

Corporate Credit Rating
Annual Update

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)
	Issue Rating	A (Trk)	A-1 (Trk)
	Outlook	Positive	Positive
Sponsor Support		2	-
Stand Alone		B	-
Sovereign*	Foreign currency	BBB-	-
	Local currency	BBB-	-
	Outlook	Stable	-

NET HOLDING A.Ş. And Consolidated Subsidiaries						
Financial Data	June, 2017**	2016*	2015*	2014*	2013*	2012*
Total Assets (000 USD)	875,124	874,238	974,273	938,541	705,737	345,905
Total Assets (000 TRY)	3,069,147	3,076,619	2,832,798	2,176,384	1,506,255	614,881
Equity (000 TRY)	2,096,237	2,110,097	2,039,391	1,273,091	868,214	334,432
Net Profit (000 TRY)	-19,891	-4,270	97,379	23,293	181,047	65,950
Sales (000 TRY)	242,768	471,950	403,136	308,439	194,717	106,815
Net Profit Margin (%)	-8.19	-0.90	24.16	7.55	92.98	61.74
ROAA (%)	-0.96	0.97	4.97	0.44	18.43	12.39
ROAE (%)	-1.38	1.38	7.52	0.76	32.51	21.00
Equity / Total Assets (%)	68.30	68.58	71.99	58.50	57.64	54.39
Net Working Capital / T. Assets (%)	14.97	15.38	12.99	18.03	1.15	-3.61
Debt Ratio (%)	31.70	31.42	28.01	41.50	42.36	45.61
Asset Growth Rate (%)	7.16	8.61	30.16	44.49	144.97	23.69

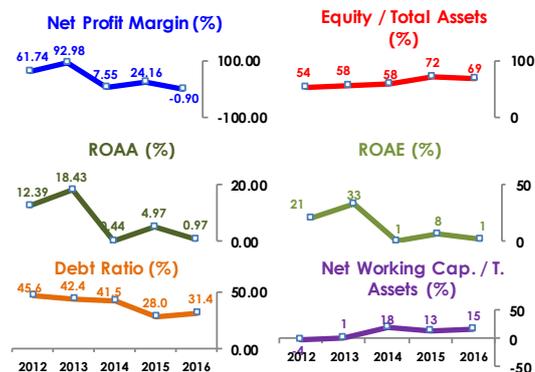
*End of year

Overview

Established in 1981, **Net Holding A.Ş.** (referred to as the Group or the Company) is positioned as a leading player in the TRNC tourism and gaming sectors, currently operating 6 hotels and 5 casinos across the island. In line with its vision of becoming a regional chance games operator, the Company operationalized 5 casinos in Montenegro and Croatia throughout FY2016 with plans to establish additional casinos in Bulgaria by FYE2017 and Macedonia in FY2018. In addition to the hotel and gaming sectors from which it derives the majority of its earnings, Net Holding has a substantial real estate land portfolio in the TRNC, Azerbaijan, Turkey and maintains operations in the field of luxury car rental services along with touristic publications to a smaller extent.

In order to simplify the cross-shareholding structure and increase efficiency and institutional investor interest, the Company is in the process of merging Net Turizm A.Ş. with Net Holding by take-over of all of its asset and liabilities, approved by the CMB in July, 2017 which is expected to be completed by FYE2017. The Company had 34 consolidated subsidiaries as of the 1H2017 and employed a workforce of 3,938. Mr. Besim TIBUK is the Chairman and the qualified individual shareholder of the Company which had a free float rate of 76.92% as of 1H2017.

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

- Integrated business model combining casino and hotel management with leading market share in the TRNC under the Merit brand
- Regulatory approval for the Net Holding and Net Turizm merger in FY2017 with anticipated positive effects on efficiency, transparency and sustainability
- Significant share of foreign currency revenues and diverse international customer base supported by marketing activities/loyalty programs
- Favorable levels of financial leverage and long term dominated resource structure contributing to liquidity management
- Regional expansion strategy offering EBITDA diversification and decreasing geographical concentration risk on the TRNC
- Large share of tangible assets/real estate portfolio and collaboration with internationally renowned players

Constraints

- Notable increase in financing expenses in the 1H2017 largely related to foreign exchange losses exerting pressure on internal equity generation capacity
- Increase in the cost of sales level throughout FY2017 stemming from the sustained investment period relating to new casino openings in the regional countries
- High level of maintenance/development expenses along with cyclical nature of earnings inherent across the tourism and casino gaming sectors
- Weakness of the Turkish and TRNC tourism market throughout FY2016 due to rise in domestic and regional geo-political risks with recovery throughout the current financial year
- Current isolated status of TRNC restricting international visitor numbers along with expected rise in competition from the Republic of Cyprus in the long-term due to recent approval of casino openings

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