

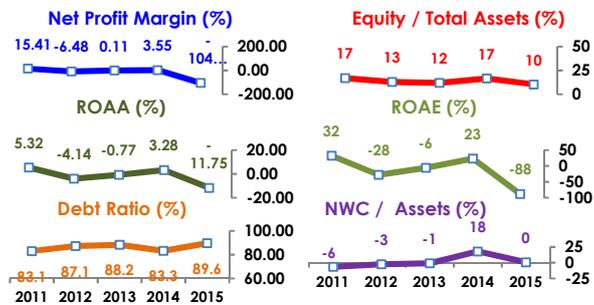
**Corporate Credit Rating**  
 (Update)

**Construction and Contracting**

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

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

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**Strengths**

- Potential and ability to generate cash flows through sale and lease of investment properties
- Diversified funding mix comprising profit-loss financing and capital market instruments
- Relatively low short foreign currency position limiting the impact of sharp currency depreciation
- Shareholders' land bank in valuable Bodrum region, supporting the profitability potential of the ongoing real estate development projects
- Experienced and stable ownership structure in the contracting and real estate development sector

**Constraints**

- Notable leverage levels and liberal use of external resources, even as it is a widespread practice in the sector
- High cost of sales and financing burden of the existing real estate portfolio
- Limited internal resource generation and negative funds from operations, increasing reliance on external funding
- Increased need for backlog and inventory to revenue conversion, partially hindered by the difficulties involved with finalizing the transactions regarding the Metropol Shopping Mall, due to the sheer size of the complex
- Volatile market conditions, increasing uncertainties and downside risks, eroding consumer confidence and constraining investments
- Room for improvement in compliance with Corporate Governance best practices

VARYAP VARLIBAŞLAR YAPI SAN. TUR. YAT. TİC. VE ELEKTRİK ÜRETİM A.Ş.					
Financial Data	2016/9**	2015**	2015*	2014*	2013*
Total Assets (000 USD)	302,468	268,731	285,054	307,886	412,825
Total Assets (000 TRY)	906,164	781,364	828,824	713,957	881,093
Equity (000 TRY)	149,676	167,860	86,005	119,434	103,934
Net Profit (000 TRY)	-18,183	960	-77,145	15,500	102
Sales (000 TRY)	3,232	94,556	73,588	437,119	93,111
Net Profit Margin (%)	n.a	1.02	-104.83	3.55	0.11
ROAA (%)	n.a	n.a	-11.75	3.28	-0.77
ROAE (%)	n.a	n.a	-88.21	23.44	-6.25
Equity / Total Assets (%)	16.52	21.48	10.38	16.73	11.80
Net WC / T. Assets (%)	60.51	55.49	0.37	17.96	-1.11
Debt Ratio (%)	83.48	78.52	89.62	83.27	88.20
Asset Growth Rate (%)	n.a	11.76	16.09	-18.97	9.21

\*End of year, TFRS figures \*\* For information only, unaudited Tax Code based solo financials retrieved from Company

**Note about VUK based financials:** Figures do not account for the sales from Emlak Konut revenue sharing projects due to tax regulations. Pre-sales from the projects are categorized in the inventory account until the sale is finalized and the units are delivered, expected July 2017. In TFRS based financials, these sales are reflected in the deferred revenue and subsequently in revenue items.

**Overview**

Varyap Varlıbaşlar Yapı Sanayi ve Turizm Yatırımları Ticaret ve Elektrik Üretim A.Ş. (hereinafter referred to as "Varyap", "the Company" or "the Group") is a real estate development and construction/contracting company with an operational background of 20 years. The founder Varlıbaş Family has been in active in the construction & contracting sector exceeds that of Varyap.

The Company completed various large scale project public and private contracts including Ali Sami Yen Sports Complex, İstanbul Court of Justice and Varyap Meridian Residence Complex and various contracting works such as schools, social housing projects and municipal works. Due to tightening profit margin of the public contracts, the Group focused on high value added mixed use real estate development projects comprising residences, shopping malls, office buildings and commercial areas such as Metropol İstanbul.

Varyap is currently focused on a luxurious residence & hotel project on a proprietary land plot of Varlıbaş Family in the desirable touristic zone in Bodrum Yalıkavak.

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