

Kordsa

1Q'24 Financial Results

Earnings Release

May 29, 2024

Sales revenues of Kordsa, which is a tire, construction and composite reinforcement leader decreased by 15% in the first quarter of 2024 and realized as 234 million USD due to;

- Pressures on demand coming from Asia-Pacific tire reinforcement manufacturers' high-inventory levels (4% shrinkage compared to 1Q'23),
- Continuing price competition in tire reinforcement segment,
- 30% lower raw material prices of tire reinforcement segment compared to the same period of 2023,

Although there were price pressures on profitability and mismatch between exchange rate and inflation in the EMEA region in the first quarter of 2024; Earnings before interest, depreciation, tax and amortization ("EBITDA") margin reached to 9.5% through improvement in operational costs. In this context, Kordsa's EBITDA realized as 22 million USD. As a result of financing costs in line with 1Q'23, net profit for the period was 3 million USD.

FINANCIAL DEVELOPMENTS

In the first of 2024, the revenues decreased by 15% compared to the same period of 2023 and realized as 234 million USD. In the first quarter of 2024 compared to the same period of 2023;

- Due to decreases on raw material prices and continuing demand competition; the revenues of tire reinforcement segment decreased by 18% and realized as 177 million USD (4Q'23 : 173 million USD)
- The revenues of composite technologies segment realized as 50 million USD in line with the same period of the previous year (4Q'23: 46 million USD). In the related period, Microtex's contribution was 10 million USD.
- After the earthquakes in Turkey, construction segment had a shrinkage in the first half of 2023, recovered in the second half of 2023, and its turnover was realized as 2 million USD with 14% growth in 1Q24 compared to the same period of 2023.

Although there were pressure on profitability coming from price/demand competition and the mismatch inflation-USDTRY exchange rate in EMEA region, EBITDA of 22 million USD with 9.5% margin through improvements in operational costs and utility expenses. In the light of this information, in the first quarter of 2024 compared to the previous year;

- There are negative variances amounting to 9 million USD coming from sales (including raw material, packaging and freight) and,
- Positive variance amounting to 6 million USD coming from labor and energy.

Tax effects arising from the differences between our consolidated financials prepared in Kordsa's functional currency US dollars, and the Tax Procedure Law financials prepared in Turkish Lira, are classified as deferred tax income/expense. Due to the increase in the value

of the USDTRY exchange, deferred tax expense as 1.8 million USD accrued in the first quarter of 2024. As a result of financing costs parallel with the same period of 2023, net profit in 1Q'24 was realized as 3 million USD.

In 1Q'24, an investment of 11 million USD was made for machinery and product sustainability.

With the effect of financing working capital and growth-oriented investments, financial debts amounted to 411 million USD, while the net debt/EBITDA ratio decreased to 4.3 on an annual basis with effective investment management.

SUMMARY FINANCIAL RESULTS

	TL Financials (MTL)						
	1Q'23	1Q'24	Δ	2Q'23	3Q'23	4Q'23	1Q'24
Sales	5,194	7,239	39.4%	5,012	8,564	4,733	7,239
Gross Profit	768	1,230	60.2%	724	1,299	726	1,230
Gross Margin (%)	14.8%	17.0%	2 pts'	14.4%	15.2%	15.3%	17.0%
OPEX (%)	10.2%	11.9%	2 pts'	10.8%	10.5%	11.6%	11.9%
Operating Profit	265	366	38.1%	212	490	262	366
Operating Profit Margin (%)	5.1%	5.1%	0 pts'	4.2%	5.7%	5.5%	5.1%
EBITDA	431	687	59.3%	378	788	389	687
EBITDA Margin (%)	8.3%	9.5%	1 pts'	7.5%	9.2%	8.2%	9.5%
Net Income	90	98	8.8%	-40	107	237	98
Net Income (%)	1.7%	1.4%	-1 pts'	-0.8%	1.3%	5.0%	1.4%

	USD Financials (MUSD)						
	1Q'23	1Q'24	Δ	2Q'23	3Q'23	4Q'23	1Q'24
Sales	276	234	-15.2%	255	241	231	234
Gross Profit	41	40	-2.5%	37	37	35	40
Gross Margin (%)	14.8%	17.0%	2 pts'	14.4%	15.2%	15.3%	17.0%
OPEX (%)	10.2%	11.9%	2 pts'	10.8%	10.5%	11.6%	11.9%
Operating Profit	14	12	-16.0%	11	14	13	12
Operating Profit Margin (%)	5.1%	5.1%	0 pts'	4.2%	5.7%	5.5%	5.1%
EBITDA	23	22	-3.1%	19	22	19	22
EBITDA Margin (%)	8.3%	9.5%	1 pts'	7.5%	9.2%	8.2%	9.5%
Net Income	5	3	-33.8%	-2	3	12	3
Net Income (%)	1.7%	1.4%	-1 pts'	-0.8%	1.3%	5.0%	1.4%

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