

Borusan Birleşik Boru Fabrikaları San. ve Tic. A.Ş. 1H 2025 Earnings Announcement

Borusan Birleşik Boru Fabrikaları San. ve Tic. A.Ş. (BIST: BRSAN) ("Borusan Pipe") announced its 1H 2025 financial results on August 15, 2025.

Management's Evaluation

"The first half of 2025 was characterized by a mix of global uncertainty and structural shifts across the economy and the steel pipe industry. While inflation in developed markets showed signs of deceleration, global trade gained momentum. However, the U.S. Federal Reserve's cautious "wait-and-see" stance on rate cuts, persistent geopolitical tensions, and uncertainties in U.S. tariff policies continued to disrupt trade flows and prompted a reconfiguration of global supply chains. In the global steel pipe market, demand remained resilient, particularly driven by energy infrastructure investments in Latin America and the Middle East. In the U.S., protective tariffs of 25% to 50% on steel and related products significantly increased import costs—most notably for OCTG products—providing a competitive pricing advantage to domestic manufacturers. In Türkiye, tight monetary policy signaled a rebalancing in domestic demand, though inflationary pressures remained elevated.

As Borusan Pipe, we delivered solid operational and financial performance in 2Q25, supported by i) the favorable pricing environment driven by tariff uncertainty in OCTG products, ii) higher volume compared to the first quarter, iii) benefits from cost-reduction initiatives, and iv) lower financing expenses due to reduced net debt resulting from effective cash management and the decline in the share of TL-denominated financial debt within total indebtedness. Particularly with the contribution of deliveries in the Infrastructure & Project business line, our consolidated sales volume increased by 26% and revenues by 43% compared to the first quarter. Our EBITDA margin, on the other hand, improved by 2.4 pps, reaching 7.9%, while net profit for 2Q24 totaled \$23 mln.

In 1H25, however, total sales volume declined by 6% to 585 ths tons and revenue decreased by 18% to \$775 mln, reflecting a higher base effect in 1H24. Consequently, EBITDA amounted to \$53 mln, while net profit reached \$15 mln. Additionally, our effective working capital and cash management resulted in a 41% YoY reduction in net financial debt to \$223 mln.

From a geographic perspective, international markets accounted for 82% of consolidated revenue, led by the U.S. with a share of 68%. In terms of business segments, Infrastructure & Projects was the largest contributor to revenue (35%), followed by Industrial & Construction (27%), Energy (25%), and Automotive (13%).

Our 2Q2025 positive trend is expected to continue into 3Q2025 and, at this stage, we maintain our full-year 2025 guidance unchanged. That said, in 4Q25, we expect the favorable pricing environment observed especially in the U.S. market to normalize. In the U.S., we will closely monitor the potential impact of any changes in tariffs on steel product imports on operational profitability. In our Turkish operations, we expect cost increases driven by inflation and exchange rate fluctuations to continue to adversely impact the sector's overall competitiveness in the coming period.

For the remainder of 2025, we will maintain our focus on strengthening cash flow through disciplined cost management and working capital optimization. In this context, as announced in June, we have launched a strategic investment to consolidate our three production sites in Türkiye. Once completed, our Gemlik Campus will serve as a highly efficient, centralized strategic hub, encompassing all operations across the automotive, construction, industrial, and energy segments - positioning us for enhanced profitability. On the sustainability front, we are actively preparing for compliance with the European Union's Carbon Border Adjustment Mechanism (CBAM), which enters into full effect as of January 1, 2026."

1H 2025 Summary of Financial Results

(\$ mln)	1H25	1H24	YoY Δ	2Q25	2Q24	YoY Δ	1Q25
Revenues	774.6	940.7	(17.7%)	455.5	411.4	10.7%	319.1
Gross Profit	63.9	86.7	(26.3%)	47.3	43.7	8.2%	16.6
EBITDA*	53.5	85.7	(37.6%)	35.8	39.3	(8.7%)	17.6
PBT	17.2	31.4	(45.2%)	24.2	11.3	113.9%	(6.9)
Net Profit	14.9	20.3	(26.4%)	22.8	8.4	170.1%	(7.9)

Margins

(%)	1H25	1H24	YoY Δ	2Q25	2Q24	YoY Δ	1Q25
Gross Margin (%)	8.3%	9.2%	(0.9 pps)	10.4%	10.6%	(0.2 pps)	5.2%
EBITDA Margin (%)	6.9%	9.1%	(2.2 pps)	7.9%	9.5%	(1.6 pps)	5.5%
Net Profit Margin (%)	1.9%	2.2%	(0.3 pps)	5.0%	2.1%	2.9 pps	(2.5%)

(*) EBITDA is calculated including Net Operating Income, Income from Investment Activities and excluding Extraordinary Income (Expense).

