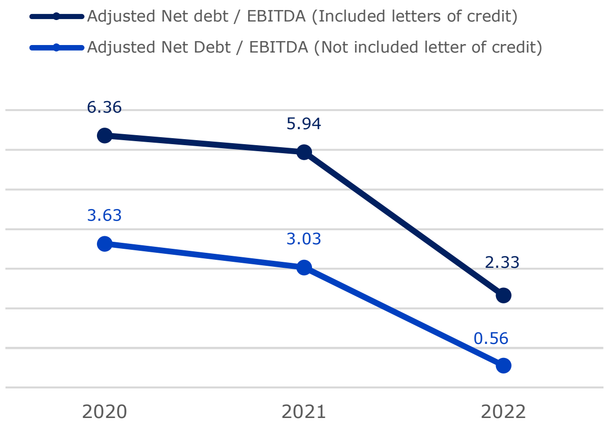
As indicated in the table above, the Group's short-term financial liabilities increased by 118.81% to TRY 5.24bn in 3Q2023. Especially the increase in short-term financial liabilities put pressure on the leverage profile in 3Q2023.

Also, when cash and cash equivalent items are excluded from financial borrowings, the Adjusted Net Debt of the Group amounted to TRY 2.78bn in FYE2022 while it was TRY 2.09bn in FYE2021.

(TRY 000)	3Q2023	FYE2022	FYE2021
Total Financial Debt (*)	9,668,480	5,343,697	1,164,312
Cash & Cash Equivalents (**)	3,387,067	2,567,613	534,939
Adjusted Net Debt	6,281,413	2,776,084	2,090,670

(*) Letter of credit included
(**) Financial investments are included.

The adjusted net debt to EBITDA measures a company's ability to pay off its incurred debt and indication as to how long a company would need to operate at its current level to pay off all its debt. The Group's net financial debt to EBITDA ratio was at its best level during the period under review in FY2022. The ratio of net financial debt to EBITDA stood at 2.33x in FY2022 (included letters of credit).



Pressure on Bottom-Line Results due to Increasing Financing Costs Largely Dominated by FX losses

Net financing expenses of Ulusoy Un were TRY 892.06mn at FYE2022. (FYE2021: TRY 569.05mn) Due to the significant level of net financial expenses in the income statement, the Group announced TRY 816.72mn pretax profit for the period while its EBIT was TRY 1.14bn as of FYE2022. (FYE2021: TRY 186,01mn pretax profit, TRY 341,24mn EBIT).

(TRY 000)	3Q2023	FYE2022	FYE2021
Net FX Profit/Loss from Financing	-1,181,479	-349,493	-488,293
Net Interest Expenses	-425,692	-413,199	-140,492
Other Net Financing Gain/Loss	377,228	-129,365	59,733
Net Financing Expenses	**-1,229,943**	**-892,057**	**-569,052**

Financial expenses predominantly originated from 'foreign exchange losses' and 'interest expenses' items at FYE2022. 46.76% portions of total financial expenses originated from foreign exchange losses and 28.38% interest expenses in FY2022. The Group's net financial expenses were realized as TRY 1.23bn in 3Q2022, mainly due to foreign exchange losses.

Challenging Macroeconomic Backdrop Given the Monetary Tightening Implementations that Limit Access to Finance

Several headwind face companies based in Türkiye, stemming from both global and domestic conditions; rapid monetary tightening, restrictive financial conditions and export-focused growth policies of China in the former scale and selective access to finance, policy rate hike expectations and FX regulations in the latter. 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. In addition to ongoing geopolitical risks, concerns that the slowdown of the global economy is still on the agenda.

Unprecedented pace of tightening 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. Although the monetary tightening process has come to an end, major central banks are not expected to initiate monetary expansion in quiet a long time.

Recently, main theme affecting Turkish corporates is the exchange rate path and access to financing, the cost of the loans notwithstanding. While the current economic policy mix is not fully revealed, market developments and statements so far indicate an exchange level supporting export competitiveness, limiting imports and finally a normalized interest rate curbing loan growth. There have been critical changes in monetary policy since June 2023. In addition to gradually increasing policy rate, a series have changes to macroprudential measures have been implemented.

The changes in the regulations regarding the TRY deposit share, which directly affected the banking sector, and the interest rate increases that were above market expectations changed the expectations regarding the banking sector. The new regulations were aimed at increasing the TRY deposits and supporting the credit tightening. The CBRT's move to limit credit growth and tighten monetary conditions was realized with the regulation on the allocation of securities against credit growth. It was decided to reduce the monthly growth limit to 2.5% for TRY commercial loans, which was 3% within the scope of security facility purchase mandate. Export, investment, agricultural and artisan credits were excluded from this limitation. In addition, the interest rate limit for commercial loans was reduced to a single level, allowing banks to charge higher rates.

In sum, access to finance is substantial topic affecting Turkish corporates, as the selective lending policies aimed to supporting exports, agricultural production, investments and SMEs have resulted in a divergence in financial conditions. Current outlook is more accommodative for export-oriented firms, particularly those in selected sectors with SME scale. In the second half of 2023, increasing loan rates and slowing down credit growth would translate into tighter credit standards. Considering the relationship between financial conditions and growth, expected slowdown in consumer spending with tightening conditions as well as the weak outlook in major export markets, a gradual slowdown could be expected. All developments will be observed by JCR-ER for the upcoming period.

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

On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings were determined as **'BB'** in line with international ratings of Türkiye.

2. Rating Outlook

The Group's sales performance, EBITDA generation capacity, asset quality, liquidity structure, leverage level and wide product range have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as **'Stable'**.

The Group's financial structure, market conditions, EBITDA generation capacity, debt ratios, liquidity ratios and developments in the global economy together with the trends in the industries will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

Additionally, the Group's outlook for Long-Term International Foreign and Local Currency Issuer Credit Ratings has been assigned as **'Negative'** in line with the sovereign rating outlooks of the Republic of Türkiye.

Factors that Could Lead to an Upgrade

- Recovery in the EBITDA generation capacity and core profitability ratios,
- Improvement in the indebtedness level strengthening financial flexibility,
- Further improvement in cash flow metrics,
- Improvement of the operating environment in the domestic and international markets,
- Upgrades in sovereign ratings and economic growth prospects of Türkiye.

Factors that Could Lead to a Downgrade

- Disruption or slowdown in sales,
- Severe and persistent deterioration in operating results and/or cash flow generation,
- Notable decrease in EBITDA generation capacity and profitability,
- Political and cyclical developments that will adversely affect the sector,
- Downgrades in the sovereign rating level of Türkiye.

3. Projections

The budget and projections for 2024 and 2025 provided by the Group management are presented in the table below.

