JCR Eurasia Rating
"JCR-ER, Group of Japan Credit Rating Agency, Ltd."

Corporate Credit Rating

☐New ☒Update

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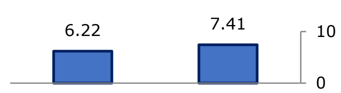
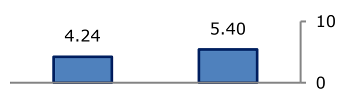
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	**National ICR**	**AA+ (tr)**	**J1+ (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Profile)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

** Assigned by JCR on May 10, 2024*

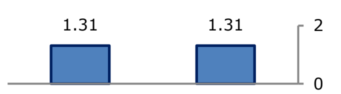
EBITDA Margin (%)



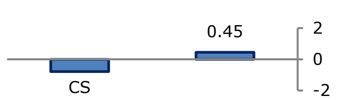
Gross Profit Margin (%)



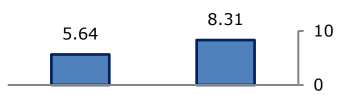
Current Ratio (x)



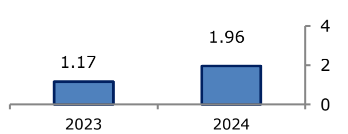
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



Operating Ratio (%)



CS: Cash Surplus

KARDEMİR KARABÜK DEMİR ÇELİK SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of **"Kardemir Karabük Demir Çelik Sanayi ve Ticaret A.Ş."** in the investment grade category with very high credit quality and affirmed the Long-Term National Issuer Credit Rating at **'AA+ (tr)'** and the Short-Term National Issuer Credit Rating at **'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.

"**Kardemir Karabük Demir Çelik Sanayi ve Ticaret A.Ş.** (hereinafter referred to as **'the Company'** or **'Kardemir'**) was established in 1937, was privatized in 1995 and has Türkiye's first integrated iron and steel plant. Kardemir produces railway wheels, rail tracks, profiles, coils, rebar construction steel, blooms, platins, billets, angles, mine poles, pig irons, coke and coke by-products in international quality standards and provides the basic inputs in rail systems, automotive, defense industry, machinery manufacturing, construction and the mining sectors. Kardemir has four major subsidiaries: Kardökmak A.Ş., with its high-speed casting and mechanical working capacity, is among one of the Türkiye's leading companies in the industry; Karçel A.Ş., manufacturing every type and form of steel in steel construction; Kardemir Enerji A.Ş., which operates the hydroelectric power plant, and Karlimtaş, carries out urban and long-distance freight transport activities. Kardemir and its consolidated subsidiaries are hereinafter referred to as **"the Group"**. In addition, Kardemir has partnerships with Karçimsa A.Ş. in the cement industry, Erdemir Maden A.Ş. in the mining industry, Vademsaş A.Ş., which was established to produce railway switches suitable for all kinds of conventional and high speeds, Karabük Üniversitesi Teknoloji Geliştirme Bölgesi Yönetici A.Ş. and Energy Exchange İstanbul Inc (EPİAŞ).

Kardemir had a staff force of 4,459 together with its subsidiaries and affiliates as of 1Q2025. As of 1Q2025, the paid-in capital of Kardemir is TRY 1,140mn and all of shares of Kardemir are traded on BIST in three different types: KRDMA, KRDMB and KRDMD classes, and Kardemir has a shareholder structure consisting of 21.1% Type A shares, 10.5% Type B shares and 68.4% Type D shares.

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

Strengths	**Constraints**
• Sound level of financial leverage and interest coverage profile in the analysed periods, • High equity level supported by retained earnings compared to total liabilities and asset size, • Hard currency income generation capacity providing natural hedge against currency risk in a certain extent, • Low operating ratio supporting efficiency indicators, • Asset quality strengthened by the low collection risks thanks to collateralization and diversified customer profile, • Strong presence in the local market and experience in the sector, • Establishment of credible and well-established business at national and international level, • Compliance with the corporate governance practices as a publicly listed company.	• Decline in revenues stemming from price cut-offs on products and drop in demand in FY2024 and limited profitability margins, • Negative cash flow from operations and free operating cash flow figures creating external funding need for operational cycle in FY2024, • Sector-wide issue of import dependency of the main raw materials, • 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 affirmed at **'AA+ (tr)'**. Solid leverage and coverage profile, high equity level, market share, low operating ratio, asset quality, corporate governance and risk management practices 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, profitability indicators, leverage level, liquidity ratios and developments regarding the macro conditions will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators in national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.