The financial results presented here have been prepared in accordance with the Turkish Financial Reporting Standards (TFRS).

Sales Volume

('000 tons)	1H25	1H24	YoY Δ	2Q25	2Q24	YoY Δ	1Q25
Sales Volume	585	619	(5.6%)	326	262	24.4%	259

1H 2025 Highlights

- In 1H25, sales volume declined by approximately 5.6% year-over-year, reaching 585 thousand tons.
- During this period, revenue declined by 17.7% year-on-year to \$774.6 million, driven by weak demand in export markets and continued pricing pressure from competition.
- Revenue from international markets remained robust, accounting for 82% of total revenue. Regionally, the U.S. market held the highest share at 68%, followed by Türkiye at 17%, with other regions contributing 15%.
- In 1H25, by business lines, Infrastructure & Projects accounted for the largest share of consolidated revenue at 35%, followed by Industrial & Construction 27%, Energy 25%, and Automotive 13%.
- In 2Q25, operational profitability improved compared to 1Q25, supported by lower production costs driven by ongoing strict cost control measures. Nevertheless, operational profitability in the first half of the year was adversely affected compared to the same period of the previous year, primarily due to the inflationary environment in Türkiye, demand pressure in operating markets, and pricing challenges.
- In 1H25, EBITDA decreased by 37.6% compared to the same period of previous year to \$53.5 million, while the EBITDA margin fell by 2.2 percentage points to 6.9%.
- The Company reported a pre-tax profit of \$17.2 million (1H24 pre-tax profit: \$31.4 million) and a net profit of \$14.9 million (1H24 net profit: \$20.3 million).
- Net Financial Debt decreased to \$222.7 million as a result of the strong financial discipline and working capital management. Net Financial Debt/EBITDA ratio stood at 3.2X.

Sectoral Outlook

- In the second quarter of 2025, the average Hot-Rolled Coil (HRC) steel price in the U.S. increased by 15% year-on-year, reaching \$901 per ton as of the end of June. In Western Europe, the average HRC steel price rose by 5% during the same period, reaching \$712 per ton by the end of June. Conversely, in China, the average HRC steel price declined by 15%, falling to \$379 per ton as of the end of June.¹
- According to the Short-Term Energy Outlook Report published by the U.S. Energy Information Administration (EIA) in July, the global oil demand forecast for 2025 stands at 0.8 million barrels per day, while demand is projected to rise to 1.1 million barrels per day in 2026, primarily driven by non-OPEC countries. The EIA also forecasts global oil production to be at 1.6 million barrels per day in 2025 and by 0.8 million barrels per day in 2026. Amid ongoing economic uncertainty related to trade tariffs, the price of Brent crude oil rose by 9.2% from \$65.12 at the end of May to \$71.14 as of June 30. However, due to rising oil inventories, the EIA expects Brent crude prices to average \$61 in 2025 and \$59 in 2026.
- As of the end of June 2025, the total number of active drilling rigs worldwide² decreased by 107 compared to the previous year, reaching 1,600. In the U.S., the total rig count declined by 41 year-over-year, standing at 547 as of the end of March 2025.³
- Global crude steel production in the first six months of 2025 decreased by 2.2% year-over-year, totaling 934.3 million tons. During the same period, Türkiye's crude steel production declined by 1.7% to 18.3 million tons, while finished steel consumption contracted by 2.6% year-over-year to 18.6 million tons.⁴
- In the first six months of 2025, Türkiye's steel pipe exports declined by 3.5% compared to the previous year, totaling 1 million tons. Romania, the United Kingdom, and Iraq stood out as the key export markets.

(21 Data has been sourced from SteelBenchmarker.

(2) It shows the total number of gas, oil, and other rigs.

(3) Data has been sourced from Baker Hughes.

(4) Data has been sourced from Turkish Steel Producers Association.

1H 2025 Business Line Developments

- In the *Infrastructure and Projects* business line, although sales volume increased in the second quarter due to deliveries under the Blackcomb Mainline Project in North America, it declined by 43.5% compared to 1H24, primarily due to the base effect of projects completed in the prior year. During the same period, revenue decreased by 44.9% to \$269.3 million. This business line accounted for 35% of consolidated revenues. In the second half of the year, deliveries for the Blackcomb Project will continue. <<<<
- In the *Industrial and Construction* business line, despite weaker demand in operating regions leading to lower volumes in early 2024, sales volume rose by 42.3%, supported by the contribution of the SRM plant, which commenced operations in 3Q24. Accordingly, revenue also increased by 45.7%, reaching \$211.2 million. This segment represented 27% of consolidated revenues.
- In the *Automotive* business line, sales volume declined by 3.2% year-on-year due to subdued demand in the European pipe market. Revenue contracted by 7.0% to \$100.2 million, reflecting continued price pressure amid intense competition. This business line constituted 13% of consolidated revenues.
- In the *Energy* business line, sales volume continued to normalize in the second quarter and increased by 6.8% in the first half compared to the same period last year. Revenue, supported by the favorable pricing environment driven by tariff uncertainty in OCTG products, recorded a limited decline of 2.9% in the first half to \$193.8 million. This segment accounted for 25% of consolidated revenues. In the fourth quarter of the year, the favorable pricing environment observed in OCTG products is expected to normalize.

