PRESS RELEASE
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JCR Eurasia Rating
has evaluated "**Sur Yapı Endüstri Sanayi ve Ticaret A.Ş.,Real Estate Development and Energy Companies"** within an investment grade category and upgraded the Long Term National Local Rating to **'BBB+ (Trk)'** from **'BBB (Trk)'** while affirming its Long Term International FC and LC ratings as **'BBB-/Stable'.**

JCR Eurasia Rating, by assessing **"Sur Yapı Endüstri Sanayi ve Ticaret A.Ş.,Real Estate Development and Energy Companies"** in its periodic review, has upgraded its credit rating to '**BBB+ (Trk)'** from **'BBB (Trk)'** on the Long Term National Scale along with **'Stable'** outlooks for all notes. The Long Term International Foreign and Local Currency ratings were affirmed as **'BBB-'**. Other notes and details of the ratings are given in the table below.

Long Term International Foreign Currency	:	**BBB-** /(Stable Outlook)
Long Term International Local Currency	:	**BBB-** /(Stable Outlook)
Long Term National Local Rating	:	**BBB+ (Trk)** /(Stable Outlook)
Short Term International Foreign Currency	:	**A-3** /(Stable Outlook)
Short Term International Local Currency	:	**A-3** /(Stable Outlook)
Short Term National Local Rating	:	**A-2 (Trk)**/(Stable Outlook)
Sponsor Support	:	**2**
Stand Alone	:	**B**

Sur Yapı Endüstri Sanayi ve Ticaret A.Ş., Gayrimenkul Geliştirme ve Enerji Şirketleri, established in 1992 under the ownership of the **Elmas Family**, operates in the fields of real estate development, energy and contracting. With an operational track record dating back more than 25 years, Company activities cover all aspects of development from the project, development, architecture, construction and production stages to the turnkey phase under its prominent **"Sur Yapı"** brand. As such, the Company and has become one of the most well-established players in the Turkish Construction Sector. The Company has built many remarkable projects such as **Exen Istanbul, Vitrin, Idilia, Tilia, Metrogarden,** and **Corridor**. Aside from housing projects, the Company develops real estate projects including residences, offices and shopping centers, reinforcing the brand image. Sur Yapı completed the **Axis İstanbul** Shopping Mall in May 2016 and the **Bursa Marka** Shopping Mall in July 2017. When taking into consideration together with the **Axis Kağıthane** and **Metrogarden** Shopping Mall projects operationalized in 2013 and 2014, respectively, it is thought that the Group has reached a scale that can be regarded as important in the Shopping Mall segment. **Sur Yapı** entered the energy sector by taking into operation of **Aksu HEPP** having a 6 MW capacity in 2014. With the **Elmalı RES** and **Kurtini RES** projects to be completed in 2017, the installed capacity will reach 29 MW.

Outperforming the larger construction sector with respect to asset growth within the examined time frame, the Company aims to maintain its rapid growth through new projects and effective sales, thus increasing its market share and improving its brand value. **Sur Yapı** significantly increased its sales volume thanks to ongoing prestigious projects in locations such as Kadıköy, Üsküdar, Güneşli, Sancaktepe, Sultanbeyli in Istanbul and effective marketing policies. The Company has also generated considerable amounts of revenues from the principal activities and continued its growth in 2016. Rising revenue streams derived from core activity fields and the revaluation of its investment real estate portfolio in the balance sheet provided **Sur Yapı** with an important source of profitability and growth opportunities in the last 4 years. Furthermore, the financing of a considerable part of the Company's activities with customer advances supports the liquidity position and limits the need for external resources. On the other hand, foreign currency risk stemming from financial liabilities based on project finance agreements exposes the Company to fluctuations in money markets. However, the foreign currency denominated rental income provided by the completed and the ongoing business and shopping centers is expected to balance out the currency risk. In addition, the long-term nature of a considerable part of its financial liabilities eases liquidity management.

The outlook of the construction sector, the development of which remains highly susceptible to changes in domestic and international macroeconomic circumstances, is likely to come under pressure in 2017 and onwards resulting from the exposure to interest rates and currency movements, which carry the potential to impact investor risk appetite and preferences. However, the Company's internal cash generating capacity, large scale projects located largely in central and upcoming districts where demand growth continues, strong brand image, foreign currency denominated rental income that will be provided by the completed business and shopping centers in the near future and diversified asset portfolio encompassed by projects that appeal to different income groups with price options on a broader scale lay the foundations for the one-notch upgrade of the Company's Long Term National Grade to **BBB+ (Trk).** In the current environment, the current level of capitalization, continuity of its sales opportunities and its capacity to reach external resources will ensure the continuity of Company activities provided that economic and political conditions do not undergo a sudden and severe deterioration. On the other hand**,** probable changes on foreign exchange rates and housing demand that might stem from developments in the global economy and monetary policies and the Company's cash flow generation continuity from ongoing projects together with the trend of profitability indicators are the major issues that will be kept under review in the upcoming period.

Taking into account its prestigious position and long-term growth potential in the sector, it is considered that the Company's qualified shareholder, the **Elmas Family**, possesses the necessary financial strength and willingness to supply long-term liquidity and equity and efficient operational support to the Company should such a need arise. In this regard, the Company's Sponsor Support grade has been determined as **(2)** in **JCR Eurasia Rating**'s notation scale, denoting an adequate level.

On the other hand, regardless of the support from its shareholders and taking into account the Company's asset size, equity level, growth rates, rising profitability indicators, asset quality, market diversity, strong brand image, privileged position in the sector, organizational improvement and ongoing project volume, the Company has reached a level of experience to manage the incurred risks on its balance sheet provided that the effectiveness in the market is preserved along with the maintenance of current macro-economic conditions. Within this context, the Company's Stand-Alone grade has been determined as **(B)** in **JCR Eurasia Rating**'s notation scale.

For more information related to the rating results you may visit our internet site http://www.jcrer.com.tr or contact our analyst **Mr.Bora Pakyürek.**

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