

PRESS RELEASE

İstanbul – November 04, 2014

JCR Eurasia Rating has affirmed the ratings of **‘Ereğli Tekstil Turizm Sanayi ve Ticaret A.Ş. and its consolidated structure’** as **‘BBB (Trk)’** on the Long Term National Local Scale with a **‘Stable’** Outlook and affirmed the Long Term International Foreign and Local Currency Scale as **‘BBB-’** with a **‘Stable’** Outlook

JCR Eurasia Rating has affirmed the investment grade ratings of **“Ereğli Tekstil Turizm Sanayi ve Ticaret A.Ş. and its consolidated structure including the subsidiaries Tümosan Motor & Traktör and Tümosan Döküm A.Ş.”** as **‘BBB (Trk)’** on the Long Term National Scale and **‘A-3 (Trk)’** on the Short Term National Local Scale along with a **‘Stable’** outlook. In addition, JCR Eurasia Rating has also affirmed the Long Term International Foreign Currency and Local Currency Ratings 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-3 (Trk) / (Stable Outlook)
Sponsor Support	:	2
Stand Alone	:	BC

Ereğli Tekstil, established by Sümerbank in 1937 to ensure a more efficient and integrated industrialization and acquired by the Albayrak Group in 1997, is engaged in the production of spinning, weaving, dyeing, printing, sewing thread and clothing. The Albayrak Group began business activities in the construction sector in 1950s and diversified its business activities with the addition of local personnel transport services, car rental services, textiles, port management, waste collection and transfer services, meter reading and billing services, electricity selling, written and visual media, automotive and logistics activities. The Albayrak Group strategically aims to dominate the market in newsprint production and continues investments in inter/nationally solid waste facilities and tractors and machinery production while planning to re-evaluate its textile activities. Following the acquisition through the privatization process, Ereğli Tekstil’s plants were modernized and the Company now produces approximately 40% of uniforms of the Turkish Armed Forces. Ereğli Tekstil serves as an umbrella company of Albayrak Group by incorporating the Group’s major industry sectors. Despite the recent slowdown in production volume due to decreasing demand from the Turkish Army, production and sales are expected to increase with upcoming tenders in 2014. The Company offers high quality products to the market along with an experienced workforce, modern and integrated production facilities and flexible production. The Company carries out production, sales and marketing operations in its factory located in Konya and headquarters located in İstanbul, providing approximately a labor force of 50.

Although Ereğli Tekstil operates in the textile, tractor and casting sectors, Tümosan Motor holds the largest share in terms of assets, sales, resources and generated profit in the consolidated structure. As of 3Q2014, Ereğli Tekstil transferred its shares of Tümosan Döküm to Tümosan Motor and currently continues its controlling partnership in Tümosan Motor. In August 2014 Tümosan won the tender for the development of the Altay military tanker project to use its experience in the field of R & D to develop the first domestic tank for the defense industry. The project aims to remove external dependency for the production of vehicles of the Turkish Armed Forces. At its fully integrated facility, Ereğli Tekstil produces land, water and cold-resistant high technology army clothing. In this regard, the Company has differentiated itself from the other textile companies as one of the few companies in Turkey with fully integrated plants using this technology. While Tümosan Motor has strengthened its position as the flagship of the Group through increased activities, Ereğli Tekstil plans to regain momentum through new demand from the Turkish Security Forces.

A high level of off-balance sheet liabilities, restricted rights on the share of consolidated companies, unique customer concentration in the textile sector, possible distribution of accumulated retained earnings and reduction in equity due to the non-inclusion of an important portion of the capital resources and the need for improvement in corporate governance practices have created pressure on the Company. On the other hand, the current balance sheet composition; ongoing increases in sales revenue; continuous profit creating business model by generating internal equity; improving equity level; diversified debt structure through bond issues supporting the net working capital; competitive advantage created by the modern, high-tech integrated production facilities; positive synergy created by the Group’s unconsolidated companies, other intra-group companies and the main shareholder of the Albayrak Group and the growth potential created by the major shareholder structure’s supporting power; and experienced management team have contributed to the determination of the Company’s outlooks in the short and long term perspective as **‘Stable’** with the opinion that the projects have a high realization capability and the stream of cash flows will be realized in accordance with the principal and interest payments.

It is considered that the controlling shareholder, **“Albayrak Turizm Seyahat İnşaat Ticaret A.Ş.”** and **“Albayrak Group”** and other Albayrak members have the willingness and experience to ensure long-term liquidity and equity within its financial capability when required and to provide efficient operational support to **Ereğli Tekstil Turizm Sanayi ve Ticaret A.Ş.** In this regard, the Company has been assigned a Sponsor Support note of **(2)** in JCR Eurasia Rating’s notation system.

Taking into account the Company’s asset size and quality, equity level, ongoing sales revenue, capital structure, internal equity generation capacity, market reputation, long term borrowing structure and the risks available in the sector and business environment, JCR Eurasia Rating has reached the conclusion that the Company has the sufficient experience and infrastructure to manage its obligations regardless of any assistance that may be provided by the shareholders, providing that it maintains its efficiency in the market. Within this context, the Stand Alone note of **Ereğli Tekstil Turizm Sanayi ve Ticaret A.Ş.** has been determined as **(BC)** in the JCR Eurasia Rating notation system.

For more information regarding the rating results you may visit our internet site <http://www.jcrer.com.tr> or contact our analysts Mr. Zeki Metin ÇOKTAN and Ms. Merve BÖLÜKÇÜ.

JCR EURASIA RATING
Administrative Board