

**Corporate Credit Rating**

Update

**Construction and Contracting**

VARYAP		Long-Term	Short-Term	
International	Foreign Currency	BB+	B	
	Local Currency	BB+	B	
	Outlook	Stable	Stable	
National	Local Rating	BBB-(Trk)	A-3 (Trk)	
	Outlook	Stable	Stable	
Sponsor Support		2	-	
Stand Alone		BC	-	
Sovereign*	Foreign Currency	BBB-	-	
	Local Currency	BBB-	-	
	Outlook	FC	Stable	-
		LC	Stable	-

\*Assigned by Japan Credit Rating Agency, JCR on May 23, 2013

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VARYAP VARLIBAŞLAR YAPI SAN. TUR. YAT. TİC. VE ELEKTRİK ÜRETİM A.Ş.					
Financial Data	2012*	2011*	2010*	2009*	2008*
Total Assets (000 USD)	453,856	459,319	419,771	n.a	n.a
Total Assets (000 TRY)	806,775	867,607	645,439	n.a	n.a
Equity (000 TRY)	103,832	146,930	103,485	n.a	n.a
Net Sales (000 TRY)	665,253	281,929	254,541	n.a	n.a
Net Profit (000 TRY)	-43,097	43,444	117,151	n.a	n.a
Net Profit Margin (%)	-6.48	15.41	46.02	n.a	n.a
ROAA (%)	-4.14	5.32	n.a	n.a	n.a
ROAE (%)	-27.65	32.12	n.a	n.a	n.a
Equity / Total Assets (%)	12.87	16.94	16.03	n.a	n.a
N. W. Capital / T. Assets (%)	-2.53	-6.47	-9.84	n.a	n.a
Debt Ratio (%)	87.13	83.06	83.97	n.a	n.a
Asset Growth Rate (%)	-7.01	34.42	n.a	n.a	n.a

\*End of year

**Overview**

VARYAP Varlıbaşlar Yapı Sanayi ve Turizm Yatırımları Ticaret ve Elektrik Üretim A.Ş. (hereinafter referred to as "Varyap" or "the Company") was established under the trade name Varyap Varlıbaşlar Yapı Sanayi ve Turizm Yatırımları Ticaret Limited Şirketi on March 19, 1996 to operate principally in the construction sector. Company shares are owned by the Varlıbaş family, with Süleyman Varlıbaş as the utmost shareholder.

Varyap, one of Turkey's prominent construction and contracting companies, is principally focused on real estate development and construction & contracting business operations. Up to date it has constructed approximately 2 million square meters of living space, including residences, offices, shopping centers, wastewater treatment plants, sports complexes, hospitals, faculties, criminal justice campuses, state council and justice buildings in Turkey.

In addition to its contracting activities and good track record in that field, the Group has recently focused on building mixed-use landmark projects complying with ecological standards. Metropol Istanbul, carried out through a joint venture of Varyap and Gap İnşaat, based on the revenue-sharing model with Emlak Konut REIT, is expected to be completed by 2015. The Group has recently completed the Varyap Meridian, the first LEED-certified project in Turkey, which includes 1500 houses, a 5 star hotel, business center, and several commercial and social areas.

As of 31 December, 2012 the Company had a staff of 628 and provides indirect employment opportunities through its subcontractors.

**Constraints**

- Tangible assets revaluation differences generating volatility in a wide range on profit and loss figures
- Decrease in equity resulting from large incurred loss and upsurge in leverage ratio
- Negative net working capital despite demonstrated improvement
- High financial expenses exercising downward pressure on profitability
- Additional global risks to be exerted by shifts in monetary policy of developed countries
- Necessary substantial improvements to increase compliance with Corporate Governance principles
- Foreign currency positions effects on profit and profitability ratios
- Substantial existence of off-balance sheet commitments and contingencies
- Lack of separate and efficient risk management department along with weak liquidity management
- Presence of dishonored cheques, despite full payment within two weeks of the due date
- Ineffective marketing and pricing policies

**Strengths**

- Remarkable decrease in financial liabilities to alleviate finance expenses' pressure on profit and profitability ratios
- Endeavours to generate cash flow through the sales from investment properties
- Noteworthy increase in revenues in particular from real estate development and constructions projects and steadiness this circumstances due to higher sales from ongoing projects
- Increasing brand value, awareness and market presence
- Timely achievement of construction and contracting projects
- Steadiness of the decisive shareholders

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