(mn USD)	2024E	2025E
Total Revenue	**1,420**	**1,442**
Gross Profit	**95**	**96**
Gross Profit Margin %	*513,977*	*364,053*
EBITDA	**64**	**64**
EBITDA Margin %	*4*	*4*
Net Profit for the Period	**456,919**	**306,995**
Net Profit Margin %	*25*	*25*
Gross Debt	177	167
Net Debt	162	139
Equity	239	260

According to the income statement budget and projections provided by the Group management, Ulusoy Un has projected revenues of USD 1.42bn for FY2024. As indicated in the table above, the Group's profitability margins are expected to remain stable in the coming periods.

According to the information received from the Group management, the Group has started to invest in a 22.3 MW capacity Wind Power Plant to meet the energy needs of the production facilities. The project is planned to be completed in 2025 with an investment cost of EUR 33.45mn. The Group will finance part of the investment with internal resources and plans to utilise an investment loan of around EUR 20mn.

In addition, Söke Değirmencilik and Ulidaş Tarım's facilities are planned to spend USD 11.86mn as part of the roof SPP project.

The capex plan for the years 2024 and 2025 presented by the Group management is as follows:

('000 USD)	2024	2025
Ulusoy (22.36MW) (Energy)	27,000	140
Söke Değirmencilik (11+5.4+5.6 MW) (Energy)	90	90
Ulidaş (Energy)	5	5
Bakery Prıducts Investment Söke	2,000	-
Warehouse Investment Söke	3,500	-
Maintenance	2,000	2,000
Total	**34,595**	**2,235**

As of the reporting date, the Ulusoy Un has a lease certificate issuance with a nominal value of TRY 100mn within the issuance ceiling of TRY 500mn. In addition, the Group has a bond issuance limit of TRY 750mn.

Considering the assumption that there will be no additional legal or financial collateral guarantees provided separately for the repayment of the bonds-to-be-issued by Ulusoy Un Sanayi ve Ticaret A.Ş., the note assigned for the TRY dominated bond issuance has been assigned as **'A+ (tr)'** and **'J1 (tr)'** which are the same as the Company's Long and Short-Term National Issuer Credit Ratings.

No separate rating report has been compiled as the resources to be obtained from potential debt issues will be carried in the Group's balance sheet and has been subject to analysis in the corporate credit rating report. The debt instruments to be issued carry no difference in comparison to the Group's other liabilities with respect to its legal standing and collateralization. As such, the notations outlined in the corporate credit rating report also reflect the issue rating considering aggregated exposure of the issues. The issue ratings do not cover any structured finance instruments. Issue ratings are assigned for both outstanding and prospective debt instruments and incorporate assessments until their maturities.

4. Company Profile & Industry

a. History and Activities

Ulusoy Un Sanayi ve Ticaret A.Ş. was established in 1969 to manufacture, trade, import and export all kinds of foodstuffs such as flour, semolina, pasta and biscuits made from cereals and legumes. Ulusoy Un's main field of activity is the production, trade, domestic and international sales of wheat flour, bran and other feed raw materials, and domestic and international trade of various grains, especially wheat.

The Group has a total of 2485 tons/day, including 2085 tons/day in Samsun and 400 tons/day in Çorlu, and in 2022 and Söke Degirmencilik Sanayi ve Ticaret A.Ş. the total production capacity has reached 3,925 tons/day as a result of the acquisition of the shares of the Group and the addition of 1440 tons/day capacity of Aydın and Ankara factories belonging to this company. In addition, with the Antakya plant, which is planned to be operational in the 4Q2023, the final production capacity is expected to be 4,200 tons/day.

Ulusoy Un, started exporting in 1995 and has exported flour and grain products r to 92 countries until today. According to the data of the Turkish Exporters Assembly announced in 2023; In 2022, it ranked 247rd among the top 1000 exporting companies in Türkiye, and ranked 17rd in its sector. According to the data announced by the Istanbul Chamber of Industry in 2022, it ranks 273th among the industrial establishments with the highest production in 2022 in terms of sales from total production.

b. Shareholders, Subsidiaries & Affiliates

The shareholding structure of Ulusoy Un, whose paid-in capital is TRY 190.97mn, is as follows in 3Q2022 as indicated in the table below.

Ulusoy Un Sanayi ve Ticaret A.Ş.'s Shareholder Structure

	3Q2023		FYE2022	
TRY 000	**Amount**	**%**	**Amount**	**%**
Eren Günhan Ulusoy	71,743	37.57	71,743	37.57
Nevin Ulusoy	36,076	18.89	36,076	18.89
Onur Erhan Ulusoy	17,900	9.37	17,900	9.37
Mithat Denizcigil	215	0.11	215	0.11
Kamil Adem	61	0.03	61	0.03
Free Float	64,975	34.02	64,975	34.02
Total	**190,970**	**100**	**190,970**	**100**

In 3Q2022, the Group has 5 subsidiaries and 1 affiliate shown below.

Affiliates & Subsidiaries

Company	Fields of operation	Share (%)
Ulidaş Tarım Ürünleri Lisanslı Depoculuk San. ve Tic. A.Ş.	Licensed Warehouse	100
Alfaway Gıda Sanayi ve Ticaret A.Ş.	Food Production	100
Rolweg SA	Grain Trade	100
Söke Değirmencilik Sanayi ve Ticaret A.Ş.	Flour Production	79,95
Gen Oyuncak Sanayi ve Ticaret A.Ş.	Flour Production	60
Sasbaş Samsun Serbest Bölgesi Kurucu ve İşletmecisi A.Ş.	Free Zone Management	17

Ulidaş Tarım Ürünleri Lisanslı Depoculuk San. ve Tic. A.Ş.

Ulidaş Tarım Ürünleri Lisanslı Depoculuk San. ve Tic. A.Ş. was established in 2015 to carry out licensed warehousing activities related to the preservation of agricultural products under license in healthy conditions and storage for commercial purposes.

Rolweg SA

Rolweg SA was established on 15 March 2018 to trade grain with a capital of 1,000,000 Swiss Francs (CHF). 100% of Rolweg's capital belongs to Ulusoy Un Sanayi ve Ticaret A.Ş. The head office of Rolweg SA is Geneva, Switzerland. With the decision of the Board of Directors dated Aug 11,2023, the Company's capital was increased to CHF 20mn.

Alfaway Gıda San. ve Tic. A.Ş.

Alfaway Gıda Sanayi ve Ticaret A.Ş. ("Alfaway") was established on Sept 24, 2019 to manufacture, wholesale and retail purchase, sale and distribution, import and export of all kinds of foodstuffs.

Söke Değirmencilik San. Ve Tic. A.Ş.

Söke Değirmencilik Sanayi ve Ticaret A.Ş. was established in 1963 in Söke. Söke Değirmencilik operates in flour production. The Company generally produces flour and flour products for the Turkish market. The Company production is carried out in 2 locations, one in Söke and one that is leased in Ankara. Söke Değirmencilik's shares (20.05%) have been traded on Borsa İstanbul Index (BIST) in 2023 under the ticker-name of "SOKE".

