Corporate Credit Rating

☐New ☒Update

Sector: Shipyard
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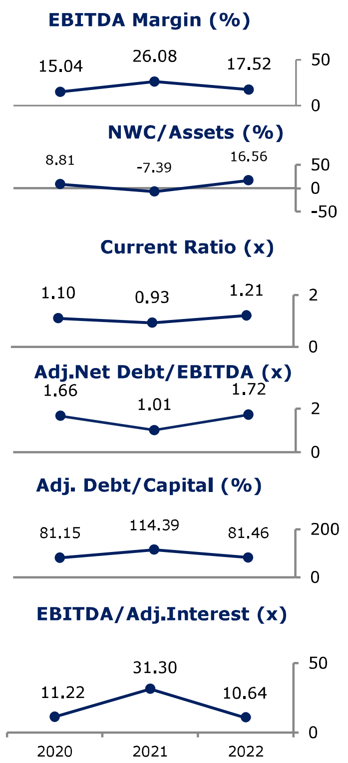
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB+ (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
*Sovereign	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

** Assigned by JCR on Aug 18, 2022*



CEMRE MARİN ENDÜSTRİ ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated the consolidated structure of **"Cemre Marin Endüstri A.Ş."** in the investment-level category and affirmed the Long-Term National Issuer Credit Rating as **'BBB+ (tr)'** and the Short-Term National Issuer Credit Rating as **'J2 (tr)'** with **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as **'BB/Negative'** in parallel to international ratings and outlooks of Republic of Türkiye.

Cemre Marin Endüstri Anonim Şirketi (hereinafter "**the Group**" or "**Cemre Marin**") was established in 2011 and provides shipbuilding services with its Cemre I and Cemre II shipyards located in Yalova, Türkiye. The Group has become one of Türkiye's most successful exporters by constructing niche vessels for various countries, specializing in the production of fishing, offshore, passenger, and aquaculture vessels on a project basis. With modern shipbuilding facilities and two shipyard areas, Cemre Group has a steel processing capacity of 25,000 tons and the capability to deliver 8 vessels per year. Cemre I, one of the first shipyard investments in the Altınova Shipyards Region, has the capacity to place 8 vessels on its slipways simultaneously. Cemre II, with the ability to build ships up to 30,000 DWT, provides extensive covered areas that facilitate high-quality production processes, protected from adverse external factors. Cemre Marin has a subsidiary named Cemre Tersanesi Gemi İnşaa Anonim Şirketi ('Cemre Tersanesi').

The shareholders of the Group are Orhan Gülcek (44%), Hüseyin Toftar (34%), and Necmettin Çubuk (22%). As of FYE2022, the Group employed a staff force of 317(FYE2021: 221).

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

Strengths	Constraints
• Ensuring predictability in revenues thanks to new shipbuilding orders and a solid project backlog, • Foreign currency dominated sales revenue providing a natural hedge to a certain extent, • Sustainable average profit margins over the periods under review, • Low collection risk and high quality of accounts receivables, • The positive effects of proximity to the European market, one of the regions with the largest ship fleet in the sector, • Competitive advantage of sustainable and environmentally friendly production processes.	• High level of adjusted debt to capital as a result of higher external resource utilization, • Short-term weighted financial structure, • Negative CFO and FOCF mainly due to working capital expenditures, • Potential operational and management risks arising from the nature of the shipbuilding business, • Operational risk exposed due to regulations and different countries' risk elements, • Leading economic indicators signal global economic slowdown as quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been affirmed as **'BBB+ (tr)'.** The Group's project backlog providing predictability, reasonable profitability margins, high value-added product portfolio, flexibility to meet demand with different product bases and environmentally friendly production approach 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 indebtedness indicators, cash flow metrics, profit and equity indicators, market position, sustainability of domestic and international demands and economic conditions in Türkiye 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 also be monitored.