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JCR Eurasia Rating, in its periodic review, has affirmed the ratings of '**Ereğli Tekstil Turizm Sanayi ve Ticaret A.Ş. and its consolidated structure**' and the '**Cash Flows on Prospective Bond Issue**' as '**BBB(Trk)**' on the Long Term National Local Scale and as "**BBB-**" on the Long Term International Foreign and Local Currency Scale ratings. The outlook on the Long Term National Local Scale has been upgraded to '**Positive**'.

JCR Eurasia Rating, in its periodic review, has affirmed the credit ratings of the "**Consolidated Structure of Ereğli Tekstil Turizm Sanayi ve Ticaret A.Ş. including Tümosan Motor ve Traktör Sanayi A.Ş.**" and the '**Cash Flows on Prospective Bond Issue**' at the investment grade of "**BBB(Trk)**" on the Long Term National Scale and upgraded the outlook to '**Positive**'. In addition, JCR Eurasia Rating has affirmed the Long Term International Foreign and Local Currency Scale as '**BBB-/Stable**'. 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) / (Positive Outlook)
Long Term National Issue Rating	:	BBB (Trk)
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)
Short Term National Issue Rating	:	A-3 (Trk)
Sponsor Support	:	2
Stand Alone	:	B

Ereğli Tekstil Turizm Sanayi ve Ticaret A.Ş. was established in Istanbul in 1998 and later acquired by the Albayrak Group through privatization efforts. The Albayrak Group began operations in 1952 in the construction sector and diversified its sectors into industry, logistics, media and service. Currently its main activities are fabric dyeing and the production and sales of fabrics, textiles and apparel products and provides a significant share of uniforms to the Turkish Armed Forces. Ereğli Tekstil is the Albayrak Group's flagship company and incorporates important operations in the industrial sector. The Company's production and sales expectations are shaped depending on tenders. Despite a slowdown in the textile sector, the Company has accelerated its activities with Tümosan Motor, which has continued to provide the largest share in terms of assets, sales, resources and generated profit in the consolidated structure.

Factors considered to be positive in the determination of the Company's notes include: the separation and authorization of the sales and marketing departments of Tümosan Motor leading to better management; reorganized and improved after sales services; reduction of transport and cargo expenses via an expanding dealer structure providing customer satisfaction; emphasis on the sale of high profit margin spare parts and the advantage of online orders providing a time advantage and supporting profitability; largely eliminated FX risks due to low import dependency; reasonable funding mix and leverage thanks to efficient use of financial instruments through successful bond issuances contributing to the Company's cash reserves; positive contribution of the affiliated Trabzon Liman İşletmesi on the Company balance sheet; the main subsidiary's weighted share in the Group's consolidated structure in terms of the assets, sales, and generated profit; strengthened brand identity with distributors and sales offices throughout the country; and Group synergy created by regional and sector diversity. The Company's Long-Term National Rating has been affirmed as '**BBB (Trk)**' and the Short-Term National Rating as '**A-3 (Trk)**' in consideration of the following factors that exert pressure on the Company's grades: focus on a single textile customer leading a sustainable risk concentration; short term borrowing structure pressuring liquidity position; the need for improvements in corporate governance principles, risk management and auditing strategies' suppression of asset quality through ongoing high level off-balance sheet contingencies and commitments; fragile condition of the debt structure in terms of interest movements of the bond issuances; repressive effect on equity quality stemming of possible distribution of accumulated retained earnings that may pressure resource reduction in consequence of the non-inclusion of an important portion of the capital resources; pressure on sales revenue of seasonal fluctuations and pricing strategies; and decreases in demand due to political and economic tensions throughout the country. A separate rating report has not been compiled as the resources obtained from the bond issue will be carried in the Company's balance sheet and was subject to analysis in the corporate credit rating report. The planned bond issue carries no difference in comparison to the Company's other liabilities with respect to its legal standing and collateralization, as such the notations outlined in the corporate credit rating report also reflect the issue rating.

Despite Tümosan Motor's cancellation of the contract signed in 2012 for the development of a domestic tank, investments and efforts made in its work on the project have provide the Company with experience and R&D knowledge for the future. Strong sales volume, the positive effect of austerity measures projected in the fields of production, management and logistics on profitability performance in the following periods, the Group's strategy of expanding its operating fields, high value investments and ongoing projects, the value of inventories and investment portfolio, the improved effect of Tümosan Döküm's ongoing investments on net working capital via generated cash, high consistency in cash flows through Tümosan Motor's business activities and the sustainability of future cash flows of the Company under political and economic stresses and regional tensions are all factors that will continue to be monitored by JCR Eurasia Rating and play a role in upgrade of the Long term outlook to '**Positive**'.

The Company's Sponsor Support grade has been determined as (2), taking into consideration the publicly traded shares of the Group's main subsidiary Tümosan Motor and the track-record in various sectors, investments and activities of the main shareholders, **Albayrak Turizm Sey. İnş. Tic. A.Ş.** and the **Albayrak Family**.

On the other hand, taking into account the Company's current market share, competitive advantage of providing sales to a large number of customers with expanding dealer network, equity level, experienced management team, market reputation, internal equity generation capacity supported by high sales volume and short term borrowing structure, we, as JCR Eurasia Rating, are of the opinion that **Ereğli Tekstil Turizm Sanayi ve Ticaret A.Ş.** has reached the level of adequate experience and facilities to manage the incurred risks on its balance sheet regardless of any assistance from the shareholders, provided that it improves its current customer level, efficiency and existing macroeconomic level in the market. Within this context, the Stand Alone grade of the Company has been determined as (B) in the JCR Eurasia Rating notation system, indicating an adequate level.

For more information regarding the rating results you may visit our internet site <http://www.jcrer.com.tr> or contact our analyst Ms. **Merve HAYAT**.

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