Revenue Breakdown by Business Lines

(\$ mln)	1H25	1H24	YoY Δ	2Q25	2Q24	YoY Δ	1Q25
Revenues	774.6	940.7	(17.7%)	455.5	411.4	10.7%	319.1
<i>Infrastructure and Project</i>	269.3	488.4	(44.9%)	190.3	181.0	5.1%	79.0
<i>Industry and Construction</i>	211.2	144.9	(45.7%)	107.0	70.3	52.3%	104.2
<i>Automotive</i>	100.2	107.7	(7.0%)	50.1	51.3	(2.3%)	50.1
<i>Energy</i>	193.8	199.6	(2.9%)	108.1	108.8	(0.7%)	85.7

Summary Balance Sheet Figures

(\$ mln)	June 30, 2025	December 31, 2024	YoY Δ
Current Assets	1,012.2	697.6	45.1%
Property, Plant and Equipment	881.2	873.8	0.9%
Total Assests	1,893.4	1,571.4	20.5%
Short Term Liabilities	844.7	538.9	56.7%
Total Liabilities	1,026.8	718.2	43.0%
Equity	866.6	853.2	1.6%

Financial Ratios

(\$ mln)	June 30, 2025	December 31, 2024
Current Ratio	1.20	1.29
Liquidity Ratio	0.55	0.64
Inventory Turnover Ratio	2.60	4.47
Working Capital Utilization	51.8%	29.7%
Net Financial Debt/ EBITDA**	3.22	2.75
Equity Utilization Ratio	49.0%	56.7%

Summary Cash Flow Statement

(\$ mln)	June 30, 2025	June 30, 2024
Cash Inflow/Outflow (-)		
From Operating Activities	112.7	(98.6)
Cash Inflow/Outflow (-)		
From Investing Activities	(35.8)	(18.4)
Cash Inflow/Outflow (-)		
From Financing Activities	(17.6)	45.6
Change in Cash and Cash Equivalents	59.3	(71.4)
Cash at the beginning of the Period	66.8	129.4
Cash at the end of the Period	126.1	58.0

Free Cash Flow

(\$ mln)	June 30, 2025	June 30, 2024
EBITDA*	53.5	85,7
Increase/Decrease (-) in Net Working Capital	59.8	(199.3)
Tax and Other	(0.5)	(5.0)
Investment, net	(37.6)	(0.3)
Dividend	1.8	1.9
Free Cash Flow	76.9	(117.0)

(*) EBITDA is calculated including Net Operating Income, Income from Investment Activities and excluding Extraordinary Income (Expense).

(**) Net Financial Debt/EBITDA ratios are calculated using EBITDA for the last twelve months.

The financial results presented here have been prepared in accordance with the Turkish Financial Reporting Standards (TFRS).

2025 Guidance

(\$ mln)	2021	2022	2023	2024	1Y25	2025 Guidance	2025 Revized Guidance
Sales Volume (mln tons)	0.76	0.85	1.06	1.17	0.58	1.05 - 1.20	-
Revenue (\$ billion)	0.8	1.3	1.7	1.7	0.8	1.6 - 1.8	-
EBITDA Margin (%)	9.8%	14.9%	18.2%	6.0%	6.9%	5% - 7%	-

- In 2Q25, financial results were in line with expectations, supported by improved profitability driven by the positive pricing environment—particularly in the U.S. market—and operational efficiency initiatives implemented across all plants.
- The positive trend is expected to continue in 3Q25.
- In 4Q25, the favorable pricing environment observed in OCTG products in the U.S. market is expected to normalize. In the U.S., the potential impact of possible changes in tariffs applied to steel product imports on operational profitability will be closely monitored. In Turkish operations, cost increases driven by inflation and exchange rate fluctuations are expected to continue to adversely affect the overall competitiveness of the sector in the coming period.
- At this stage, no revisions have been made to the year-end 2025 guidance.
- In line with its outlook for the remainder of the year, Borusan Pipe expects to achieve a sales volume of between 1.05 and 1.20 million tons, revenue in the range of \$1.6 - 1.8 billion, and an EBITDA margin between 5% and 7% in 2025.
- Under normal circumstances, guidance is disclosed four times a year, in conjunction with quarterly financial disclosures.

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