Gen Oyuncak Sanayi ve Ticaret A.Ş.

The company was established on 1 Nov 2019 to engage in the manufacture, purchase, sale, import and export of all kinds of play dough, modelling dough, painting products, pencils, erasers, office products and all kinds of toys.

c. Industry Assessment

Cereal Industry

Grain is the general name of the seeds of the crops such as wheat, barley, maize, oats, rye and rice being harvested for human and animal consumption. Grains, which are the main food sources in the world, can be consumed as seeds or processed and consumed as flour, bran, starch or oil. Most grains have similar dietary properties; they are rich in carbohydrates but comparatively low in protein and naturally deficient in calcium and vitamin A. Breads, especially those made with refined flours, are usually enriched in order to compensate for any nutritional deficiencies in the grain used. The grains most commonly cultivated are wheat, rice, rye, oats, barley and maize.

As human food, grains are usually marketed in their raw grain form (some are frozen or canned) or as ingredients of various food products. As animal feed, they are consumed mainly by livestock and poultry, which are eventually rendered as meat, dairy, and poultry products for human consumption. Many grains are used industrially in the production of a wide range of substances, such as glucose, adhesives, oils, and alcohols.

While grains refer to a wide category of plants that produce edible seeds or fruits, including cereal grains like wheat, corn and rice as well as non-cereal grains like quinoa, amaranth and chia, cereal refers to a specific type of grain that is grown for food purposes, often processed into breakfast cereals, breads, and other foods.

According to the Food and Agriculture Organization (FAO)'s latest forecast, in the period 2022/23, the total grain production in the world is estimated to decrease on an annual basis of 0.9% to 2,789mn tons despite of a 3.0% growth in wheat production. World trade is estimated to decline by 1.2% in 2022/23 after reaching a new peak with 483mn tons in the previous period.

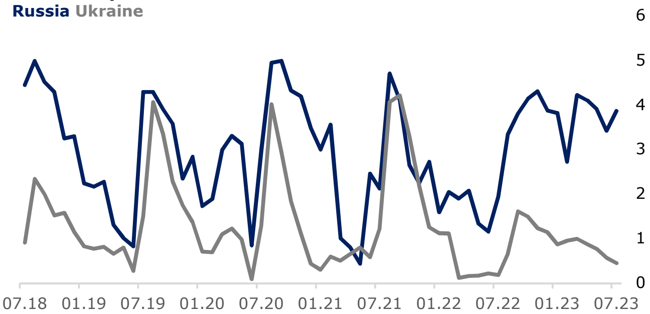
World Grain Figures* (mn tons)

	2019/20	2020/21	2021/22	2022/23	2023/24
Production	2,713.93	2,778.49	2,815.00	2,788.68	2,818.99
Wheat	*759.29*	*775.31*	*778.28*	*801.76*	*783.32*
Coarse Grain	*1,451.05*	*1,485.21*	*1,510.76*	*1,469.37*	*1,511.96*
Rice	*503.58*	*517.96*	*525.96*	*517.55*	*523.70*
Supply	3,550.06	3,610.42	3,654.41	3,645.93	3,677.62
Utilization	2,711.23	2,760.58	2,802.56	2,779.19	2,805.31
Trade	439.62	482.24	482.79	476.96	472.73
Ending Stocks	831.94	839.41	857.25	858.64	878.07

Source: FAO, JCR-ER | Last Update: August, 10 2023
* 2022/23 figures are based on an estimation, and 2023/24 on a forecast.

Russia and Ukraine are the key global players of the agricultural commodities and net exporters of agricultural products, chiefly wheat. While Russia is the leading supplier of nitrogen, potassium and phosphorous fertilizers, Ukraine is the most important country in the sunflower oil market, performing more than half of the global sunflower trade. Due to the Russian invasion on Ukraine, world grain trade flows were disrupted as Russia waged a global war on the supply of food products, banning the export of grain in Ukraine to third countries. Sanctions against Russia prevented Russian grain from entering the European and US markets. Thus, Russian and Ukrainian grain remained in ports and warehouses.

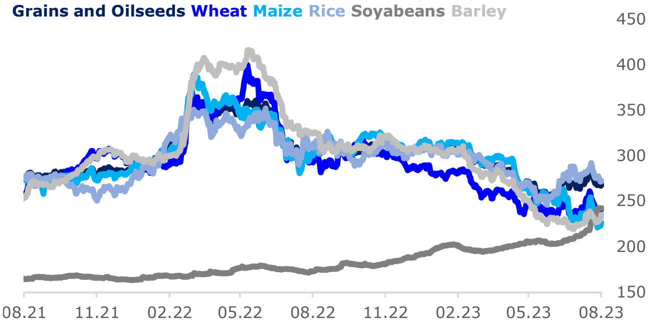
Wheat Exports of Russia and Ukraine (mn tons)



Source: Refinitiv, JCR-ER

In 2022, Russian invasion on Ukraine also resulted in sharp increases in cereal prices. The supply concerns in wheat negatively affected agricultural prices. Additionally, high natural gas prices, a key ingredient for fertilizer, resulted in a price surge in key chemical compounds for fertilizer production as Russia was a leading provider of natural gas, especially for Eurozone. The FAO cereals index peaked in March 2022 and May 2022 with 170.13 and 173.52 with an annual growth of 37.3% and 29.8%, respectively. While the surge in energy and fertilizer prices could normalize, conflict between Russia and Ukraine reduced the level of output and kept the prices high for an extended period. As can be seen in the graph below, cereal prices, then, declined again, accompanied by safe shipping with the grain export corridor agreement, which enabled the export of nearly 33mn tons of cereal and other food products from Ukraine to 45 different countries, helping to stabilize the world food prices and prevent famine in lower-income countries, along with a decrease in energy and fertilizer costs.

IGC Grains and Oilseeds Index (2000 January = 100)
Grains and Oilseeds Wheat Maize Rice Soyabeans Barley

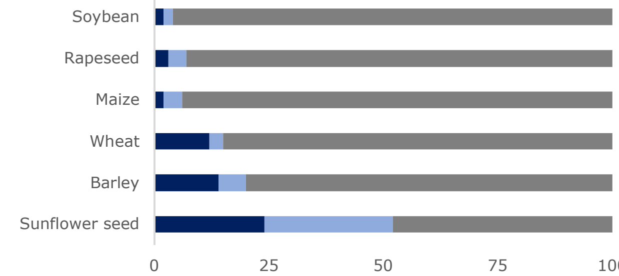


Source: International Grains Council (IGC), JCR-ER

On July 17 2023, Russia announced that it would suspend its involvement in an agreement with Ukraine, sparking concerns about potential supply shortages and another surge in cereal prices. The grain deal had been renewed three times prior to its expiration on July 17, 2023. FAO cereal price index stood at 125.92 as of July 2023.

