Corporate Credit Rating

☐New ☒Update

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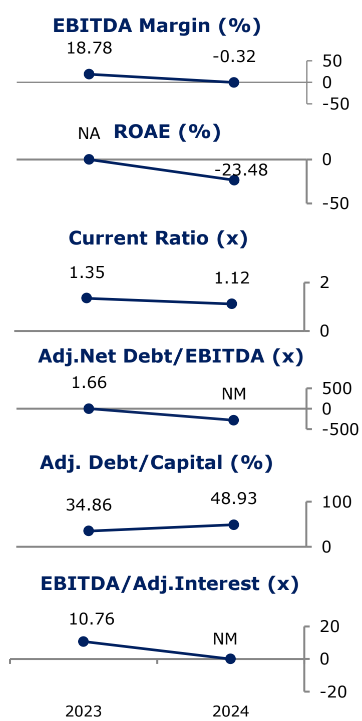
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**BB+ (tr)**	**J3 (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	B+	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	B+	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating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

*Affirmed by JCR on September 1, 2025



*NA: Not Applicable NM: Not Meaningful *Financial investments were considered as cash and cash equivalents in net debt calculation.*

EREĞLİ TEKSTİL TURİZM SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating has evaluated **"Ereğli Tekstil Turizm Sanayi ve Ticaret A.Ş."** in the speculative grade category and revised the Long-Term National Issuer Credit Rating from **'BBB (tr)'** to at **'BB+ (tr)'** and the Short-Term National Issuer Credit Rating from **'J2 (tr)'** to **'J3 (tr)'** with **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were revised from **'BB/Stable'** to **'B+/Stable'**.

Operating in the textile sector, **Ereğli Tekstil Turizm Sanayi ve Ticaret A.Ş.** (referred to as **'Ereğli Tekstil'** or **'the Company'** or **'the Group'**), was founded in 1937 by Sümerbank and purchased by the Albayrak Group in 1997. The Company with its consolidated structure mainly operates in the production and sale of tractors, fabric dyeing services, contract manufacturing of all kind military textile products.

Albayrak Turizm Seyahat İnşaat Ticaret A.Ş., controlled by members of the Albayrak Family, is the main shareholder of Ereğli Tekstil with a share of 45% and the remaining 55% shares belongs to the Albayrak Family members. As of 1H2025, Ereğli Tekstil has two investments valued by equity method namely Trabzon Liman Isletmeleri A.Ş. (20.48%) and Varaka Kağıt (31.55%), in addition to its subsidiary of Tümosan Motor ve Traktör Sanayi A.Ş. (60.87%) and Karnawall Maroc SA (51%), a textile manufacturing company located in Morocco and acquired by Ereğli Tekstil in February, 2023. Tümosan Motor, the first diesel engine manufacturer in Türkiye and produces diesel engine tractors under its own brand, held the largest share in the consolidated structure of Ereğli Tekstil. The Group is headquartered in İstanbul and operated in fully integrated plants with a staff force of 650 as of June, 2025 (FYE2024: 1,070).

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

Strengths	Constraints
• Diversification through investments valued by equity method together with Tümosan, through whose shares access to funding is secured, • Insignificant level of doubtful trade receivables during the reviewed periods.	• High revaluation gains materially supported net profitability and, consequently equity as of 1H2025, • Absence of active textile tenders, apart from limited production activities at the overseas facility, combined with high fixed costs, indicates idle capacity and operational inefficiency, • Persisting deterioration in revenue and profitability margins in 1H2025, following the downturn recorded in FY2024, largely stemming from shrinking sales volume and eroding market share of Tümosan, • Material distortion in leverage and coverage metrics through negative EBITDA in addition to high and increased level of issued commercial papers as of FYE2024 and 1H2025, • Receivables from related parties during the reviewed periods weighing on balance sheet integrity, • Extended cash conversion cycle, further lengthened in 1H2025, constraining liquidity management along with increasing working capital absorption, • Exposure to agricultural productivity and intense competition in the agricultural machinery industry which represents the major contributor to consolidated revenues, • As actions for a global soft-landing gain prominence, geopolitical risks and decisions with the potential to adversely affect global trade are engender considerable uncertainty.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been revised from **'BBB (tr)'** to **'BB+ (tr)'**. Diversification through investments valued by equity method and Tümosan, insignificant level of doubtful trade receivables as well as high revaluation gains in net profit and equity, absence of active textile tenders, persisting deterioration in revenue and profitability, material distortion in leverage and coverage metrics, receivables from related parties, extended cash conversion cycle, exposure to agricultural productivity have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are affirmed as **'Stable'**. The Company's revenue, profitability, indebtedness level, order book amount in the textile side, contribution of the abroad investment to financials and equity structure 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.

No separate rating report has been compiled as the resources obtained from the bond issue will be carried in the Company's balance sheet and has been 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 but do not cover any structured finance instruments.