

Corporate Credit Rating

**Non-Financial Sector
Denim Manufacturer**

ÇALIK DENİM		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	Stable	Stable	
Sponsor Support		2	-	
Stand Alone		B	-	
Sovereign*	Foreign Currency	BBB-	-	
	Local Currency	BBB-	-	
	Outlook	FC	Stable	-
		LC	Stable	-

ÇALIK DENİM TEKSTİL SANAYİ VE TİCARET A.Ş.					
Financial Data	2015*	2014*	2013*	2012*	2011*
Total Assets (000 USD)	326,226	294,629	259,839	268,271	202,175
Total Assets (000 TRY)	948,535	683,215	553,561	476,878	381,889
Equity (000 TRY)	219,528	189,835	167,061	183,859	185,641
Net Profit (000 TRY)	35,229	13,009	1,185	34,002	12,168
Sales (000 TRY)	778,915	504,701	375,670	343,471	360,411
Net Profit Margin (%)	4.52	2.58	0.32	9.90	3.38
ROAA (%)	2.13	0.20	-3.45	6.59	5.78
ROAE (%)	8.49	0.69	-10.14	15.31	11.77
Equity / Total Assets (%)	23.14	27.79	30.18	38.55	48.61
Net Working Capital / T. Assets (%)	-3.92	4.24	0.89	14.19	18.13
Debt Ratio (%)	76.86	72.21	69.82	61.45	51.39
Asset Growth Rate (%)	38.83	23.42	16.08	24.87	2.92

*End of year

Company Overview

Çalık Denim Tekstil ve Sanayi ve Ticaret A.Ş. (hereinafter 'the Company', 'Group' or 'Çalık Denim') was founded in Malatya in 1987 as the first industrial investment of Çalık Holding A.Ş. and operates as one of the leading integrated textile companies in the fields of open-end yarn and ring and uneven ring and denim fabric production. The Company had a total annual production capacity of 42mn meters produced in its integrated manufacturing facilities in an indoor area of 150k m², supplying a wide range of high quality products and services to local and international clients via its subsidiaries as one of the primary denim manufacturers in Turkey.

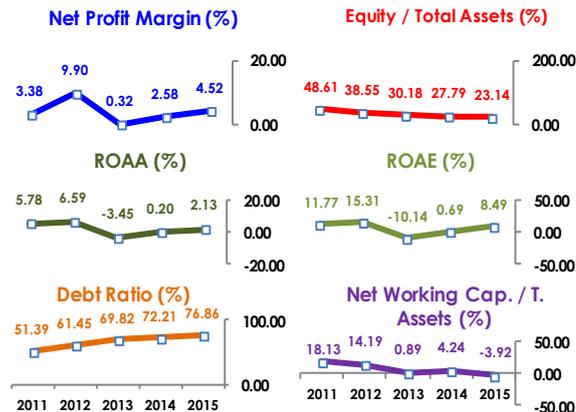
Following the transfer of the shares from "Gap İnşaat Yatırım ve Dış Ticaret A.Ş." and "Çalık Enerji San. Ve Tic. A.Ş." to "Çalık Holding A.Ş." (rated by JCR Eurasia Rating on May 12, 2015 as **BBB+(Trk)** on the Long Term National Scale with a Stable outlook in March 2015), the largest shareholder of Çalık Holding A.Ş.' share increased to 99%.

The Company manufactures for the foreign market and exports to over 40 countries through world-wide agents. Company headquarters is located in İstanbul and R&D and production activities are run in Malatya with a labor force of 1,564 (FYE2014:1,507).

*Assigned by Japan Credit Rating Agency, JCR on Aug,28, 2015

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Strengths

- Strong market share and brand awareness through effective production and marketing strategies in the denim and gabardine fabric segment
- Extensive R&D activities providing the Company with a scientific research identity
- Certifications and high product quality in international standards
- Environmentally-friendly practices distinguishing the Company in the sector and providing considerable savings via innovative techniques
- Strong sales figures and asset growth despite a period of torpor both in the international and domestic markets and internal equity generation capacity supported by strong profitability, promising further growth
- Professional management team along with well-defined work flow processes and experienced shareholder structure and intra-group synergy, enhancing the portfolio value
- A wide network distribution including international operations and expanding sales offices contributing further growth in export levels
- Diversified and globally well-known strong customer base enhanced with negligible level of non-performing loans

Constraints

- Ongoing downturn in capitalization level due to external financing need in order to fund the Company's growth and increasing leverage level along with a large share of short term loans in total liabilities pressuring equity quality and balance sheet composition
- Dependency on imports for raw material requirements increasing cost of sales and sensitivity on cotton prices for the processing of raw materials
- Negative net working capital pressuring liquidity management and reducing the Company's headroom under the current financial position
- A steady short FX position stemming from bank loans in foreign currency
- FX movements and high interest payments exerting pressure on financing expenses and therefore profitability
- Growing perception of pressure in the markets through risks arising from the current social unrest, political instability on economic influences, and global environment

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"Global Knowledge supported by Local Experience"