According to the 'World Agriculture Production' report published by USDA in July 2023, sunflower seed production is projected to fall annually by 6.88% in 2022/23 owing to a 30.29% contraction in production from Ukraine.

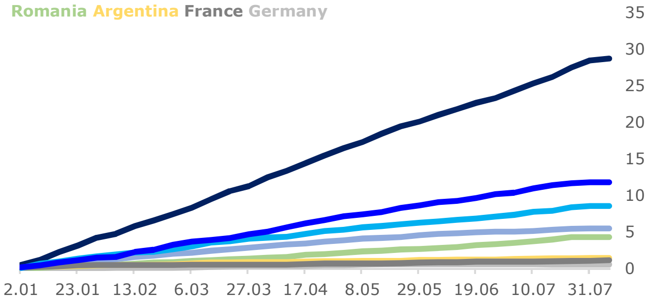
Share in Global Production of Selected Crops
(2016/17-2020/21 Avg., in percentage)
Russia Ukraine Other



Source: FAO, JCR-ER

Besides, many countries including India, the world's second-largest wheat producer, banned the export of several grain products in spite of the criticism that it could have worsened the global food supply situation in the wake of the war. India's ban on wheat exports still remains in place in order for India to secure sufficient supply of the grain for its local market and to control inflation. Accumulated export volume of wheat on a weekly basis as of 2023 is provided below.

2023 Accumulated Weekly Wheat Exports (mn tons)
Russia Australia Canada Ukraine
Romania Argentina France Germany



Source: Refinitiv, JCR-ER

Apart from all, the climatic factors had a negative impact on some major grains like wheat exporting countries. Drought, floods, heat waves and forest fires threatened crops in some major producers such as European countries.

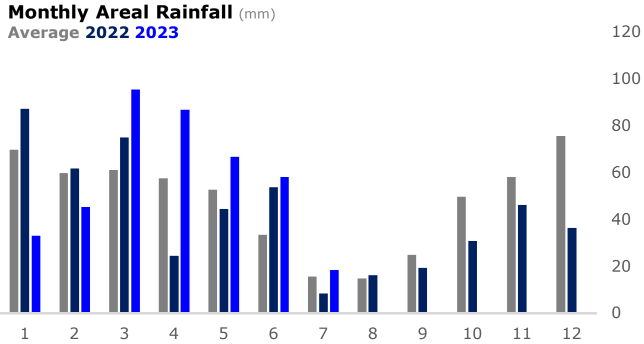
Based on the grain market report released by IGC on July 20, 2023, the global grain production is estimated to decline to 2,259mn tons in the 2022/23 season from 2,295mn tons in the previous season. On the other hand, IGC revised up its 2023/24 forecast for global grain production to 2,297mn tons, citing, in particular, strong supplies of maize and sorghum, tied primarily to larger US acreage, which will drive grain production to the higher levels. IGC's forecast for the world's maize production in the 2023/24 season was 1,220mn tons, up by 64mn tons compared to its estimated production for the previous season, mostly due to a 10% increase in the production in the USA, being the world's largest maize producer.

Türkiye has 24mn hectares of arable land, which constitutes around one third of its total area. Irrigable land with 8.5mn hectares makes up around 35% of total arable land, and of which 81.9% is irrigated. Meanwhile roughly 46% (11.01mn hectares) of total arable land was planted with grains as of 2021/22 season. Wheat was ranked 1st with a share of 61% in the grain planted area, followed by barley with a share of 13% and maize with a share of 7% for the same season.

Even though Türkiye is an advantageous country in terms of agricultural production due to its climatic and ecological characteristics, which allows for a wide range of products, Türkiye's grain industry has been facing several difficulties, including the recent earthquake and drought, which is expected to have a bigger impact on 2023/24 grain production than the former.

After the less rainy January and February, the dry period was to some extent mitigated by extended and intense spring rainfall. The rainfall in July exceeded the average by 18%, however considering the timeframe spanning from October 2022 to July 2023, the accumulated rainfall was below average by 3.1%. On the other hand, as of June, the Ministry of Agriculture and Forestry reported that the active occupancy rate in the irrigation dams was 51%.

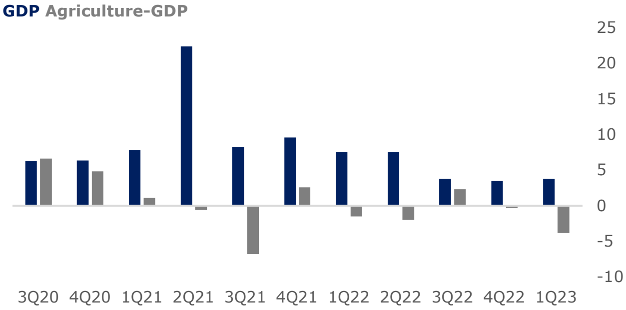
Monthly Areal Rainfall (mm)
Average **2022** **2023**



Source: Directorate General of Meteorology, JCR-ER

Analyzing GDP, the activities composing GDP and the change in the share of agriculture, forestry and fisheries in GDP, in recent years, agriculture sector has been facing tough times, not even being able to catch up with the growth in GDP in some fiscal quarters. In 1Q2023, the growth in the agricultural sector in Türkiye shrunk by 3.8% year-on-year, and remained below the GDP growth for the 10 consecutive quarters. Consequently, while agriculture, forestry, and fishing, value added (% of GDP) in 1960 was approximately 55%, it decreased to around 6.5% as of 2022. In other words, the contribution of agriculture to the national economy of Türkiye has diminished over the years.

GDP Growth (Annual % Change)
GDP **Agriculture-GDP**

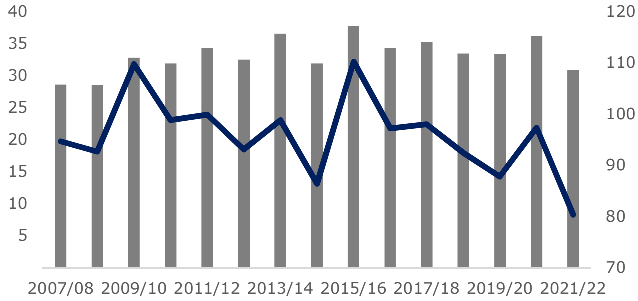


Source: Ministry of Agriculture and Forestry, JCR-ER
** Forestry and fishing are included.

In 2021/22 season, total production of cereal amounted to 30.87mn tons, the lowest level over the past 13 years, marking a 14.75% annual decline. At the same time, the overall domestic consumption surged to 36.52mn tons, demonstrating a growth of 3.44% compared to the preceding season. Conversely, self-sufficiency dwindled to 80.3%, reaching its lowest level in recent times.

