

Corporate Credit Rating
Annual Review

Tourism & Real Estate Development
[Casino, Hotels, Duty Free, Real Estate Development]

NET HOLDING A.Ş.		Long Term	Short Term
International	Foreign currency	BBB-	A-3
	Local currency	BBB-	A-3
	Outlook	Stable	Stable
National	Local Rating	A (Trk)	A-1 (Trk)
	Outlook	Stable	Stable
Sponsor Support		2	-
Stand Alone		B	-
Sovereign*	Foreign currency	BBB-	-
	Local currency	BBB-	-
	Outlook	Stable	-

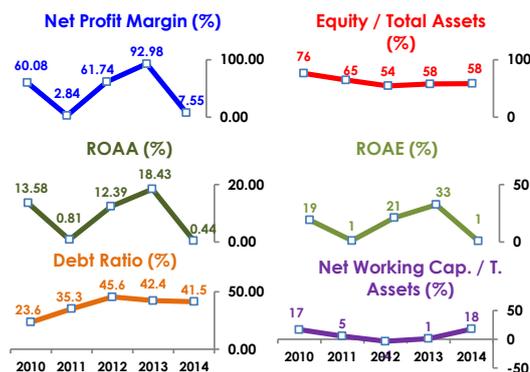
*Assigned by Japan Credit Rating Agency, JCR on August 28, 2015

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NET HOLDING A.Ş.						
Financial Data	June, 2015	2014*	2013*	2012*	2011*	2010*
Total Assets (000 USD)	814,526	938,541	707,029	345,905	263,177	284,865
Total Assets (000 TRY)	2,190,912	2,176,384	1,506,255	614,881	497,114	438,008
Equity (000 TRY)	1,434,542	1,273,091	868,214	334,432	321,590	334,518
Net Profit (000 TRY)	-35,267	23,293	181,047	65,950	2,910	59,298
Sales (000 TRY)	169,524	308,439	194,717	106,815	102,322	98,695
Net Profit Margin (%)	-20.80	7.55	92.98	61.74	2.84	60.08
ROAA (%)	-1.74	0.44	18.43	12.39	0.81	13.58
ROAE (%)	-2.69	0.76	32.51	21.00	1.16	19.12
Equity / Total Assets (%)	65.48	58.50	57.64	54.39	64.69	76.37
Net Working Capital / T. Assets (%)	26.75	18.03	1.15	-3.61	5.49	16.80
Debt Ratio (%)	34.52	41.50	42.36	45.61	35.31	23.63
Asset Growth Rate (%)	45.78	44.49	144.97	23.69	13.49	34.12

*End of year

Overview

Net Holding A.S. (referred to as the Group or the Company), with roots dating back to the establishment of Net Turizm Ticaret ve Sanayi A.S. in 1974, began operations in 1981 to coordinate the planning and auditing of the Group companies. The Company currently has 28 subsidiaries and affiliates, one of which is listed with the majority operating in the domestic and foreign tourism sectors.

Under the brand name of Merit, the management of hotels and casinos in the Turkish Republic of Northern Cyprus (TRNC) forms the principal focus of the Group's operations. The Company currently holds a total of nine hotels, seven of which are located in the TRNC with the remaining 2 in Turkey. In addition, the Group operates in the fields of tourist store facilities management, real estate development, luxury car rental services under the Inter Limousine brand and touristic and children's publications. According to the Bloomberg magazine, the Company was currently ranked as the world's eighth largest casino operator. Company shares have been listed on Borsa İstanbul (BIST) since 1989 with a current free-float rate of 83.33%. As of June, 2015, the average number of personnel employed across Group operations was recorded as 3,236. (FYE2014: 2,737).

Strengths

- Maintenance of the sustained expansion in operational volume throughout the completed financial year as reflected by the growth in sales revenues and asset size
- Established know-how and market share in the luxury hotel and casino segment under the Merit brand in the TRNC
- High share of equity in the funding of Company's operational activities providing a suitable base for further expansion
- Improving composition of financial leverage in favor of long term liabilities through successive bond issues along with the reduction of foreign currency risk
- Future strategies relating to regional expansion in the casino and duty free sectors through partnership with internationally renowned players
- The rising pace of peace negotiations across Cyprus following the presidential elections in the TRNC with potentially positive impacts on the Company's financials in the medium and long-term

Constraints

- Significant level of operating expenses inherent in the tourism sector reducing internal equity generation capacity
- Deterioration in the profitability performance in the 1H2015 largely relating to the withdrawal costs from the national lottery privatization scheme
- Seasonal variation in tourism activity across the TRNC, relieved to a large extent via the attachment of hotels to casinos and extensive international marketing operations
- Need for further improvement in the level of Compliance with Corporate Governance Practices despite recent progress recorded in the current year
- Effects of ongoing global market volatility, rising domestic political instability and tension in neighboring countries on Turkey's tourism sector along with the maintenance of TRNC's isolated status

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