Corporate Credit Rating

☐New ☒Update

Sector: Electronic and Optical Products Manufacturing

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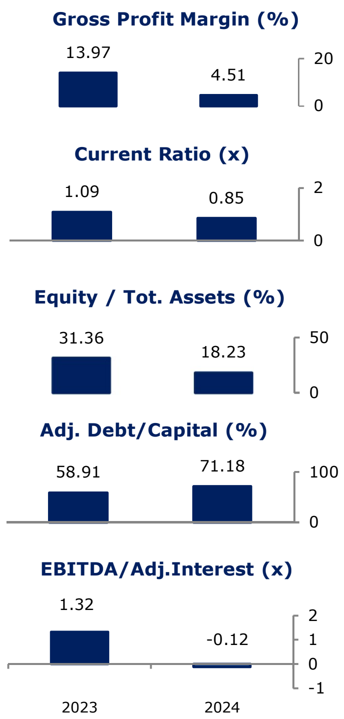
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

** Assigned by JCR on May 10, 2024*



Karel Elektronik Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of **"Karel Elektronik Sanayi ve Ticaret A.Ş."** in the investment-level category with high credit quality and revised the Long-Term National Issuer Credit Rating to **'A (tr)'** from **'AA (tr)'** and the Short-Term National Issuer Credit Rating to **'J1 (tr)'** from **'J1+ (tr)'** with **'Stable'** outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were determined as **'BB/Stable'** in line with sovereign ratings and outlooks of Republic of Türkiye.

Karel Elektronik Sanayi ve Ticaret A.Ş. (hereinafter referred to as **"Karel"** or **"the Company"** or **"the Group"**) was established by Tunaoğlu family in 1986 and is headquartered in Istanbul, Türkiye. The Group operates in different technology areas such as Telecommunication, Defense Industry, Corporate Projects, Automotive and Electronics Manufacturing Services (EMS). The core activity of the Group is the design, production, development and marketing of a diverse of telecommunication devices and electronic systems. The Company provides its communication solutions for various sectors such as cargo transportation, hotels and touristic facilities, public institutions, hospitals and medical institutions, universities and educational institutions, factories and industrial production facilities, merchandising and retail business, banks, leasing and factoring companies, equity houses, and other financial institutions.

In time, the Group has enriched its business with new activities in EMS, defence and large-scale turnkey project areas. With EMS activity covering all processes from design to production, Karel provides electronic manufacturing services to its local and international customers. White goods electronic board production has an important share in its EMS business. The Group also designs defence solutions using its R&D power and telecommunication know-how and manufactures and sells them to domestic and international military organizations. The main customers of Karel in turnkey projects are telecommunication service providers. Besides infrastructure solutions, the Group provides installations, maintenance and support services to operators. The average number of people employed across Group as of FYE2024 is 4,228 (FYE2023: 4,651). Karel went public in October 2006 and its 36.49% shares are traded on the Borsa Istanbul under the ticker symbol "KAREL". Şakir Yaman Tunaoğlu, Serdar Nuri Tunaoğlu and Ali Sinan Tunaoğlu have 8.76%, 8.76% and 5.99% shares of Karel as of FYE2024. In June 30, 2022, Karel's 40% shares were acquired by Öncü Girişim Sermayesi Yatırım Ortaklığı A.Ş. which is a subsidiary of Doğan Şirketler Grubu Holding A.Ş. ("Doğan Holding"). The main activity fields of Doğan Holding are electricity production, petroleum products retail, industry and trade, automotive trade and marketing, financing and investment, internet and entertainment and real estate investments. 35.87% shares of Doğan Holding are traded on the Borsa Istanbul under the ticker symbol "DOHOL".

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

Strengths	Constraints
• Ability to generate stable income through activities in different segments, • Customer portfolio consisting of leading and reputable organizations in its sector, providing defence against credit risk, • Strong R&D infrastructure and know-how that contributes to competitiveness and sustainability, • Advantages of operational synergy created within Doğan Group, • As a public Company, compliance regarding corporate governance implementations.	• Increase in labor costs, combined with limited pricing power due to contractual constraints, creating serious pressure on profitability in FYE2024, • Mainly short-term financing utilisation and high financing expenses despite a slight decrease compared to the previous year, • Although paid-in capital rose in FY2024, the impact of the net period loss resulted in equity erosion and a sharp drop in the equity ratio, • Concentration regarding customer portfolio, • As actions for a global soft-landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty.

Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been revised to **'A (tr)'** from **'AA (tr)'**. The Group's expectation of improvement in profitability performance in 2025 as a result of new contracts with customers, reasonable financial leverage ratio and reputable shareholder structure 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 determined as **'Stable'**. The Group's financial structure, market conditions, EBITDA generation capacity, debt ratios, liquidity ratios and developments in the global economy together with the trends in the industries will be closely monitored by JCR Eurasia Rating in the 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.