For the 2022/23 season, total cereal production is calculated to escalate to 37.72mn tons, signifying a substantial 22.20% surge in comparison to the previous season. Looking ahead to the 2023/24 season, total production is estimated to once again experience growth, reaching 38.61mn tons, with a moderate annual increase of 2.36%.

Cereal Production* and Self-Sufficiency
Production (mn tons) **Self-Sufficiency** (%, right axis)



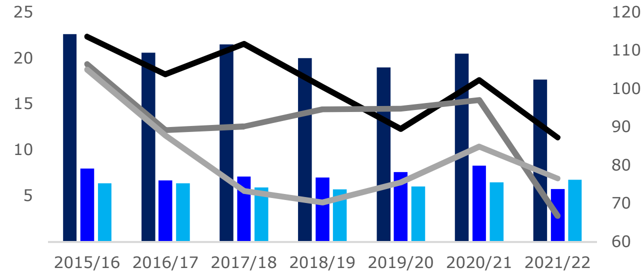
Source: TURKSTAT, JCR-ER
* Cereal production encompasses the production of wheat, barley, maize, rye, oats, spelt, millet, canary grass, mixed grain, triticale, sorghum, and buckwheat.

During the 2021/22 season, wheat production in Türkiye amounted to 17.65mn tons. Despite being the dominant contributor to cereal production, wheat experienced a significant 13.9% decline on an annual basis, accompanied by a drop in the self-sufficiency from 102.3% to 87.3%. Notably, a portion of the wheat imported into Türkiye is subjected to processing and subsequently re-exported as flour and pasta.

Concurrently, maize and barley production achieved levels of 6.75mn tons and 5.75mn tons, respectively, establishing them as the principal cereal productions right after wheat. In terms of self-sufficiency, barley, a pivotal input in the feed industry, stood at 66.8%, while maize exhibited a self-sufficiency rate of 76.6%.

Over the span of the 2022/23 and 2023/24 seasons, following a total production of 19.75mn tons in the 2022/23 season, wheat production is estimated to escalate to 20.50mn tons in the subsequent season, exhibiting an annual growth of 3.80%. Similarly, the barley production was 8.50mn tons in the 2022/23 season, which is projected to ascend slightly to 8.60mn tons in the subsequent season. In contrast, maize production is forecast to remain stable for the 2023/24 season, with a total production of 8.50mn tons.

Cereal Production and Self-Sufficiency
Production: Wheat Barley Maize (mn tons)
Self-Sufficiency: Wheat Barley Maize (%, right axis)



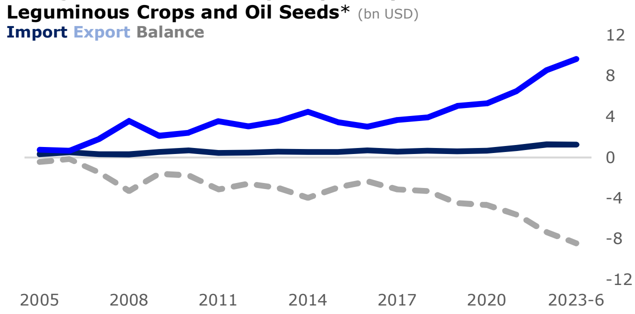
Source: TURKSTAT. JCR-ER

2023 grain intervention prices were announced on June 6, 2023. The Turkish Grain Board (TMO) is presenting an intervention price of TRY 8,250 per metric ton (USD 358/MT) for Anatolian Hard Red Milling Wheat (AKS), TRY 9,000 per metric ton (USD 391/MT) for durum wheat, and TRY 7,000 per metric ton (USD 304/MT) for barley (calculated based on an exchange rate of USD/TRY as of June 7, 2023). In addition, the Ministry of Agriculture and Forestry will provide an extra premium payment of TRY 1,000 per metric ton for wheat and TRY 500 per metric ton for barley to farmers.

TMO's purchase price exceeds market prices, which stood at TRY 7,189 per metric ton for AKS, TRY 8,933 for durum wheat, and TRY 5,976 for barley as reported in the 'Daily Market and Commodity Exchange Prices Bulletin' issued by TMO on August 10, 2023, creating an incentive for farmers to opt for selling their products to TMO rather than private companies.

Imports of cereals (except rice), leguminous crops and oil seeds, which are also the products with the highest imports in the crop and animal production, hunting and related service activities, reached an all-time high with USD 9.68bn in June 2023 (total of last 12 months), corresponding to an annual increase of 12.75%.

Foreign Trade of Cereals (Except Rice), Leguminous Crops and Oil Seeds* (bn USD)
Import Export Balance



Source: TURKSTAT, JCR-ER

As of 2023-3, while 39.8% of cereals (except rice), leguminous crops and oil seeds were imported from Russia, Ukraine is in second place with 27.1%, composing the total share of 66.9%, which shows how important the Russian-Ukrainian war is in terms of cereal in Türkiye.

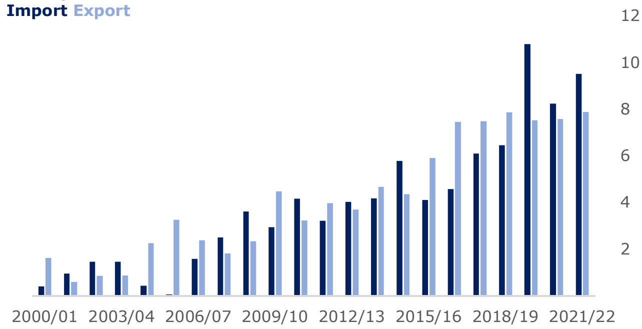
Import of Cereals (Except Rice), Leguminous Crops and Oil Seeds* (bn USD)

	2018	2019	2020	2021	2022	2023-6
Russia	1.44	1.72	2.06	2.34	3.18	3.87
Ukraine	0.51	1.05	0.66	1.11	2.23	2.79
Other	1.98	2.29	2.61	3.09	3.18	3.01
Total	**3.93**	**5.07**	**5.33**	**6.53**	**8.58**	**9.68**
Change (%)	**6.30**	**28.85**	**5.12**	**22.68**	**31.37**	**12.75**
Share (R+U) (%)	**49.53**	**54.76**	**51.00**	**52.72**	**63.00**	**68.87**

Source: TURKSTAT, JCR-ER

During the 2021/22 season, total exports accounted for 9.33mn tons, whereas imports tallied 15.59mn tons. There has been a notable upsurge in cereal imports in recent years, witnessing an impressive increase of 42.4% for the 2021/22 season.

