Corporate Credit Rating

☐New ☒Update

Sector: Foreign Trade Services
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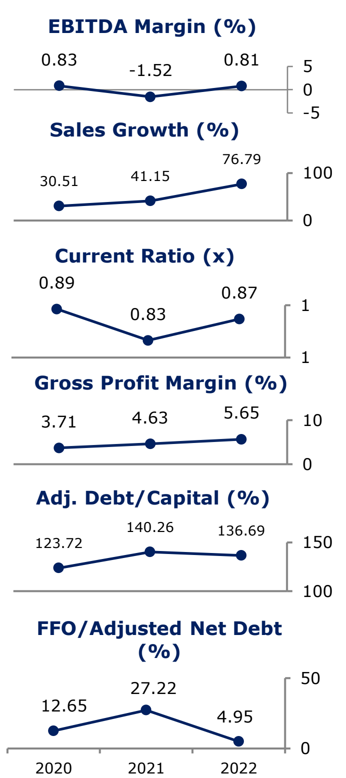
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB- (tr)	J3 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB-	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB-	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

** Assigned by JCR on Aug 18, 2022*



ERDEMOĞLU DIŞ TİCARET ANONİM ŞİRKETİ

JCR Eurasia Rating, has evaluated the **"Erdemoğlu Dış Ticaret Anonim Şirketi"** in the investment level category and affirmed the Long-Term National Issuer Credit Rating as **'BBB- (tr)'** and the Short-Term National Issuer Credit Rating as **'J3 (tr)'** with **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as **'BB-/Negative'**.

Erdemoğlu Dış Ticaret Anonim Şirketi (hereinafter referred to as **"the Company"**, or **"Erdemoğlu Dış Ticaret"**) was established in 2012 to serve the group companies' foreign trade operations. The main field of the Company consists of sales and marketing of carpets, yarn and miscellaneous materials. The Company undertakes marketing and foreign trade operations of carpet manufacturer group companies Merinos Halı San. ve Tic. A.Ş. (hereinafter referred to as Merinos Halı) and Dinarsu İmalat ve Ticaret A.Ş. (hereinafter referred to as Dinarsu İmalat).

As of FYE2022, the Company's main shareholder is İbrahim Erdemoğlu with 46.70% share and the rest of the shares belong to Ali Erdemoğlu with 40.80%, Gülsüm Erman with 7.00% followed by Mustafa Erman with 5.50%. The Company's average number of personnel employed in FYE2022 is 5 (FYE2021: 5).

Key rating drivers, as strengths and constraints, are provided below.

Strengths	Constraints
• Positioning for intermediary services of Erdemoğlu Group Companies' foreign trade operations promising predictable revenue, • Export-oriented sales mitigating currency risk in a certain extent, • Geographical diversification of exports reduces concentration risk, • Operational support and synergy of the Erdemoğlu Holding.	• Profit erosion stemming from largely unrealized FX losses causes negative equity, • High debt ratio mainly dominated by short-term loans, • Insufficient EBITDA generation pressuring debt payment capacity, • Volatile cash flow metrics create need for external financing, • Although significant portion of the receivables collateralized, notable amount of doubtful receivables existed in reviewed periods, • Low level of paid-in capital in comparison to the asset size, • Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed at **'BBB- (tr)'**. Taking into account the Company's steady revenue growth and export-oriented sales have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings have been determined as **'Stable'**. The Company's high level of indebtedness, negative equity, the deteriorating supply-chain and European recession concerns will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.