

Corporate Credit & Issue Rating
Telecommunication

		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		B	-	
Sovereign*	Foreign currency	BBB-	-	
	Local currency	BBB-	-	
	Outlook	FC	Stable	-
		LC	Stable	-

*Affirmed by Japan Credit Rating Agency, JCR on October 7, 2016

Analyst: Utku **KARAGÜLLE**/ +90 212 352 56 73
utku.karagulle@jcrer.com.tr

TURKNET İLETİŞİM HİZMETLERİ A.Ş.					
Financial Data	2016*	2015	2014	2013	2012
Total Assets (000 USD)	30.462	61.874	70.131	68.690	17.193
Total Assets (000 TRY)	91.398	179.904	162.627	146.605	30.562
Equity (000 TRY)	4.499	56.192	59.241	72.516	7.964
Net Profit (000 TRY)	79	-11.989	-13.377	-5.714	3.754
Sales (000 TRY)	120.348	173.360	129.575	112.279	99.535
Net Profit Margin (%)	0,07	-6,92	-10,32	-5,09	3,77
ROAA (%)	n.a.	-6,25	-7,71	-5,81	14,91
ROAE (%)	n.a.	-18,54	-18,11	-12,80	87,13
Equity / Total Assets (%)	4,9	31,23	36,43	49,46	26,06
Net Working Capital / T. Assets (%)	-17,04	-24,81	-7,73	-7,13	-11,87
Debt Ratio (%)	95,1	68,77	63,57	50,54	73,94
Asset Growth Rate (%)	n.a.	10,62	10,93	379,70	-24,71

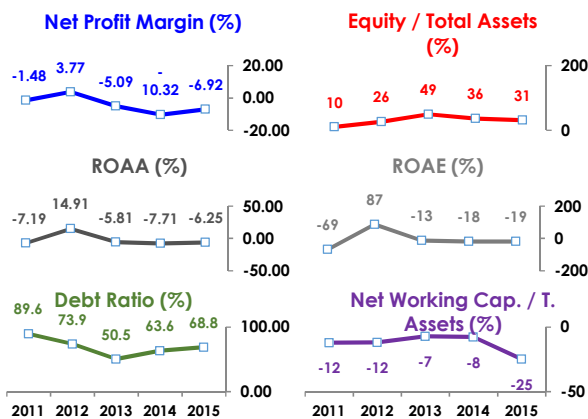
*For information purposes only. Q32016 Statutory Tax Declaration figures – Consider that figures are unaudited and not suitable for exact comparison with IFRS results.

Company Overview

'Turknet İletişim Hizmetleri A.Ş.', (hereinafter referred to as 'Turknet' or 'the Company') was established in 1996 under the name of 'NetOne Telekom' to provide internet access to corporate customers. The Company has changed its name to 'Turknet' after the acquisition of Turk.net brand from Sabancı Group. Starting from 2010, Turknet started to build its own infrastructure to provide broadband internet services. Currently, the Company is internet service provider for retail and business segment customers, besides fixed-line telephone services. Turknet also offers carrier services and servers for international operators. Turknet has a 1.8% market share in broadband internet market and 8.1% market share in fixed-line telephone market as of 2Q2016.

Turknet is one of the fastest growing companies among internet service providers. After the acquisition of the shares by Çelebiler Family in 2013, Turknet has become the largest telecommunication company with 100% Turkish capital. The Company's fiber backbone infrastructure over 400 kilometers is spread over 20 different cities. The Company positions itself as an alternative operator and takes place in the market with its differentiated and simplified pricing and marketing strategy.

As of December 31, 2015, the Company employed a workforce of 250 (December 31, 2014: 236).


Strengths

- Strong growth potential in broadband internet services
- Positive operating profit generation enabling the sustainability and expansion of operations
- The management team consists of experienced people who have been in the sector for many years
- Concrete steps have been taken to pass corporate governance practices to life.
- Amendment on loan repayment schedule for 2016 that is expected to relieve cash flow
- 100% provision for impaired receivables that prevents non-collected receivables to affect equity level negatively

Constraints

- High level of net loss generated in the last three years
- Short foreign currency position that puts pressure on profitability and equity
- A potential erosion in equity level due to net losses over the years
- Long-lasting negative net working capital
- Declining share of equity among total resources
- Lack of mobile services where the mobile broadband internet grows rapidly
- Domination of the market by big competitors
- Volatility in macroeconomic indicators through ongoing regional tensions