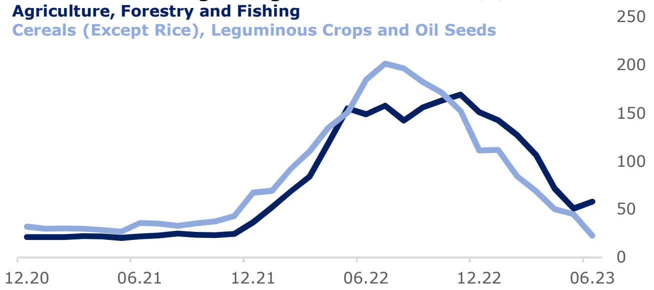
Foreign Trade of Wheat (mn tons)
Import Export



Source: TURKSTAT, JCR-ER

Agriculture-PPI (2015=100), in April 2023, were up by 4.04% monthly and 57.93% annually. While the average prices of 63 items out of 82 items in the index increased, cereals (except rice), leguminous crops and oilseeds were the subgroup with an annual growth of 22.51%.

Annual Price Change of Agricultural Products (%)



Source: TURKSTAT, JCR-ER

The tables below visualize global production, consumption, export and stock figures for wheat, barley, corn and rice for 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24 seasons.

World Wheat Figures* (mn tons)

	2019/20	2020/21	2021/22	Prel. 2022/23	Proj. 2023/24
Production	759.39	773.45	781.05	790.20	796.67
1. China	*133.60*	*134.25*	*136.95*	*137.72*	*140.00*
2. EU	*138.80*	*126.68*	*138.24*	*134.34*	*138.00*
3. India	*103.60*	*107.86*	*109.59*	*104.00*	*113.50*
Consumption	745.72	787.27	792.52	793.49	799.45
Export	195.10	199.61	205.26	213.56	214.40
Ending Stocks	297.90	284.08	272.60	269.31	266.53

* "Prel." and "proj." are abbreviations denoting "preliminary" and "projected", respectively.
Source: USDA: Grain: World Markets and Trade, July 2023, JCR-ER

World Barley Figures* (mn tons)

	2019/20	2020/21	2021/22	Prel. 2022/23	Proj. 2023/24
Production	159.30	161.47	145.40	151.89	145.76
1. EU	*55.18*	*54.23*	*52.05*	*51.79*	*50.40*
2. Russia	*19.94*	*20.63*	*17.51*	*21.50*	*19.60*
3. Australia	*10.13*	*14.65*	*14.34*	*14.10*	*10.00*
Consumption	157.56	162.54	147.92	151.41	146.90
Export	29.48	37.02	28.43	29.32	27.60
Ending Stocks	21.89	20.82	18.29	18.78	17.63

* "Prel." and "proj." are abbreviations denoting "preliminary" and "projected", respectively.
Source: USDA: Grain: World Markets and Trade, July 2023, JCR-ER

World Corn Figures* (mn tons)

	2019/20	2020/21	2021/22	Prel. 2022/23	Proj. 2023/24
Production	1,123.12	1,128.94	1,218.70	1,150.68	1,224.47
1. USA	*345.96*	*358.45*	*382.89*	*348.75*	*389.15*
2. China	*260.78*	*260.67*	*272.55*	*277.20*	*280.00*
3. Brazil	*102.00*	*87.00*	*116.00*	*133,00*	*129.00*
Consumption	1,138.40	1,143.36	1,201.90	1,164.26	1,206.65
Export	175.87	184.07	193.49	178.26	194.87
Ending Stocks	307.49	293.07	309.88	296.30	314.12

* "Prel." and "proj." are abbreviations denoting "preliminary" and "projected", respectively.
Source: USDA: Grain: World Markets and Trade, July 2023, JCR-ER

World Rice Figures* (milled, mn tons)

	2019/20	2020/21	2021/22	Prel. 2022/23	Proj. 2023/24
Production	498.23	509.08	513.74	512.49	520.77
1. China	*146.73*	*148.30*	*148.99*	*145.95*	*149.00*
2. India	*118.87*	*124.37*	*129.47*	*136.00*	*134.00*
3. Bangladesh	*35.85*	*34.60*	*35.85*	*36.35*	*37.00*
Consumption	493.33	503.39	518.64	521.37	523.91
Export	45.37	52.18	56.12	55.65	56.34
Ending Stocks	181.64	187.33	182.44	173.56	170.42

* "Prel." and "proj." are abbreviations denoting "preliminary" and "projected", respectively.
Source: USDA: Grain: World Markets and Trade, July 2023, JCR-ER

5. Additional Rating Assessments

The Group is exposed to variety of financial risks due to its operations. These risks include credit risk, market risk (foreign exchange risk, interest rate risk) and liquidity risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and targets to minimize potential adverse effects on the Group's financial performance.

The principle financial risks the Group is exposed to include credit, market and liquidity risks along with operational risks which will be examined in greater detail in the following section.

Credit Risk

Credit risk is the risk that counterparties may be unable to meet their obligations in contracts to which the Group is a party. Credit risk is defined as the risk of default on an obligation that may arise from a customer/borrower failing to make required payments in full and timely manner.

Financial instruments of the Group that will result in concentration of credit risk mainly include trade receivables. Credit risk arising from trade receivables is being trying to evaluate and manage by limiting transactions with certain parties and maintaining the credibility of the parties with which it is in contact. The Group tries to manage that risk by spreading the sales activities over a wide area, avoiding unwanted concentration on individuals or groups in a particular sector or region. The Group receives collateral from its customers when needed.

Credit risk of the financial instruments is as follows;

TRY (000)	3Q023	FYE2022
Trade Receivables	5,365,594	2,957,036
Other Receivables	105,177	58,520
Time Deposits	1,612,077	1,506,164
Derivative Instruments	410,090	144,076
Other	2,042	13,540
Total	**7,494,980**	**4,679,336**

As of 3Q2023, Ulusoy Un's maximum credit risk exposure was mainly arising from trade receivables and time deposits. Trade receivables amounted to TRY 5,365.59mn, accounting for 31.66% of total assets as of 3Q2023 (FYE2022: TRY 2,957.04mn, 27.85%). Time deposits amounted to TRY 1,612.07mn and accounted for 9.51% of total assets as of 3Q2023 (FYE2022: TRY 1,506.16mn, 14.18%). According to the independent audit report, the group's actual credit risk exposure was identified as TRY 7,494.98mn, corresponding to 44.23% of total assets as of 3Q2023 (FYE2022: TRY 4,679.34mn, 44.07%).

It is observed that the Group's ability to collect receivables is at a good level as doubtful receivables are reasonable compared to business volume. Allowances for doubtful receivables are recognized against financial assets based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty. The Group has doubtful trade receivables amounted to TRY 21.52mn in 3Q2023. This amount corresponds to 0.40% of total trade receivables. Additionally, the current period expense amounted TRY 7.96mn was recognized in 3Q2022. Additionally, the ratio of doubtful receivables, which were expensed during the period, to sales revenues realized as 0.04%. The level of non-performing receivables was negligible in relation to the Group's asset size and had a full provisioning policy for its overdue receivables contributing to its risk management implementations.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Group is exposed to interest rate risk arising from changes in interest rates on assets and liabilities. The Group monitors its price risk through sales for hedging purposes, cost, and profitability analyses and following up on changes in market conditions.

