

**Corporate Credit Rating**  
Annual Review

**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.						
Financial Data	June, 2016	2015*	2014*	2013*	2012*	2011*
Total Assets (000 USD)	992,852	974,273	938,541	705,737	345,905	263,177
Total Assets (000 TRY)	2,864,181	2,832,798	2,176,384	1,506,255	614,881	497,114
Equity (000 TRY)	2,053,918	2,039,391	1,273,091	868,214	334,432	321,590
Net Profit (000 TRY)	-15,221	97,379	23,293	181,047	65,950	2,910
Sales (000 TRY)	184,392	403,136	308,439	194,717	106,815	102,322
Net Profit Margin (%)	-5.65	24.16	7.55	92.98	61.74	2.84
ROAA (%)	-0.57	4.97	0.44	18.43	12.39	0.81
ROAE (%)	-0.83	7.52	0.76	32.51	21.00	1.16
Equity / Total Assets (%)	71.71	71.99	58.50	57.64	54.39	64.69
Net Working Capital / T. Assets (%)	7.18	12.99	18.03	1.15	-3.61	5.49
Debt Ratio (%)	28.29	28.01	41.50	42.36	45.61	35.31
Asset Growth Rate (%)	30.73	30.16	44.49	144.97	23.69	13.49

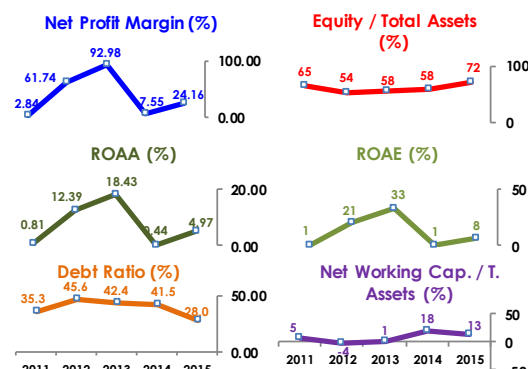
\*End of year

**Overview**

With roots dating back to the establishment of Net Turizm Ticaret ve Sanayi A.S. in 1974, **Net Holding A.S.** (referred to as the Group or the Company) began operations in 1981 to coordinate the planning and auditing of Group companies. The Company currently has 32 consolidated subsidiaries, 1 of which is listed with the majority operating in the domestic and foreign tourism sectors.

The Company derives the vast majority of its revenues from the hotel and casino segments under the Merit brand name across the TRNC. There are currently 9 hotels (7 in TRNC and 2 in Turkey) and 5 casinos in the Group's tourism portfolio, whilst the operations in Merit Halki Palace in Heybeliada has been suspended. In line with its vision of becoming an international chance games operator and the partnership established with Scientific Games, the Company operationalized casinos in neighboring countries including Montenegro and Croatia with plans underway for Macedonia and Bulgaria. Furthermore, the merger between Net Holding and Net Turizm is expected to be finalized by the end of the current financial year, expected to lead to an improvement in transparency and compliance with Corporate Governance Practices. Company shares have been traded on Borsa Istanbul with a current free float rate of 83.33%. As of June, 2016, the average number of personnel employed across Company operations was 3,590. (FYE2015: 3,329)

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

- Sustained operational volume and earnings growth throughout FY2015 and the 1H2016 despite the downturn in the tourism industry across Turkey
- Established market-leading position in the TRNC luxury hotel and chance games industry under the Merit brand
- Low levels of financial leverage and high share of equity in the funding of Company operations setting a suitable base for further expansion
- Absence of foreign currency risk along with the high share of tangible assets and real estate portfolio creating a wealth effect and contributing to asset quality
- Future strategies relating to regional expansion in the chance games industry along with plans regarding National Lottery privatization
- Expected contribution of the merger between Net Holding and Net Turizm to productivity, transparency and compliance with Corporate Governance Practices

**Constraints**

- Reduction in the gross operating margin throughout FY2015 due to the effects of non-recurring payment associated with the lottery privatization tender in April, 2015
- High level of operating expenses inherent in the tourism and casino management sectors
- Losses in the 1H2016 largely due to the seasonality of earnings in the TRNC tourism and casino sectors
- Effects of the ongoing slow-down in economic activity and rise in political instability following the failed coup attempt on the capability to raise funds from the national and international markets
- The maintenance of TRNC's isolated status acting as a barrier on the Company's growth potential in the medium and long-term

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