

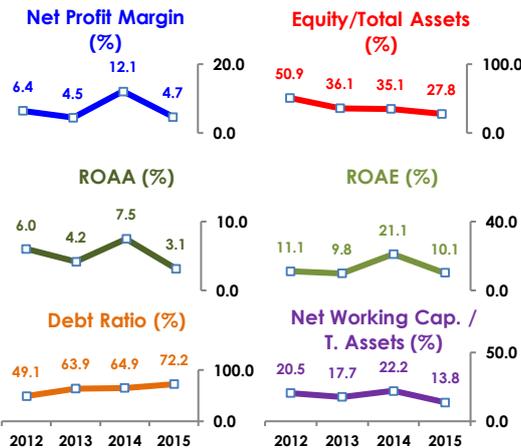
**Corporate Credit Rating**  
(Annual Review)

**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
Issue Rating		BBB-	A-3	
National	Local Rating		A- (Trk)	A-1 (Trk)
	Outlook		Stable	Stable
	Issue Rating		BBB+ (Trk)	A-2 (Trk)
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 October 07, 2016

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KORTEKS MENSUCAT SAN.VE TİC. A.Ş. and ITS SUBSIDIARIES					
Financial Data	June 2016	2015*	2014*	2013*	2012*
Total Assets (000 USD)	1,440,953	1,362,748	1,409,241	1,143,785	966,519
Total Assets (000 TRY)	4,169,541	3,962,326	3,267,889	2,436,720	1,718,085
Equity (000 TRY)	1,100,832	1,101,381	1,146,546	878,824	875,037
Net Profit (000 TRY)	60,656	73,209	205,808	67,628	82,697
Sales (000 TRY)	839,369	1,570,864	1,695,941	1,514,073	1,284,097
Net Profit Margin (%)	7.23	4.66	12.14	4.47	6.44
ROAA (%)	1.99	3.14	7.48	4.15	n.a.
ROAE (%)	7.39	10.11	21.08	9.84	n.a.
Equity / Total Assets (%)	26.40	27.80	35.09	36.07	50.93
Net Working Capital / T. Assets (%)	8.50	13.78	22.19	17.65	20.54
Debt Ratio (%)	73.60	72.20	64.91	63.93	49.07
Asset Growth Rate (%)	12.62	21.25	34.11	41.83	-4.07

\*End of year

**Overview**

**Korteks Mensucat Sanayi ve Ticaret A.Ş.** (hereafter Korteks Mensucat, the Company, or the Group), is a fully-owned subsidiary of **Zorlu Holding A.Ş.**, one of Turkey's leading conglomerates with trading activities dating back to the 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.

The Company, founded in 1989, is a polyester yarn manufacturer operating in domestic and international markets. The Company's audit report had a consolidated structure covering all textile operations of the Zorlu Group ranging from polyester yarn production to home textile manufacturing as well as international sales and distribution of them. 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 the 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.

As of 2015, the Group subject to this report employed approximately 4,528 employees, 1,882 in Korteks Mensucat.

**Strengths**

- Comparatively high domestic and international sales volume achieved through the large production capacity
- Continuing operating profit and net working capital generation capacity together with improved gross profit generation capability, relieving liquidity management and enabling satisfactory debt service capability
- Equity level providing room for future growth despite following a decreasing trend
- Long market experience, wide product range, high brand awareness and extensive sales/marketing network leading to broad customer base and high market efficiency
- Quality, branding, R&D, technological investments and innovation emphasized management strategy enabling competitive advantage via well-diversified and high value-added product range
- Advantages of being a hundred percent subsidiary of one of Turkey's leading conglomerates regarding support level, access to financial sources, financing costs and domestic and overseas trade network

**Constraints**

- Acceptable level of asset quality and risk composition suppressed through deteriorated NPL, equity level, leverage, and profitability indicators.
- Sector-wide issues of international market dominated by countries with comparatively low labour costs, comparatively high informality, and ease of entrance to the sector leading to intense competition throughout the sector
- High value added quality products with their two-sided effects on competitive edge positively through high quality and adversely through comparatively high prices
- Comparatively high import level in raw material procurement leading to more complicated pricing policy
- Suppressed profitability figures
- Need for improvement in corporate governance practices

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