

Kordsa

2Q'23 Financial Results

Earnings Release

Aug 7, 2023

Tire, construction and composite reinforcement leader Kordsa increased its sales revenues by 8% in the second quarter of 2023 compared to the same period of the previous year, reaching 255 million USD (5.0 billion TL). Kordsa's earnings before interest, tax and depreciation (EBITDA) is 19 million USD (378 million TL) due to the shrinking demand in the global tire reinforcement industry, suppressing profitability by increasing competition and the increase in labor costs in the Europe, Africa and Middle East ("EMEA") region. In addition, due to the increase in financing costs, net loss for the period was 2 million USD (40 million TL).

FINANCIAL DEVELOPMENTS

- In the second quarter of 2023, compared to the same period of the previous year, revenues increased by 8% on TL basis and reached TL 5.0 billion (255 million USD). Tire reinforcement volumes decreased by 5% compared to the first quarter of 2023, driven by lower freight costs and competitive pressure from Asia-Pacific manufacturers. In the same period, revenues from the composite segment increased by 70% compared to the same quarter of the previous year and reached 52 million US dollars. The synergy created with Microtex Composites Srl, whose acquisition was completed in August 2022, continued to increase in the second quarter of 2023 and the company's contribution to turnover was 11 million USD. After the Kahramanmaraş-centered earthquake on February 6, the construction sector was channeled to the region, and the revenues increased after the recession was overcome. Revenue, which was 1.8 million USD in the first quarter, was 3.3 million USD in the second quarter, increasing 44% year-on-year.
- As a result of the decrease in raw material prices and its stock effect, the increase in expenses related to inflation in the EMEA region, the level in the USDTRY exchange rate and the pressure on profitability due to the high competition in the tire reinforcement industry, EBITDA of 19 million USD (378 million TL) was achieved in the second quarter of 2023. In the light of this information, in the second quarter of 2023 compared to the same quarter of the previous year;
 - Impact of net loss of sales by volume and price (deducting the impact of raw materials): 11 million USD, and
 - Impact due to increase in labor costs: There is a negative deviation of 8 million USD.
- The tax effects arising from the differences between Kordsa's consolidated financials prepared in US dollars, which is the functional currency of Kordsa, and Tax Procedure Law financials prepared in Turkish Lira are classified as deferred tax income/expense. As a result of the appreciation in USDTRY in June 2023, deferred tax expense is incurred. Our net loss on a quarterly basis was \$2 million due to higher financing costs and higher deferred tax expense.

- In the first half of 2023, 21 million USD (408 million TL) invested in machinery and product sustainability.
- With the effect of financing the working capital and growth-oriented investments, financial debts stood at 441 million USD, while the net debt/EBITDA ratio was 4.6 due to the decrease in EBITDA on an annual basis.

FINANCIAL RESULTS

	TL Financials (MTL)						
	1H'22	1H'23	Δ	3Q'22	4Q'22	1Q'23	2Q'23
Sales	8,799	10,206	16.0%	4,962	4,679	5,194	5,012
Gross Profit	1,888	1,492	-21.0%	795	676	768	724
Gross Margin (%)	21.5%	14.6%	-6 pts'	16.0%	14.5%	14.8%	14.4%
OPEX (%)	9.2%	10.5%	1 pts'	9.4%	11.5%	10.2%	10.8%
Operating Profit	1,068	477	-55.3%	330	251	265	212
Operating Profit Margin (%)	12.1%	4.7%	-7 pts'	6.7%	5.4%	5.1%	4.2%
EBITDA	1,350	810	-40.0%	455	287	431	378
EBITDA* Margin (%)	15.3%	7.9%	-7 pts'	9.2%	6.1%	8.3%	7.5%
Net Income	892	50	-94.4%	387	230	90	-40
Effective Tax Rate (%)	-21.9%	-74.5%	-52 pts'	-4.4%	366.5%	-21.9%	-149.7%
Net Income (%)	10.1%	0.5%	-10 pts'	7.8%	4.9%	1.7%	-0.8%

	USD Financials (MUSD)						
	1H'22	1H'23	Δ	3Q'22	4Q'22	1Q'23	2Q'23
Sales	599	531	-11.4%	286	269	276	255
Gross Profit	129	78	-39.6%	46	39	41	37
Gross Margin (%)	21.5%	14.6%	-6 pts'	16.0%	14.5%	14.8%	14.4%
OPEX (%)	9.2%	10.5%	1 pts'	9.4%	11.5%	10.2%	10.8%
Operating Profit	73	25	-65.9%	19	14	14	11
Operating Profit Margin (%)	12.1%	4.7%	-7 pts'	6.7%	5.4%	5.1%	4.2%
EBITDA	92	42	-54.2%	26	16	23	19
EBITDA* Margin (%)	15.3%	7.9%	-7 pts'	9.2%	6.1%	8.3%	7.5%
Net Income	61	3	-95.7%	22	13	5	-2
Effective Tax Rate (%)	-21.9%	-74.5%	-52 pts'	-4.4%	366.5%	-21.9%	-149.7%
Net Income (%)	10.1%	0.5%	-10 pts'	7.8%	4.9%	1.7%	-0.8%

DISCLAIMER

The information and opinions contained in this document have been compiled by Kordsa Teknik Tekstil A.Ş. ("Kordsa") from sources believed to be reliable and in good faith, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness or correctness.

This document is an accompanying part of consolidated financial statements available in Kordsa Investor Relations website and public disclosure platform.