Corporate Credit Rating

☐New ☒Update

Sector: Chemical Manufacturing
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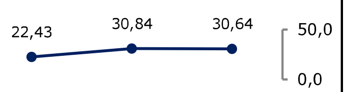
RATINGS

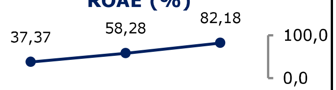
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	AA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Profile)	National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

** Assigned by JCR on Aug 18, 2022*

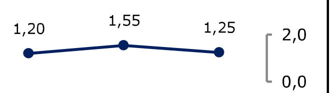
EBITDA Margin (%)



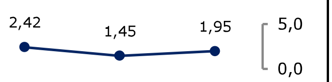
ROAE (%)



Current Ratio

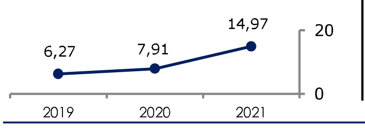


Adj. Net Debt/EBITDA (x)



Adj. Debt/Capital (%)

EBITDA/Adj.Interest (x)



Akkim Kimya Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of **"Akkim Kimya Sanayi ve Ticaret A.Ş."** in the high-level investment grade category and affirmed the ratings on the Long -Term National Issuer Credit Rating as **"AA (tr)"** and the Short-Term National Issuer Credit Rating as **"J1+ (tr)"** with **"Stable"** outlooks. On the other hand, the Long Term International Local and Foreign Currency Issuer Ratings and outlooks of the Company were assigned as **"BB/Negative"**, parallel to the international ratings and outlooks of the Republic of Türkiye.

"Akkim Kimya Sanayi ve Ticaret A.Ş." (hereinafter referred to as **"Akkim"** or the **"Company"**), was established in 1977 as an affiliate of Akkök Holding A.Ş., which operates mainly in chemical, energy and real-estate sectors through 19 trade and industrial companies and 19 production facilities. Akkim Kimya San. ve Tic. A.Ş. operates primarily in chemical sector and serves its customers in 6 continents and over 70 countries with a wide range of products including chlor-alkali and derivatives, methylamines, persulfates, peroxides, bisulfides, textile auxiliaries, paper and water treatment chemicals, cement and concrete additives.

Akkim manufactures in high-tech and environmentally friendly facilities with producing more than 500 chemical raw materials and auxiliary materials with a total capacity of 600 thousand tons. As one of the prominent players in the domestic market in many products in basic chemicals and performance chemicals; the Company also serves in the cleaning, chemical, textile, paper, water treatment, food, metal, pesticide, energy, building, mining, plastic and construction sectors. In addition, the Company has been selling its know-how and technologies to foreign companies since 2002 and offers many different services from engineering studies to turnkey contracts. As of FYE2021, the paid in capital and equity of Akkim stood at TRY 198mn and TRY 1.38bn, respectively. Akkök Holding is the principal shareholder of the Company with a share of 42.00% at FYE2021.

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

Strengths	Constraints
• Robust debt service capacity supported with equity level and moderate financial leverage • Steady increase in EBITDA generation capacity with the support of noteworthy growth in sales volume particularly in FYE2021 • A large operating scale, wide product range and relatively high utilisation rates result in considerable operating cash flow and stability in operating margin • Upward trend in net working capital and FFO facilitating liquidity management • Maintenance of bottom-line profit and asset growth despite the headwinds of the economy in FY2021 and 9M2022 • Effective currency risk management by utilizing derivative instruments for hedge purposes • High share of export sales among total sales and geographical diversification of exports • Established market presence and long-term contracts with well-known customers enable predictable cash flows • Integrated nature of Group operations forming synergies and strengthening know-how base	• Externally financed capex investments reducing FOCF • Long cash conversion cycle despite the slight improvement in FYE2021 • Stable yet relatively high OpEx margin • Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections

Considering the aforementioned drivers, the Company's the Long-Term National Issuer Credit Rating has been affirmed as **"AA (tr)"**. The competitive advantage obtained through its predictable cash flows, profitability indicators, satisfactory debt service capacity, robust liquidity position, production and export power, competition and market efficiency in the inter/national market, the steady revenue and EBITDA growth trend and organizational framework compatible with the Group's size as well as deterioration on local and global economic outlook due to the ongoing geopolitical risks stemming from the Russia-Ukraine tension and global recessionary concerns increasing uncertainties constitute the principle reasons underlying the affirmation the outlooks for the Long and Short-Term National Ratings as **"Stable"**. The Company's equity level, fluctuations of the exchange rates, debt maturity and its level, cash flow and liquidity level, EBITDA margin and net profit indicators are the prior issues to be followed by JCR Eurasia Rating in the upcoming period. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored as well.