Corporate Credit Rating

☐New ☒Update

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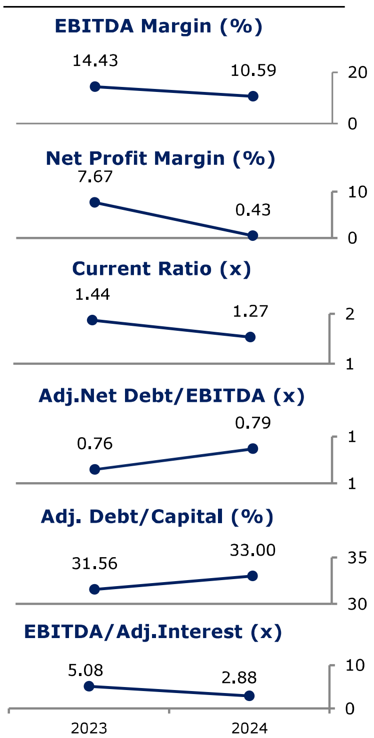
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A+ (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating Profile)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

** Assigned by JCR on May 10, 2024*



Kocaer Çelik Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated **"Kocaer Çelik Sanayi ve Ticaret A.Ş."** in the investment level category with the high credit quality and affirmed the Long-Term National Issuer Credit Rating at **'A+ (tr)'** and revised the Short-Term National Issuer Credit Rating from **'J1 (tr)'** to **'J1+ (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/Stable** in line with the sovereign ratings and outlooks of Republic of Türkiye.

Kocaer Çelik Sanayi ve Ticaret A.Ş. (hereinafter referred to as 'Kocaer' or 'the Company') was established in 1984. As of FYE2024, the paid-in capital of the Company is TRY 1,915mn. The Company's main controlling shareholder is Hakan KOCAER with a 74.20% share. 25.80% of the Company's shares are publicly traded and quoted on the Borsa Istanbul A.Ş. as of FYE2024. The Company's former title was Kocaer Haddecilik Sanayi ve Ticaret A.Ş. and it was changed to Kocaer Çelik Sanayi ve Ticaret A.Ş. on 20.05.2021. The Company was restructured in 2021 to engage in only iron and steel and transportation activities by merging with all its subsidiaries operating in the field of iron and steel and transportation and removing its subsidiaries outside these fields. Kocaer carries out steel profile manufacturing, service center, and galvanization coating operations. The headquarter of the Company is in Denizli, and Kocaer has 3 steel profile production factories, 1 galvanizing factory, and 1 service center in Aliağa, İzmir and branches in İzmir, İstanbul, and Denizli. The subsidiary of the Company, Kocaer Steel UK was established in England in 2015 and engaged in sales, marketing, and distribution activities. The average number of personnel employed within the Company in 2024 is 1,115 (2023: 943).

The Company is one of the largest industrial establishments with exports to 140 countries on 6 continents. As of FYE2023, the Company was ranked as the 118th (FYE2022: 92nd) largest manufacturer of Türkiye with respect to sales revenues generated from production figures in the annual list of 500 Largest Industrial Enterprises of Türkiye (ISO500), compiled annually by the Istanbul Chamber of Industry (ISO). In 2023, the Company was also ranked 71st (FYE2022: 61st) largest exporter company of Türkiye in the annual Top 1000 Exporter Companies list compiled by the Turkish Exporters Assembly (TIM). In the same list, the Company was also ranked as the 7th (FYE2022: 13th) largest exporter company of the steel sector in Türkiye. Besides, the Company has brand support within the scope of the Ministry of Economy Turquality program.

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

Strengths	Constraints
• Ongoing sales volume growth over the last four consecutive years despite a decrease in revenue due to declining unit prices in 2024, • Satisfactory financial leverage profile in reviewed periods, • Moderate equity level over the analyzed years, • Favorable cash flow metrics and adequate liquidity indicators in analyzed periods, • Increasing share of export sales within total revenues and geographical diversification of exports, • Advantages provided by the production of value-added products supported by innovative R&D center and noteworthy focus on sustainability, • Compliance with corporate governance practices as a publicly traded company, • Long-lasting presence and experience in the sector and conformity to the international quality standards.	• Contraction in core operational profitability indicators in FY2024, • Net financing expenses pressuring bottom-line profitability and coverage metrics in 2024, despite a decrease in financing expenses, • 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 Company's Long-Term National Issuer Credit Rating has been affirmed at **'A+ (tr)'**. The Company's ongoing sales volume growth, satisfactory financial leverage profile, moderate equity level, favorable cash flow metrics and adequate liquidity metrics, compliance with corporate governance practice, contraction in core operational profitability in FY2024, increased net financing expenses pressuring bottom-line profitability and coverage metrics, global market conditions of the sector as well as the geopolitical risks-driven uncertainties 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 Company's indebtedness volume, sales growth, profitability, and liquidity indicators 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 be monitored as well.