

Corporate Credit & Issue Rating  
(Update)

Construction

İNANLAR 52 <sup>nd</sup> 1965		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	-

İNANLAR İnşaat A.Ş.					
Financial Data	1H2017**	2016*	2015*	2014*	2013*
Total Assets (000 USD)	190,816	166,595	217,797	217,287	202,109
Total Assets (000 TRY)	669,211	586,282	633,266	503,867	431,361
Equity (000 TRY)	142,337	145,504	157,846	122,275	104,044
Net Profit (000 TRY)	1,316	-21,823	25,913	15,722	2,034
Sales (000 TRY)	187,258	526,466	559,033	481,315	134,216
Net Profit Margin (%)	0.65	-4.15	4.64	3.27	1.52
ROAA (%)	n.a	-3.39	5.52	4.14	1.08
ROAE (%)	n.a	-13.61	22.42	17.10	3.82
Equity / Total Assets (%)	21.27	24.82	24.93	24.27	24.12
Net Working Capital / T. Assets (%)	36.97	48.23	35.55	23.57	22.96
Debt Ratio (%)	78.73	75.18	75.07	75.73	75.88
Asset Growth Rate (%)	14.14	-7.42	25.68	16.81	67.69

\* Assigned by Japan Credit Rating Agency, JCR on November 10, 2017

\* End of year \*\* Unaudited

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Overview

İNANLAR İnşaat A.Ş. (hereinafter referred to as "İNANLAR İnşaat" or "the Company"), with roots dating back to 1965, was incorporated under the trade name İnanlar İnşaat A.Ş. on 28 July 1994. Under the prominent İNANLAR brand, the Company develops flats, residences, houses, offices and commercial building projects. In addition, the Company carries out the activities of selling new and second-hand vehicles, after-sales servicing support and insurance servicing through its headquarters in Istanbul and two branches.

With an operational track record spanning over 50 years, the Company has completed more than 220 projects. The Company has built many remarkable projects such as Terrace Fulya, Avlu 138, Terrace Lido, Terrace Bahçe, Terrace Feri, Aslı Bahçe, Terrace Tema, Terrace Mix and Terrace Doğa. The Terrace concept has contributed to the Turkish construction sector and become a brand denoting a luxury life and highlighting elegance, comfort and esthetic.

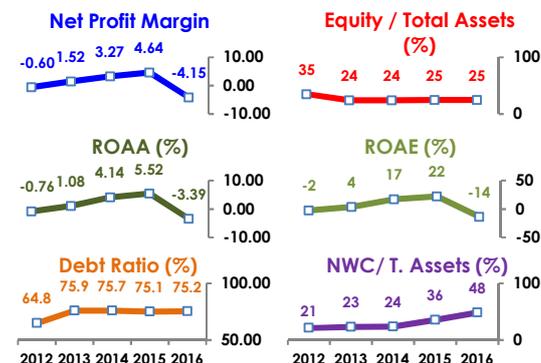
The Company is currently undertaking new projects in desirable areas of Istanbul. The Terrace Lotus project, located in a fast-growing location on the European side of Istanbul and the Terrace Cadde 251, İhlamur Terrace, Cadde Terrace on the Anatolian side, are core projects expected to generate revenue in the upcoming years. The Company carries out its activities through its headquarters in Istanbul and two branches with an average total labor force of 300 as of 2017. Company shares are fully owned by Serdar İnan.

Constraints

- Increasing costs of sales limiting gross profit margin
- Highly competitive and fragmented market structure and severe price competition among national contractors in the key markets such as Istanbul, limiting the sector profit margin
- Need for a separate and efficient risk management unit and risk committee in the Board of Directors
- Composition of the Board of Directors without independent members
- Geopolitical and economic concerns along with persisting regional tensions harboring uncertainties and wielding pressure on business prospects
- Ongoing volatility in the markets and upward pressure on exchange rates

Strengths

- Remarkable sales growth over the reviewed period, fueled by new projects and automotive sales despite a period of political and economic uncertainty
- Prestigious and reputable brand granting robustness to market sensitivities with a proven track record through the "Terrace Projects"
- Operations in different fields apart from housing sales creating revenue diversification and steady income generation
- High share of received advances, contributing to the liquidity level despite being displayed as debt in accounting standards and accounting
- Adequate level of NWC along with access to funding channels supporting the Company's short term financial health and efficiency
- Opportunities for growth and market expansion regarding housing demand provided by population growth, urbanization, young demographic and rises in per capita income
- Competent and qualified senior management team



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