Corporate Credit Rating

☐New ☒Update

Sector: Metal Industry
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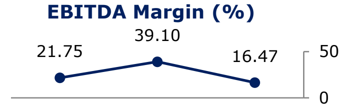
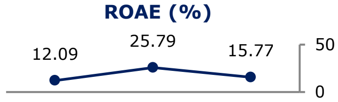
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**AAA (tr)**	**J1+ (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific 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*

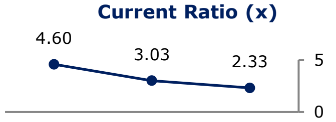
EBITDA Margin (%)



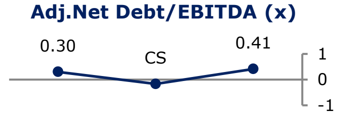
ROAE (%)



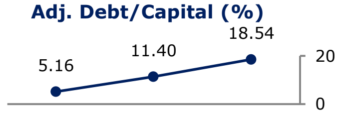
Current Ratio (x)



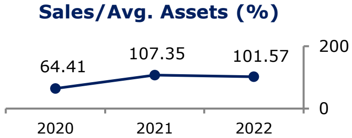
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



Sales/Avg. Assets (%)



**CS: Cash Surplus*

İskenderun Demir ve Çelik A.Ş.

JCR Eurasia Rating, has evaluated **"İskenderun Demir ve Çelik A.Ş."** in the highest investment level category, affirmed the Long-Term National Issuer Credit Rating at **'AAA (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/Negative'**, same as country ceiling.

As the biggest subsidiary of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir) and a member of OYAK Group, **İskenderun Demir ve Çelik A.Ş.** (hereinafter referred to as **'İsdemir'** or **'the Company'**), is Türkiye's third oldest integrated iron and steel plant by its establishment date and the largest by its long product manufacturing capacity. İsdemir is Türkiye's only integrated plant that produces long and flat products with a hot rolling capacity of 3.5mn tons/year.

İsdemir was established on October 3, 1970 by the Mediterranean coast in the south of Türkiye, in Payas, Yakacık, 17 km to İskenderun. Thanks to Modernization and Transformation Investments, İsdemir started to produce flat products in addition to long products, as of August, 2008. İsdemir produces billets, wire rod, hot rolled coils, slab and pig iron. In addition to these products, by products including coke, oxygen, nitrogen, argon, ammonium sulphate, granulated slag, tar and benzol. Moreover, the Company increased its initial liquid steel capacity of 2.2mn tons/year to 5.8mn tons/year. It also has an installed production capacity of 3.5mn tons/year for flat products, 0.6mn tons/year for coils and 2.5mn tons/year for billets as finished products.

All shares of İsdemir were transferred to Erdemir by the Turkish Privatization Administration with a Share Transfer Agreement dated January 31, 2002, on the condition that investments would be made for the transition to flat steel production. Currently, 94.87% of İsdemir shares are owned by Erdemir and 5.13% of the shares are traded on Borsa Istanbul (BIST) under the name of ISDMR. The Company employed 4,417 personnel, as of June 30, 2023 (December 31, 2022: 4,667).

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

Strengths	Constraints
• Satisfactory financial leverage indicators in FY2022 despite increasing net debt position in 1H2023, • Credible and well-established business supporting sustainable cash flow generation from operations, • Foreign exchange linked cash flow generation providing natural hedge opportunity, • Balanced revenue and income stream providing predictable EBITDA generation, • Well positioned in region to take the advantage of high growth rates despite normalization period in line with the sector-wide conditions, • Strong presence in the local market and experience in the sector, • Strong partnership structure with a proven track record of OYAK and improved transparency with regard to corporate governance compliance strengthening market position.	• Relatively high level of CapEx leading negative FOCF generation in FY2022, • Maintenance of high and increasing dividend pay-out ratio particularly in the analysed period pressuring UCF metric, • Fluctuations in external factors affect revenue and profitability figures, particularly to weigh on margins in 1H2023, • Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance.

Considering the aforementioned factors, the Company's the Long-Term National Rating has been affirmed at **'AAA (tr)'**. Strong presence in the local market, well-established business and partnerships, sustainable operational performance, maintaining asset quality, predictable profitability margins and cash flow as well as ongoing uncertainties globally have been evaluated as important 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 debt and equity level, liquidity and profitability indicators will be closely monitored by JCR Eurasia Rating in the 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.