

Corporate Credit Rating

Non-Financial Sector Denim Manufacturer

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

GAP Güneydoğu Tekstil San ve Tic. A.Ş.					
Financial Data	1H2014**	2013*	2012*	2011*	2010*
Total Assets (000 USD)	284,652	259,364	267,518	202,175	240,018
Total Assets (000 TRY)	604,202	553,561	476,878	381,889	371,068
Equity (000 TRY)	199,905	167,061	183,859	185,641	184,079
Net Profit (000 TRY)	16,456	1,185	34,002	12,168	-23,120
Sales (000 TRY)	286,861	375,670	343,471	360,411	295,476
Net Profit Margin (%)	n.a	0.32	9.90	3.38	-7.82
ROAA (%)	n.a	-3.45	6.59	5.78	-5.86
ROAE (%)	n.a	-10.14	15.31	11.77	-9.95
Equity / Total Assets (%)	33.09	30.18	38.55	48.61	49.61
Net Working Capital / T. Assets (%)	-2.02	0.89	14.19	18.13	16.20
Debt Ratio (%)	66.91	69.82	61.45	51.39	50.39
Asset Growth Rate (%)	n.a	16.08	24.87	2.92	-5.73

*End of year **Unaudited & End of period

Company Overview

Gap Güneydoğu Tekstil ve Sanayi ve Ticaret A.Ş. (hereinafter 'the Company' or 'Gap Güneydoğu') was established in 1987 for the production of open-end yarn, ring and uneven ring and denim fabric, and has been operating as one of the primary denim manufacturers in Turkey. **Çalık Holding A.Ş.** (hereinafter the Holding), founded in 1981 to conglomerate the companies owned by the Çalık Family, is the main shareholder of Gap Güneydoğu with a share of 50.20%. The Holding is one of the most prominent conglomerates in Turkey with stakes in diversified industries, mainly in the fields of energy, textile, telecom, construction, finance and mining. As of FYE2013, the total asset size of the Holding was TRY 17.19bn.

Gap Güneydoğu carries out production activities in Malatya through its three production plants, ready-made garment, yarn and denim, and sales and marketing activities in its headquarters in Istanbul and world-wide agents. **Gap Güneydoğu Mersin Serbest Bölge** carries out export and import processes.

The Company is one of the leading textile corporations in Turkey and operates in the fields of manufacturing, sales, marketing and export of textile products, with a total annual production capacity of 36 mn meters of gabardine and denim fabric. The Company exports to 40 countries, mainly Italy, Tunisia and Portugal.

The Company has captured a sustainable growth path in a textile sector with increased turnover. As of FYE2013, the labor force of the Company was 1,541 (FYE2012: 1,556).

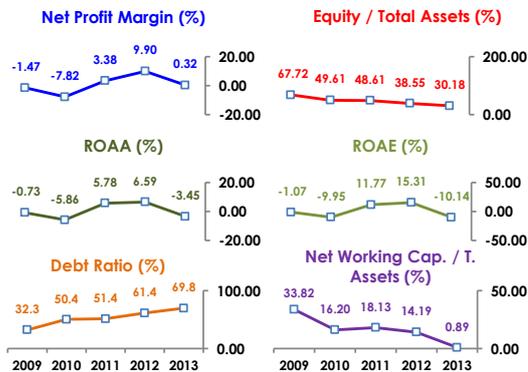
*Affirmed by Japan Credit Rating Agency, JCR on July 11, 2014

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Strengths

- Strong sales figures thanks to robust demand and enhanced international brand identity through its over 25 year background in the textile sector
- Export related efficiency gains and surplus production to many countries, abating the risks associated with economic influences
- Innovation and new technology processes through its R&D centre providing advantages through product range compared to other textile firms
- Providing collections to world-wide trends and cooperation with world-known designers and fashioners
- Softened the Company's risk level through the opportunities and risks that created by intra-group synergy
- Large market share in price determination of the raw materials and output
- International distribution network and brand awareness
- New management approach and a restructured group with enhanced strategic targets
- Positively affected asset quality derived from credit risk analyses through limits for each customer and insured receivables

Constraints

- A remarkable decrease in profitability on the basis of increase of financing expenses
- Augmented activities expenses for the last five year period
- Developments needed in Corporate Governance Disciplines
- Textile sector's sensitivity to input prices including raw materials
- Effect of short term borrowing structure on liquidity management
- Exposure to foreign exchange and interest rates derived from inadequate use of financial instruments
- Intensive and fragmented international market competition
- Sector vulnerability to global market conditions, political instability, economic influences and raw materials prices

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