

**Corporate Credit & Issue Rating
(Update)**
Construction, Contracting, Energy

| CELİKLER | | 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

| ÇELİKLER TAAHHÜT İNŞAAT VE SANAYİ A.Ş. | | | | | |
|--|-----------|------------|-----------|-----------|-----------|
| Financial Data | 2017* | 2016 | 2015 | 2014 | 2013 |
| Total Assets (000 USD) | 1,146,780 | 2,926,953 | 2,921,902 | 2,410,509 | 2,646,759 |
| Total Assets (000 TRY) | 4,169,924 | 10,300,531 | 8,495,722 | 5,589,729 | 5,648,979 |
| Equity (000 TRY) | 1,051,417 | 439,364 | 454,381 | 482,080 | 434,574 |
| Net Profit (000 TRY) | -34,749 | -513,594 | -154,747 | -158,572 | 55,831 |
| Sales (000 TRY) | 86,106 | 1,874,835 | 1,101,108 | 1,195,715 | 955,103 |
| Net Profit Margin (%) | N/A | -27.39 | -14.05 | -13.26 | 5.85 |
| ROAA (%) | N/A | -5.70 | -1.93 | -2.91 | 1.71 |
| ROAE (%) | N/A | -119.91 | -28.98 | -35.62 | 14.97 |
| Equity / Total Assets (%) | 25.21 | 4.27 | 5.35 | 8.62 | 7.69 |
| Net Working Capital / T. Assets (%) | N/A | -14.24 | -18.30 | -31.30 | -31.48 |
| Debt Ratio (%) | 74.79 | 95.73 | 94.65 | 91.38 | 92.31 |
| Asset Growth Rate (%) | N/A | 21.24 | 51.99 | -1.05 | 572.48 |

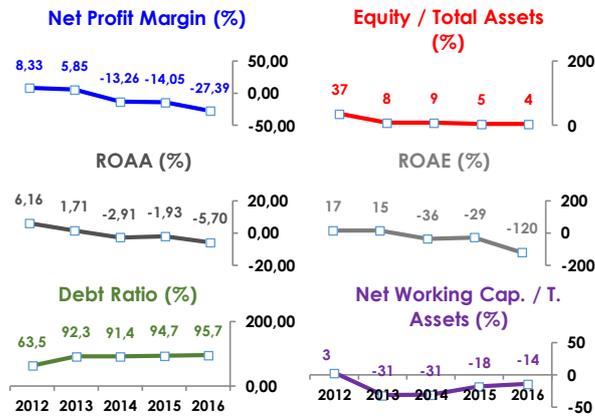
*For information purposes only. Q1 2017 Solo Statutory Tax Declaration figures – Consider that figures are unaudited and not suitable for exact comparison with IFRS results.

Company Overview

Çelikler Taahhüt İnşaat ve Sanayi A.Ş., (hereinafter referred to as "Çelikler İnşaat" or "the Company"), of which the roots are back to 1958, operates in various areas where the core is construction and contraction. In the construction sector, the Company has a special focus on mainly PPP projects such as highways, dams, bridges, railways, irrigation and sewage systems, tunnels, viaducts and interchanges along with other forms of infrastructure and superstructure projects. In the recent years, the Company expanded its business to energy sector. In energy market, the Company is a player as a producer and sales electricity generated in thermal power plants. Besides, the Company has smaller investments in tourism and machinery equipment leasing activities.

The Company enlarged its operation base in energy sector by winning the privatization tenders for Seyitömer, Orhaneli and Tunçbilek Thermal Power Plants. In this regard, the Company has subsidiaries named Çelikler Seyitömer Elektrik Üretim A.Ş. and Çelikler Orhaneli Tunçbilek Elektrik Üretim A.Ş. With the help of acquisitions of power plants, the Company became one of the major players in the sector with 1,175 MW coal based thermal plant installed capacity. Moreover, the Company plans new investments with installed capacity of 1,000 MW and the project is planned to be kicked off in 2017. Seyitömer Power Plant alone has 600 MW installed capacity and supplies 2% of total energy production of Turkey.

As of December 31, 2016, the Company employed a workforce of 3,682, including its subsidiaries. (FYE2015: 2,471)


Strengths

- Notable increase in revenues in 2016
- Unlike construction business, cash collection of electricity revenues enables the Company to manage liquidity effectively
- Increase in paid-in capital in the last years and new planned cash injection into equity
- Low level of collection risk
- Fast growth rate in recent years with investments and acquisitions via privatization
- Incentive by the government to electricity producers that uses domestic coal in thermal power plants
- Successfully completed infrastructural projects for the last 60 years that ensures the capability of the Company

Constraints

- High level of negative net working capital
- Net loss recorded for the last three years
- Remarkably high debt ratio, emanated from project loans
- High short foreign currency position causing the Company to be fragile against FX volatility
- Need for adjustment in electricity unit prices due to currency mismatch
- Uncertainties arising from tensions & conflicts in the local political environment, together with worsening macroeconomic indicators

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