

Kordsa

2Q'24 Financial Results

Earnings Release

Aug 21, 2024

Sales revenues of Kordsa, which is a tire, construction and composite reinforcement leader decreased by 8% in the second quarter of 2024 and realized as 235 million USD due to;

- The recovery process in the tire reinforcement has not yet reached the expected level
- Continuing price competition in tire reinforcement segment,
- Low profitability level for the sales to non-aerospace industry due to the recovery in the commercial aerospace has not been yet reflected in the composite sector and

In the second quarter of 2024, Kordsa's Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA") was realized as 13 million USD due to price pressures in the tire reinforcement and increases on the sales to low-margin industries in the composite reinforcement. As a result of decreases on the operational profitability, net profit for the period was 1 million USD.

FINANCIAL DEVELOPMENTS

In the second quarter of 2024, the revenues decreased by 8% compared to the same period of 2023 and parallel with the previous quarter, and realized as 235 million USD. In the second quarter of 2024 compared to the same period of 2023;

- Due to continuing demand competition for price and volume-basis; the revenues of tire reinforcement segment decreased by 10% and realized as 177 million USD (2Q'23 : 198 million USD)
- The revenues of composite technologies segment realized as 51 million USD in line with the same period of the previous year (2Q'23: 52 million USD). In the related period, Microtex's contribution was 10 million USD.
- The construction segment growing in the export markets, especially in Brasil, generated 2 million USD revenues in line with the first quarter of 2024.

Due to the pressures on the profitability from price/demand competition in tire reinforcement, the mismatch inflation – USDTRY exchange rate in EMEA region and profitability pressures in the composite segment with low-margin sales to non-aerospace industry, EBITDA was realized as 13 million USD. In the light of this information, in the second quarter of 2024 to the same of the previous year;

- There are negative variances amounting to 7 million USD coming from sales (including raw material, packaging and freight) and,
- Positive variance amounting to 5 million USD coming from labor and energy.

Deferred tax expense was realized as 7.5 million USD in the second quarter of 2024. Due to lower appreciation of US Dollar, which is our functional currency, in the second quarter of 2024

compared to the same quarter of 2023, fx gains decreased by approximately 6 million USD. Moreover, financing expenses decreased by 4 million USD from 17 million USD to 13 million USD with decreases on borrowing costs and net financial expenses increased from 7.2 million USD to 9.4 million USD. Our quarterly profit was 0.6 million USD with 7.4 million USD deferred tax income in response to the pressures on operational profitability and increases on financial expenses amounting to 2.2 million USD.

In 2Q'24, an investment of 11.5 million USD was made for machinery and product sustainability.

With the effect of increases on working capital requirements due to longer transit period for raw material purchases in case of closing of Suez-Canal, financial debts amounted to 436 million USD, while the net debt/EBITDA ratio increased to 4.6 on an annual basis. In EBITDA calculation, Probahia income which is calculated on Kordsa Brasil's sales and refund as incentive income is taken to account.

SUMMARY FINANCIAL RESULTS

	TL Financials (MTL)						
	2Q'23	2Q'24	Δ	3Q'23	4Q'23	1Q'24	2Q'24
Sales	5,012	7,586	51.3%	8,564	4,733	7,239	7,586
Gross Profit	724	1,049	44.8%	1,299	726	1,230	1,049
Gross Margin (%)	14.4%	13.8%	0 pts'	15.2%	15.3%	17.0%	13.8%
OPEX (%)	10.8%	12.4%	1 pts'	10.5%	11.6%	11.9%	12.4%
Operating Profit	212	214	0.7%	490	262	366	214
Operating Profit Margin (%)	4.2%	2.8%	-1 pts'	5.7%	5.5%	5.1%	2.8%
EBITDA	378	435	15.2%	788	389	687	435
EBITDA* Margin (%)	7.5%	5.7%	-2 pts'	9.2%	8.2%	9.5%	5.7%
Net Income	-40	22	-154.9%	107	237	98	22
Net Income (%)	-0.8%	0.3%	1 pts'	1.3%	5.0%	1.4%	0.3%

	USD Financials (MUSD)						
	2Q'23	2Q'24	Δ	3Q'23	4Q'23	1Q'24	2Q'24
Sales	255	235	-8.0%	241	231	234	235
Gross Profit	37	32	-11.9%	37	35	40	32
Gross Margin (%)	14.4%	13.8%	0 pts'	15.2%	15.3%	17.0%	13.8%
OPEX (%)	10.8%	12.4%	1 pts'	10.5%	11.6%	11.9%	12.4%
Operating Profit	11	7	-38.8%	14	13	12	7
Operating Profit Margin (%)	4.2%	2.8%	-1 pts'	5.7%	5.5%	5.1%	2.8%
EBITDA	19	13	-30.0%	22	19	22	13
EBITDA* Margin (%)	7.5%	5.7%	-2 pts'	9.2%	8.2%	9.5%	5.7%
Net Income	-2	1	-133.4%	3	12	3	1
Net Income (%)	-0.8%	0.3%	1 pts'	1.3%	5.0%	1.4%	0.3%

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