JCR-ER JCR Eurasia Rating
"Global Knowledge Supported by Local Experience"

TURKEY

Corporate Credit Rating

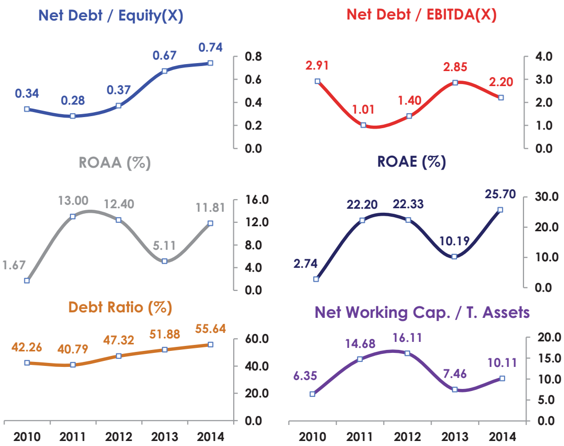
IRON AND STEEL SECTOR
[Iron and Steel Goods, Coke and Coke by Products]

KARDEMİR

			Long Term	Short Term
International	Foreign Currency		BBB-	A-3
International	Local Currency		BBB-	A-3
International	Outlook	FC	Stable	Stable
International	Outlook	LC	Stable	Stable
National	Local Rating		A (Trk)	A-1(Trk)
National	Outlook		Positive	Stable
Sponsor Support			2	-
Stand Alone			AB	-
Sovereign*	Foreign Currency		BBB-	-
Sovereign*	Local Currency		BBB-	-
Sovereign*	Outlook	FC	Stable	-
Sovereign*	Outlook	LC	Stable	-

**Affirmed by Japan Credit Rating Agency, JCR on July 11,2014*

Analyst: Orkun İNAN/ +90 212 352 56 73
orkuni@jcrer.com.tr



KARDEMİR KARABÜK DEMİR ÇELİK SAN. ve TİC. A.Ş.

Financial Data	2014*	2013*	2012*	2011*	2010*
Total Assets (000 USD)	1,527,280	1,213,162	1,221,355	889,266	912,891
Total Assets (000 TRY)	3,541,610	2,584,521	2,171,081	1,679,734	1,403,661
Equity (000 TRY)	1,570,885	1,243,558	1,143,655	994,630	810,441
Net Profit (000 TRY)	330,978	100,099	194,251	185,195	21,084
Sales (000 TRY)	2,189,238	1,812,225	1,686,666	1,590,850	1,008,861
ROAA (%)	11.81	5.11	12.40	13.00	1.67
ROAE (%)	25.70	10.19	22.33	22.20	2.74
Net Debt / EBITDA(X)	2.20	2.85	1.40	1.01	2.91
Net Debt / Equity(X)	0.74	0.67	0.37	0.28	0.34
Net Working Capital / T. Assets (%)	10.11	7.46	16.11	14.68	6.35
Debt Ratio (%)	55.64	51.88	47.32	40.79	42.26
Asset Growth Rate (%)	37.03	19.04	29.25	19.67	15.10

*End of year

Company Overview

"**Kardemir Karabük Demir Celik Sanayi ve Ticaret A.Ş.**", (hereinafter referred to as '**Kardemir**, 'the **Company**''), leading and oldest long steel and iron producer, founded in 1937 by Turkish Government as a first integrated steel producer, had been controlled by the State until 1995. Following privatization, the Company's all shares were distributed to the people domiciled in Karabük region. Kardemir is engaged in the manufacture and sale of iron, steel and coke products and operates via 4 subsidiaries and affiliates. The Company's products are divided into four groups of steel products, rolling mill products, coke products and other products.

The Company's subsidiaries include: Karçel producing steel construction; Enbati providing energy; Kardökmak producing casting; Erdemir Maden metal, iron ore production; and Karçimsa manufacturing cement. The Company is headquartered in Karabük and had a staff force of 3,779 together with its affiliates as of 31 December, 2014.

Kardemir's shareholder structure includes A Type shares 21.08%, B Type shares 10.48%, D Type shares 68.44% and 100% of the shares are traded on the BIST since 1998 under three different types, namely A, B and D classes of the shares.

Strengths

- Robust domestic steel demand to remain strong as well as lower raw material prices, depreciation of TL in 2015 on the back of infrastructure projects,
- Maintaining asset quality thanks to a conservative capital base and long term maturity structure of financial borrowings mitigating financial risk adversities,
- Upward trend of EBITDA generation thanks to capacity expansion and advancement in product range,
- Higher margin-added product sales such as rail wheel, profile, rod steel, and cost efficiency via self-sufficiency in energy promoting profitability,
- Proven achievements in forming beneficial and collaborative partnerships locally and internationally
- Group's well-established process and strict investment policies.

Constraints

- Fall in scrap, steel, billet and rebar prices likely to elevate competition and pressure on profitability,
- The extent of the meltdown cash position stemming from continuously required capacity expansion and adding new products squeezing liquidity management,
- Large off-balance sheet commitments and contingencies increasing risk level and pressure on asset quality,
- Likely large movements in the foreign exchange and interest expenses due to high level of liabilities reducing the Company's headroom under the current financial position,
- Ongoing economic headwinds increasing funding costs, decrease in risk appetite of investors and downside risks to growth and pressure to be exerted on profit margins.

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