The Group carries foreign currency risk caused by its foreign currency transactions. This risk arises from sales or purchases, borrowings and time/demand deposits with a functional currency different from the group's presentation currency. Foreign currency risk is monitored by the Group, with the balance of net foreign currency position of asset and liabilities and derivative transactions.

The principle type of market risk the Group is exposed includes foreign currency risks. 33.4% of the Group's bank loans is in foreign currency. Especially, the fluctuations in USD currencies are considered as a primary risk for the Group within the current context of market volatility and TRY depreciation as of 3Q2023.

As of 3Q2023, the Group had a short FX position of TRY 1.55bn, while the net FX position was TRY 622.95mn short position with TRY 931.98mn of derivative transactions. In addition to the short foreign currency position, as of 30 Sep, 2023, there is a TRY 1.56 bn currency hedged deposit account. The distribution of foreign currency assets and liabilities as of 2022 year-end and 3Q2023 are shown below:

FX Position of the Group (TRY 000)	3Q2023	FYE2022
Total Asset	5,596,490	1,847,478
Total Liabilities	(7.151,419)	(3,526,852)
Derivatives for Hedging	931,981	1,008,853
Net Balance Sheet FX Position	**(622,948)**	**(670,521)**

Liquidity Risk

The Group's liquidity management consists of matching the maturities of financial assets and liabilities and monitoring the cash flows generated from operations. The Group monitors the cash flows, payment schedules and additional funding requirements regularly. In addition to preserving a liquidity buffer for contingent outflows, the Group maintains lines from various credit institutions and holds sufficient cash reserves.

Liquidity risk refers to a Group's inability to meet short-term funding needs. The level of assets kept as cash and equivalents, maturity profile of liabilities, net working capital level and total cash credit lines are important indicators while evaluating the liquidity risk. As of 3Q2022, the Group keeps 19.99% of total assets as cash and cash equivalents (Including financial investments). The liquid assets to total assets is largely due to demand deposits and blocked deposits in banks as collateral for used loans.

The Group's net working capital is positive in the analyzed periods. Net working capital is amounted TRY 1,531.42mn as of 3Q2022 (FYE2022: TRY 1,360.76mn).

Some key liquidity ratios of the Group are shown below:

Liquidity Ratios	FYE2022	FYE2021
Current Ratio (x)	1.23	1.17
Net Working Capital (TRY, 000)	1,360,756	437,090
Net Working Capital / Assets (%)	13.45	11.83

Thanks to the Group's current ratio is above 1x in the analyzed periods, current assets can cover total short-term liabilities.

Operational, Legal Regulatory & Other Risks

Operational risk is concerned with ensuring the sustainability of operating efficiency in the field of meeting performance targets. The operational risk, stems from operations and other administrative activities, is controlled by the internal mechanisms and reviewed by the Group on a regular basis. The Group's risk management framework focuses also on operational risk, or risk resulting in unexpected loss.

The Group takes necessary actions to ensure security and continuity of construction, production and maintenance and security of physical facilities. In addition, compulsory precautions and regulatory controls are in place to align with regulations.

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

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

ULUSOY UN SANAYİ VE TİCARET A.Ş. (Consolidated Financials)
Balance Sheet (000' TRY)

	2022	2021	2020
TOTAL ASSETS	**10,116,135**	**3,694,707**	**1,673,340**
CURRENT ASSETS	**7,333,662**	**3,002,730**	**1,339,099**
Cash and Cash Equivalents	1,519,705	498,901	327,845
Financial Investments	1,047,908	36,038	32,105
Restricted Bank Accounts	975,586	3,466	0
Time Deposits	40,287	0	0
Financial Investments Held to Maturity	5,926	32,572	32,105
Financial Assets at Fair Value Through Profit / Loss	26,109	0	0
Trade Receivables	2,946,838	1,153,062	430,506
Trade Receivables from Related Parties	101,570	5,855	1,385
Trade Receivables from Third Parties	2,845,268	1,147,207	429,121
Other Receivables	57,687	4,862	15,144
Other Receivables from Related Parties	0	1	0
Other Receivables from Third Parties	57,687	4,861	15,144
Derivative Instruments	144,076	225,375	10,669
Derivative Instruments for Hedging	144,076	225,375	10,669
Inventories	1,283,277	860,126	459,114
Prepaid Expenses	214,208	187,217	48,897
Prepaid Expenses to Third Parties	214,208	187,217	48,897
Current Tax Assets	87,612	8,279	1,262
Other Current Assets	32,351	28,870	13,557
Other Current Assets from Third Parties	32,351	28,870	13,557
FIXED ASSETS	**2,782,473**	**691,977**	**334,241**
Trade Receivables	10,197	10,197	10,197
Trade Receivables from Third Parties	10,197	10,197	10,197
Other Receivables	833	543	286
Other Receivables from Third Parties	833	543	286
Investments Valued by Equity Method	7,809	5,316	4,936
Investment Properties	968	16,292	12,864
Tangible Fixed Assets	2,420,638	592,885	285,598
Land	556,354	102,458	23,142
Land Improvements	27,119	4,591	4,418
Buildings	502,701	117,095	78,266
Machinery, Equipment and Installations	1,023,121	309,343	161,891
Vehicles	174,067	8,922	10,952
Furniture and Fixtures	11,065	7,640	3,601
Special Costs	5,110	5,512	69
Construction in Progress	89,771	37,324	3,259
Other Tangible Fixed Assets	31,330	0	0
Right-of-Use Assets	5,986	3,658	2,396
Intangible Fixed Assets	65,075	3,588	1,356
Prepaid Expenses	23,502	8,028	3,042
Deferred Tax Asset	247,465	51,470	13,566
TOTAL LIABILITIES & EQUITY	**10,116,135**	**3,694,707**	**1,673,340**
SHORT TERM LIABILITIES	**5,972,906**	**2,565,640**	**973,418**
Short Term Borrowings	1,620,635	1,051,300	340,127
Short Term Borrowings from Third Parties	1,620,635	1,051,300	340,127
Short Term Portion of Long-Term Borrowings	772,570	266,559	185,995
Short Term Portion of Long-Term Borrowings from Third Parties	772,570	266,559	185,995
Trade Payables	3,083,354	1,139,290	392,006
Trade Payables to Related Parties	4,117	5,822	90
Trade Payables to Third Parties	3,079,237	1,133,468	391,916
Employee Benefits	11,159	2,701	1,818
Other Payables	205,591	8,836	15,479
Other Payables to Related Parties	205,312	8,708	14,960
Other Payables to Third Parties	279	128	519
Derivative Instruments	65,555	56	2,018
Derivative Instruments for Hedging	65,555	56	2,018
Deferred Income from Third Parties	100,422	74,225	20,914
Current Tax Liabilities	0	0	61
Short Term Provisions	17,334	582	6,614
Short Term Provisions for Employee Benefits	3,033	157	45
Other Short-Term Provisions	14,301	425	6,569
Other Short-Term Liabilities	96,286	22,091	8,386
LONG TERM LIABILITIES	**1,328,167**	**400,871**	**315,413**
Long Term Borrowings	839,994	282,252	293,158
Long Term Borrowings from Third Parties	839,994	282,252	293,158
Long Term Provisions	24,506	3,657	2,564
Long Term Provisions for Employee Benefits	24,506	3,657	2,564
Deferred Tax Liabilities	463,667	114,962	19,691
EQUITY	**2,815,062**	**728,196**	**384,509**
Controlling Interest	2,815,062	728,196	384,509
Share Capital	190,970	190,970	84,500
Repurchased Shares (-)	-64,568	-26,765	0
Share Premium (Discount)	15,269	15,269	57,194
Other Accumulated Comprehensive Income (Expenses) That Will Not Be Reclassified To Profit or Loss	1,574,558	251,661	61,444
Other Accumulated Comprehensive Income (Expenses) to be Reclassified to Profit or Loss	144,881	55,994	15,354
Restricted Reserves	78,622	36,867	7,726
Previous Years Profits or Losses	162,445	64,605	115,009
Net Profit or Loss	712,885	139,595	43,282

