Corporate Credit Rating

SHIPYARD SECTOR

[Modern Tankers, Military & Container Vessels]

SELAH			Long Term	Short Term
International	Foreign Currency		BBB-	A-3
	Local Currency		BBB-	A-3
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
	Issue Rating		n.a.	n.a.
National	Local Rating		BBB-(Trk)	A-3(Trk)
	Outlook		Stable	Stable
	Issue Rating		BBB-(Trk)	A-3(Trk)
Sponsor Support			2	-
Stand Alone			BC	-
Sovereign*	Foreign Currency		BBB-	-
	Local Currency		BBB-	-
	Outlook	FC	Stable	-
		LC	Stable	-

*Affirmed by Japan Credit Rating Agency, JCR on July 19,2016

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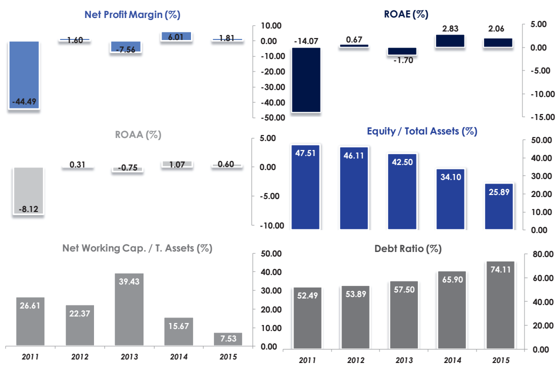

SELAH MAKİNE VE GEMİCİLİK ENDÜSTRİ TİCARET A.Ş.

Financial Data	2015*	2014*	2013*	2012*	2011*
Total Assets (000 USD)	151,036	125,797	107,264	116,038	42,557
Total Assets (000 TRY)	439,153	291,711	228,933	206,269	80,386
Equity (000 TRY)	113,711	99,478	97,301	95,110	38,189
Net Profit (000 TRY)	2,725	3,330	-3,425	512	-5,926
Sales (000 TRY)	150,560	55,452	45,279	31,953	13,321
Net Profit Margin (%)	1.81	6.01	-7.56	1.60	-44.49
ROAA (%)	0.60	1.07	-0.75	0.31	-8.12
ROAE (%)	2.06	2.83	-1.70	0.67	-14.07
EBIT Interest Coverage(x)	2.10	2.45	0.86	0.85	1.95
Equity / Total Assets (%)	25.89	34.10	42.50	46.11	47.51
Net Working Capital / T. Assets (%)	7.53	15.67	39.43	22.37	26.61
Debt Ratio (%)	74.11	65.90	57.50	53.89	52.49
Asset Growth Rate (%)	50.54	27.42	10.99	156.60	22.51

*End of year

Company Overview

"**Selah Makina ve Gemicilik Endüstri ve Ticaret A.Ş.**", (hereinafter referred to as '**Selah**', '**Selah Shipyard**' and '**the Company**'), operates in shipyard sector at Tuzla Private Sector Shipyard Area since 1982 established by Selah Makina ve Endüstri ve Ticaret Anonim Şirketi which is a well-known group in the fields of auto and machinery industries. Selah offers repairing-designing-building workshops, has four slipways and fully equipped quays, two plasma cutters with an annual steel processing capacity of 30k tonnes in a single shift on the total area of 90k sqm. Selah Shipyard has hitherto showed the achievement of building vessels of over 80 different types mainly in dry cargo, river, cement carriers, tankers, container, military, off shore supply, tug boats, offshore supply vessels via 5 subsidiaries in Tuzla/İstanbul and Gebze/Kocaeli Shipyards.

The major qualifying shareholders of the Company's shares are Mr. Erkan Selah, Ms. Müzeyyen Selah held 39.62%, 33.86%, respectively as of December 31, 2015.

Strengths

- Remarkable increase of sales revenues, ongoing and new shipbuilding contracts despite shrinking demand in the world,
- Effective liability management creating comparative advantage,
- Benefiting diversified demand from private and military projects encouraging further expansion,
- Widened revenue streams and repairing-designing-building workshops through new export market expansion decreasing risk level,
- Outstanding asset growth in line with operational performance despite a choppy economic environment,
- The maintenance of equity level despite the doubled production capacity,
- Senior sectorial professional management team as well as specialised knowledge of the financial sector,
- Proven achievements in forming beneficial and collaborative partnerships locally and internationally thanks to its strong international brand identity through its 60-year background.

Constraints

- Deteriorated liquidity profile due to negative FCF and CFO, expected to generate negative FCF in FYE2016,
- Low level of gross profit margin limiting room for manoeuvre capability,
- Increasing volatility in the markets, geo-political events global economic slump leading to economic slowdown and upward pressure on interest and exchange rate,
- Negative effects of the fluctuations in global real economic activity on the shipbuilding sector,
- The bureaucratic disputes stemming from operational risks,
- Improvement needed in corporate governance practices.

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