

# Kordsa

## YE 2021 Financial Results

### Earnings Release

February 22, 2022

#### Strong Demand and Profitability in Tire Reinforcement

Kordsa, which operates in the fields of tire reinforcement, construction reinforcement and composite technologies with its nearly 4,900 employees in Turkey, Indonesia, Thailand, Brazil and the USA with the mission of "reinforcing life", continued to ensure business continuity in all geographies it shows.

Using the advantage of being a global player in response to the crises in the automotive industry and the problems in the supply chain, Kordsa achieved financial results above the expectations in TL and USD terms, which it shared with its investors on November 8, 2021, with the effect of high-capacity utilization rate and effective cost management in tire reinforcement. Kordsa increased its operational profitability by nearly 2 times and its net profit by 5 times compared to the previous year. In addition to its net profit reaching 856 million TL (96 million USD), it also increased its operational efficiency with the successful outputs of strategic investments and innovation efforts, and EBITDA reached 1.2 billion TL (137 million USD).

Kordsa CEO Ali Çalışkan, who expressed his satisfaction for successfully leaving the year 2021 behind, said: "Today, it is on the way to become the leading advanced material supplier of the future in a wide geography from America to Asia Pacific; We develop and produce high-tech sustainable materials with our investments and innovations. We achieved strong financial results and high profitability with the strategic steps we took. Our goal is to maintain our global leadership in tire reinforcement technologies, to strengthen our position in construction reinforcement technologies, and to become one of the world's leading advanced materials companies in the coming period with our portfolio that we have expanded with composite investments."

Kordsa also gains a competitive advantage in the global market with its sustainable products and sustainable production model. In the 2021 Carbon Disclosure Project (CDP – Carbon Disclosure Project) Water Program Evaluation, Kordsa became one of the 118 high-performing A-grade companies among the approximately 12 thousand companies evaluated around the world with its effective, transparent and measurable steps to protect water resources. It became 1 out of 3 companies that entered the list from Turkey. It was awarded an "A-" grade in the 2021 CDP Climate Change Program, as in 2020.

#### FINANCIAL HIGHLIGHTS

- In the last quarter of 2021, sales revenues increased by 86% compared to the same period of the previous year and amounted to TL 2.7 billion. Along with the high demand in the tire reinforcement segment, the positive effect of the increase in raw material prices on sales prices stood out as an important factor in the growth rate of turnover. In line with the tire reinforcement industry, the turnover generated from both the composite and construction business units nearly doubled compared to the last quarter of 2020.

- Compared to the last quarter of 2020, EBITDA growth reached 70% with strong demand in the tire reinforcement industry, high-capacity utilization rate and effective cost management. Last quarter EBITDA margin was 13.2%. The rise in raw material prices in the last quarter and the increase in freight expenses stood out as factors that suppressed the margin.
- Net profit of TL 297 million was the highest realized net profit figure on a quarterly basis. In the related period, the net profit margin was realized as 11%. On an annual basis, the net profit figure was 855 million TL.
- Made an investment of 253 million TL (28.5 million USD) for the sustainability of machinery and products throughout 2021.
- Financial debts decreased from 392 million USD to 313 million USD with high profitability and solvency. The net debt/EBITDA ratio stood at 2.2x. This rate was 4.0x at the end of 2020.
- With the high growth rates realized in both turnover and EBITDA in 2021, success was achieved above the 2021 growth expectations shared with the investors via the Public Disclosure Platform on 8 November 2021.

<b>TL-Based Guidance</b>	<b>Guidance</b>	<b>Realization</b>
Sales	%50-55 Growth	%74 Growth
EBITDA	%85-95 Growth	%112 Growth

<b>USD-Based Guidance</b>	<b>Guidance</b>	<b>Realization</b>
Sales	%30-35 Growth	%37 Growth
EBITDA	%65-70 Growth	%67 Growth

## SEGMENTS HIGHLIGHTS

### Tire Reinforcement:

- With the recovery that started at the end of 2020 and continued strongly in 2021, the growth rate in the market, where the sector grew by 10%, was over 30%. On a last quarter basis, the volume growth rate was 2.5% due to the base effect of the last quarter of the previous year.
- Sales volumes in all regions, except for the North America region, are above both 2020 and 2019, the last year before the pandemic.
- High demand in Asia-Pacific supported volume growth significantly, while demand in EMEA and South America accelerated overall growth.
- Significant increases took place in NY66 and PET HMLS raw materials in the second half of 2021 due to increases in commodity prices. Sustainable profit margin was maintained together with effective cost management and pricing policy.
- Increases in freight costs have become an important risk factor for all players in the industry.

### Composite Reinforcement:

- Due to the fact that the recovery in the sector after Covid-19 has not started, the turnover of the segment in 2021 was 87 million USD. In 2020, this figure was 96 million USD. On the basis of the last quarter, the growth rate is around 20% compared to the same period of the previous year.

### Construction Reinforcement:

- With the increase in domestic demand and the emphasis on export activities, the turnover increased by almost 2 times compared to 2020 and reached 9 million USD. On the basis of the last quarter, a turnover of 2 times the previous year was reached.

## FINANCIAL RESULTS

	TL Financials (MTL)					
	YE 2020	YE 2021	Δ	4Q 2020	4Q 2021	Δ
Sales	4.536	7.891	74,0%	1.451	2.702	86,2%
Gross Profit	803	1.732	115,7%	295	562	91,0%
Gross Margin (%)	17,7%	21,9%	4 pts'	20,3%	20,8%	1 pts'
OPEX (%)	11,3%	11,0%	0 pts'	11,4%	10,6%	0 pts'
Operating Profit	384	1.326	245,5%	120	538	347,7%
Operating Profit Margin (%)	8,5%	16,8%	9 pts'	8,3%	19,9%	12 pts'
EBITDA*	574	1.218	112,1%	210	356	69,6%
EBITDA* Margin (%)	12,7%	15,4%	2 pts'	14,5%	13,2%	-1 pts'
Net Income**	150	856	469,0%	56	297	428,4%
Effective Tax Rate (%)	12,5%	8,5%	-3 pts'	-0,4%	13,5%	13 pts'
Net Income (%)	3,3%	10,8%	8 pts'	3,9%	11,0%	7 pts'

  

	USD Financials (MUSD)					
	YE 2020	YE 2021	Δ	4Q 2020	4Q 2021	Δ
Sales	647	888	37,2%	187	246	31,4%
Gross Profit	115	195	70,1%	39	50	29,6%
Gross Margin (%)	17,7%	21,9%	4 pts'	20,3%	20,8%	1 pts'
OPEX (%)	11,3%	11,0%	0 pts'	11,4%	10,6%	0 pts'
Operating Profit	55	149	172,6%	15	52	234,8%
Operating Profit Margin (%)	8,5%	16,8%	9 pts'	8,3%	19,9%	12 pts'
EBITDA*	82	137	67,3%	27	32	18,8%
EBITDA* Margin (%)	12,7%	15,4%	2 pts'	14,5%	13,2%	-1 pts'
Net Income**	21	96	348,8%	7	26	270,1%
Effective Tax Rate (%)	12,5%	8,5%	-3 pts'	-0,4%	13,5%	13 pts'
Net Income (%)	3,3%	10,8%	8 pts'	3,9%	11,0%	7 pts'

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