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

ULUSOY UN SANAYİ VE TİCARETA.Ş. (Consolidated Financials)

Income Statement (000' TRY)

	2022	2021	2020
Revenue	20,434,426	9,308,745	4,344,809
Cost of Sales	-18,791,629	-8,785,308	-4,141,714
GROSS PROFIT (LOSS)	**1,642,797**	**523,437**	**203,095**
General and Administrative Expenses	-114,526	-41,267	-20,376
Marketing Expenses	-387,669	-140,909	-69,973
R&D Expenses	-175	-20	-87
Other Operating Income	1,496,625	675,096	209,046
Other Operating Expenses	-1,006,671	-266,229	-135,703
OPERATING PROFIT (LOSS)	**1,630,381**	**750,108**	**186,003**
Income from Investment Activities	81,545	4,387	3,581
Expenses from Investment Activities	-3,450	0	-106
Impairment Gains (Losses) and Reversals of Impairment Losses Determined According to TFRS9	-3,233	-638	-77
Shares of Investments' Profits (Losses) Valued by Equity Method	3,531	1,201	867
OPERATING PROFIT (LOSS) BEFORE FINANCING ACTIVITIES	**1,708,774**	**755,058**	**190,269**
Financing Income	848,097	581,330	371,238
Financing Expenses	-1,740,154	-1,150,382	-517,754
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**816,717**	**186,006**	**43,753**
Tax Income Expense from Continuing Operations	**-103,832**	**-46,411**	**-471**
Current Tax (Expense) Income	-108,884	-17,614	-3,772
Deferred Tax (Expense) Income	5,052	-28,797	3,301
NET PROFIT FROM CONTINUING OPERATIONS	**712,885**	**139,595**	**43,282**
NET PROFIT (LOSS) FOR THE PERIOD	**712,885**	**139,595**	**43,282**
Distribution of Profit (Loss) for the Period	712,885	139,595	43,282
Parent Shares	712,885	139,595	43,282

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

ULUSOY UN SANAYİ VE TİCARET A.Ş. (Consolidated Financials)

Key Ratios & Metrics

	2022	2021	2020
PROFITABILITY			
EBITDA Margin (%)	5.84	3.78	2.91
EBIT Margin (%)	5.58	3.67	2.59
CFO Margin (%)	5.03	2.45	-4.25
Return on Average Assets (ROaA) (%)	10.32	5.20	2.93
Return on Average Equity (ROaE) (%)	40.24	25.09	13.16
Net Profit Margin (%)	3.49	1.50	1.00
Operating Profit Margin (%)	7.98	8.06	4.28
Gross Profit Margin (%)	8.04	5.62	4.67
LIQUIDITY			
FFO Debt Service Coverage (x)	0.31	0.07	0.08
Current Ratio (x)	1.23	1.17	1.38
Net Working Capital / Assets (%)	13.45	11.83	21.85
LEVERAGE			
FFO / Adjusted Net Debt (%)	50.49	9.15	9.93
Adjusted Net Debt / EBITDA (x)	1.44	3.13	3.89
FOCF / Adjusted Net Debt (%)	43.96	9.15	-61.55
Adjusted Debt / Capital (%)	53.46	68.72	68.06
Adjusted Short-Term Net Debt / EBITDA (x)	0.73	2.33	1.57
EFFICIENCY			
RoC (Return on Capital) = EBIT / Avg. Capital (%)	27.23	19.32	12.12
Working Capital Turnover Ratio (x)	22.73	23.19	13.74
Operating Ratio (%) = OPEX / Net Sales	2.46	1.96	2.08
Equity Turnover (x)	11.53	16.73	13.21
Cash Conversion Cycle (days)	17	27	33
Account Receivables Turnover (x)	9.92	11.61	8.76
Inventory Turnover (x)	17.53	13.32	10.87
Payables Turnover (x)	8.90	11.47	8.57
COVERAGE			
EBITDA / Adjusted Interest (x)	2.88	2.58	2.33
FFO Interest Coverage= (FFO + Adjusted Interest Paid) / Adjusted Interest Paid (x)	3.09	1.74	1.90
CFO / Capex (x)	3.74	1.79	-1.57
GROWTH			
Sales Growth (%)	119.52	114.25	42.36
EBITDA Growth (%)	238.73	178.33	16.14
Asset Growth (%)	173.80	120.80	30.68

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

Rating Info

Rated Company:	Ulusoy Un Sanayi ve Ticaret A.Ş. Denizevler Mahallesi, Alaçam Caddesi No:42 Atakum/Samsun Telephone: +90 (362) 266 90 90
Rating Report Preparation Period:	01.11.2023-24.11.2023
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Rating Expiration Date:	1 full year after publishing date, unless otherwise stated
Audited Financial Statements:	FYE2022-FYE2021-FYE2020-FYE2019 | Consolidated
Previous Rating Results:	November 28, 2022 / Long-Term National Issuer Credit Rating / 'A (tr)'
Rating Committee Members:	Z. M. Çoktan *(Executive Vice President)*, Ö. Sucu *(Manager),* M. Hayat *(Manager)*

Disclaimer

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

The Company's balance sheet composition, asset quality, risk management practices, business profile, liquidity management, history in the sector, profitability figures, revenues, debt structure, 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.

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