

Corporate Credit Rating
(Annual Review)

Textile

KORTEKS ZORLU		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	A- (Trk)	A-1 (Trk)	
	Outlook	Stable	Stable	
Sponsor Support		2	-	
Stand Alone		AB	-	
Sovereign*	Foreign Currency	BBB-	-	
	Local Currency	BBB-	-	
	Outlook	FC	Stable	-
		LC	Stable	-

*Affirmed by Japan Credit Rating Agency, JCR on August 28, 2015

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KORTEKS MENSUCAT SAN.VE TİC. A.Ş. and ITS SUBSIDIARIES					
Financial Data	June 2015	2014*	2013*	2012*	2011*
Total Assets (000 USD)	1,378,846	1,409,241	1,143,785	966,519	948,144
Total Assets (000 TRY)	3,702,202	3,267,889	2,436,720	1,718,085	1,790,949
Equity (000 TRY)	1,020,482	1,146,546	878,824	875,037	1,026,872
Net Profit (000 TRY)	23,911	205,808	67,628	82,697	134,393
Sales (000 TRY)	816,345	1,695,941	1,514,073	1,284,097	1,523,855
Net Profit Margin (%)	2.93	12.14	4.47	6.44	8.82
ROAA (%)	n.a.	7.48	4.15	6.01	n.a.
ROAE (%)	n.a.	21.08	9.84	11.08	n.a.
Equity / Total Assets (%)	27.56	35.09	36.07	50.93	57.34
Net Working Capital / T. Assets (%)	20.49	22.19	17.65	20.54	24.24
Debt Ratio (%)	72.42	64.91	63.93	49.07	42.66
Asset Growth Rate (%)	n.a.	34.11	41.83	-4.07	n.a.

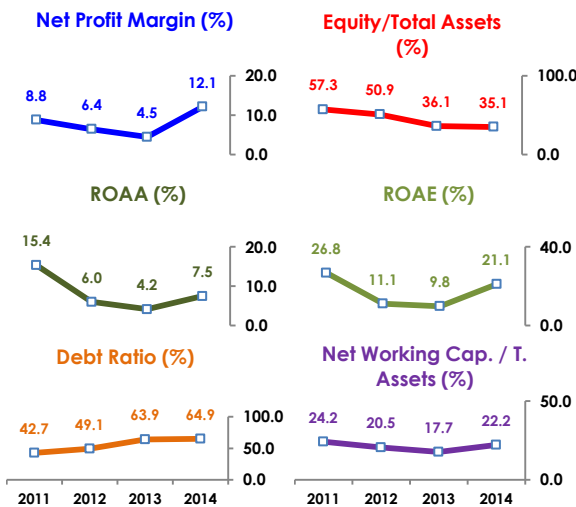
*End of year

Overview

Korteks Mensucat Sanayi ve Ticaret A.Ş. (hereafter Korteks Mensucat, the Company, or the Group), is a polyester yarn manufacturer founded in 1989 and operating in domestic and international markets. Company audit reports show a consolidated structure covering all textile operations of the parent company, Zorlu Holding, ranging from polyester yarn production to home textile, international sales and distribution. The Group's manufacturing facilities, among the largest integrated factories in Europe, are based in Bursa and Kırklareli. The Company's broad product range with more than 200 color options capable of meeting almost all requirements from the yarn sector, including products intended for use in different applications such as automotive textile, carpet yarns and technical textile. The Company had a fully owned subsidiary, Zorluteks Tekstil, manufacturing and marketing curtains and home textile products. All Group products are branded under TAÇ, Linens, Valeron, Kristal and Pierre Cardin, each appealing to a different customer segment and are marketed to more than 60 countries through a wide domestic/international franchise network and sales offices/showrooms in over 4 countries.

The Company is a fully-owned subsidiary of **Zorlu Holding A.Ş.**, one of Turkey's leading conglomerates with trading activities dating back to 1950s in the fields of textiles, consumer electronics, home appliances, information technology, energy, real estate, mining & metallurgy, tourism, finance, defense, air transportation and road-side facilities through 90 national and international group companies and nearly 25,000 employees.

As of 2014, the Group subject to this report employed approximately 4,504 employees, 1,953 of which in Korteks Mensucat.



Strengths

- Broad customer base and high market efficiency gained as a result of its market experience, wide product range, high brand awareness and extensive sales/marketing network
- Turkey's largest production capacity culminating in comparatively high domestic and international operating volume
- Management strategy emphasizing quality, branding, R&D, technological investments and innovation enabling competitive edge through a well-diversified and high value-added product range
- Balance sheet composition with high profit generation capacity, relieving the liquidity management and enabling a satisfactory debt service capability
- Capitalisation level enabling room for future growth despite decreasing trend
- Benefits regarding support level, access to financial sources, financing costs and domestic and overseas trade network arising from the reputable ownership structure covering one of Turkey's leading conglomerates

Constraints

- Sector-wide issue of intense competition stemming from countries that dominate the international market with low labour costs, comparatively high informality and ease of entrance to the sector
- High-priced quality products bringing both positive and negative effects on the Company's competitive edge from the high quality and correspondingly high prices
- Comparatively high dependence level on imports in raw material procurement together with parity sensitive activity structure, complicating the pricing policy and restraining the profit generation capacity
- Restrained equity growth due to rising debt level and dividend payments deducted from receivables from shareholders, together with its standing at acceptable levels
- Improvement needed in corporate governance practices

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