

Corporate Credit Rating

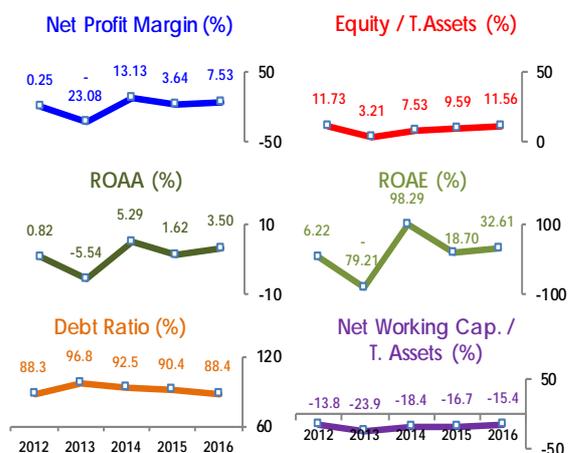
Holding

Annual Update

		Long Term	Short Term	
International	Foreign currency	BBB-	A-3	
	Local currency	BBB-	A-3	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
	Issue Rating	BBB-	A-3	
National	Local Rating	A- (Trk)	A-1 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	A- (Trk)	A-1 (Trk)	
Sponsor Support		2	-	
Stand Alone		B	-	
Sovereign*	Foreign currency	BBB-	-	
	Local currency	BBB-	-	
	Outlook	FC	Stable	-
		LC	Stable	-

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

Senior Chief Analyst: Gökhan IYIGUN/ +90 212 352 56 73
gokhani@jcrer.com.tr



Strengths

- Long operating track record, effective market and privatization experience and wide network all enabling high ability to create beneficial and collaborative partnerships and to diversify its business mix, contributing positively to its overall market risk exposure
- Continuing diversification in highly diversified operating fields and investment portfolio, contributing positively to market and geographic risk exposures
- Positive contribution to risk perception in the market through improved asset size, equity level, profitability indicators and revenue generation capacity both in USD and TRY terms
- Proven track record and banking & finance sector activities enabling ease of access to funding sources and use of sophisticated financing tools
- Activity fields concentrated on sectors with strategic importance for the countries, contributing positively to support level and overall risk exposure
- Advantages of owning subsidiaries with strong brand identity, cutting-edge production technology, active R&D center and high market share together with continuing IPP investments in the energy sector with continuously increasing demand, all providing further growth opportunities

Company Overview

Çalık Holding A.Ş. (hereinafter the Holding, the Group or the Company) was founded in 1997 with a statutory seat in İstanbul to ensure the management and coordination of the Ahmet Çalık's companies operating in the fields of energy, construction, textile, mining, telecom and banking & finance, under a single managerial structure. As of the report date, the utmost qualified shareholder, Mr. Ahmet ÇALIK, holds the 99.99% of the Company shares.

The Holding is one of the most prominent conglomerates in Turkey and nearby neighboring countries, particularly Turkmenistan and Albania, via its operations in 19 countries in the Middle East, Central Asia, Europe, and North Africa. As of FYE2016, the Group had 82 subsidiaries, 12 affiliates, 8 joint ventures and 1 joint operation. The Group employed a workforce of 21,063 as of FYE2016 (FYE2015: 18,912).

As of FYE2016, the sectors of energy, construction and banking were the main revenue generating activity fields constituting 39%, 28%, and 17% of the Holding's total revenue, respectively. The Company's long term national grade was upgraded one notch to '**A-(Trk)**' with a '**Stable**' outlook within the considerations of improved asset size, equity level, debt ratio, revenue generation capacity and profitability indicators both in USD and TRY terms.

Constraints

- Short foreign currency position, restraining profitability and generating volatility potential on future profit figures
- Further improvement need in corporate governance practices despite the subsidiaries with adequate compliance level operating in the regulated markets
- Debt ratio still at high side despite the improvement in the last year, even after excluding liabilities derived from financing activities
- Net working capital shortfall leading to more demanding liquidity management together with the relieving effect of improvement in the last three years and the short-term liabilities arising from banking & finance sector activities and deferred revenues from energy and construction sectors
- Highly competitive, volatile and challenging market conditions together with cautious investor appetite leading to more challenging risk management period

Publication Date: July 12, 2017

"Global Knowledge supported by Local Experience"