

PRESS RELEASE

Istanbul – November 12, 2014

JCR-Eurasia Rating,

has assigned **Derimod Konfeksiyon Ayakkabı Deri Sanayi ve Ticaret A.Ş.** an investment grade credit rating of '**BBB (Trk)/Stable**' on the Long Term National Scale and '**BBB-/Stable**' on the Long Term International Foreign and Local Currency Scales.

JCR-Eurasia Rating has assigned Derimod Konfeksiyon Ayakkabı Deri Sanayi ve Ticaret A.Ş. an investment grade credit rating of '**BBB (Trk)**' on the Long Term National Scale with '**Stable**' outlook and '**BBB-**' on the Long Term International Foreign and Local Currency Scales with '**Stable**' outlooks. Other grades are given in the table below:

Long Term International Foreign Currency	: BBB- / (Stable)
Long Term International Local Currency	: BBB- / (Stable)
Long Term National Local Rating	: BBB (Trk) / (Stable)
Short Term International Foreign Currency	: A-3 / (Stable)
Short Term International Local Currency	: A-3 / (Stable)
Short Term National Local Rating	: A-3 (Trk) / (Stable)
Sponsor Support	: 2
Stand Alone	: B

Founded in 1974, **Derimod Konfeksiyon Ayakkabı Deri Sanayi ve Ticaret A.Ş.** operates with the group company **Deri Konfeksiyon Pazarlama San. ve Tic. A.Ş.** (Derimod Pazarlama) in a complete vertical and horizontal integration with the same management organization. Both of the companies have a similar ownership structure where the majority shareholder is Zaim Family, even though Derimod Konfeksiyon offered one-third of its shares in 1991 and is currently listed Borsa Istanbul. Derimod Pazarlama, owning an effective retail network focused on Istanbul, Ankara and Izmir with more than 90 local and 8 international stores, offers footwear, leather apparel, handbags and accessories procured by Derimod Konfeksiyon through local and foreign suppliers. As a 40 year old and experience company with high brand value, Derimod emphasizes developing innovative and high-quality products and presents a portfolio curated by famous designers and aims to become a renowned leatherwear brand in Turkey and nearby regions synergizing leather with fashion.

The Group's increasing store count and sales volume is reflected on Derimod Konfeksiyon's financial statements as a steady and satisfactory revenue growth. While the long-term credit facility used in 2013 in order to restructure short-term financial loans contributed to the liquidity management, interest expenses arising from financial obligations including short-term factoring debts pressurized the profitability performance of the Company which financed the majority of its operations with external resources. However, the fact that the Company's sole customer and administratively related firm Derimod Pazarlama can influence the collection periods and supportively organize the prices so as not to incur performance loss to the wholesale firm, provides a reasonable protection to the Company. While the concentration of Derimod Konfeksiyon's sales on Derimod Pazarlama seemingly imposes a risk on solo basis, the risk is well-diversified by the latter through retail sales and imposes no significant risk on the consolidated basis. The progress with respect to the Group's growth strategy targeting nearby regions with priorities on Russia and Iran will grant a diversified income stream, increasing sales volume and foreign currency revenue sources; alleviating the foreign currency risk arising from the Company's imports. That the global leather apparel and footwear exports are growing at a moderately faster pace than the global economic expansion is considered as a favorable indicator for the Sector.

Evaluating the size of exports, business development strategy, international investments, imports and the foreign currency position of the balance sheet **Derimod Group's** Long Term International Local and Foreign Currency Ratings is limited with the country ceiling of '**BBB-**', while the Long Term National Rating is determined as '**BBB' (Trk)** with a '**Stable**' outlook.

The willingness of the Company's primary shareholder Ümit Zaim and Zaim Family to support the Company is assessed by considering the employment opportunities created, contributions to and position in the Sector, current and expected business volume, growth strategy focusing on international markets, the profitability and balance sheet of Derimod Pazarlama, Group's brand value and reputation. The Sponsor Support Grade is determined as **(2)** denoting an adequate level on JCR-Eurasia Rating's notation scale. Derimod Konfeksiyon's steady business growth, 40 years' of sector experience, maturity structure of the receivables and growth potential are evaluated as indicators for its performance to meet its obligations and commitments through its internally generated funds. In this sense, the Stand Alone Grade of the Company is assigned as (B), signifying an adequate level.

For more information related to the rating results you may visit our internet site <http://www.jcrer.com.tr> or contact our analysts **Mr. Şevket GÜLEÇ** and **Mr. Özgür Fuad Engin**.

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