

Kordsa

4Q'23 Financial Results

Earnings Release

March 20, 2024

Sales revenues of Kordsa, which is a tire, construction and composite reinforcement leader decreased by 13% in 2023 compared to 2022 and realized as 1,003 million USD due to shrinkage in the tire reinforcement sector, price competition in the sector and decreases on raw material prices compared to 2022.

Sectoral pressures on sales revenues has also affected our profitability levels. The negative effects of shrinkage with high rate in tire reinforcement sector especially in our operating regions (15% shrinkage in EMEA and North America compared to 2022), the excess inventory level in Chinese tire reinforcement companies and price competition coming from this situation and mismatch between exchange rate and inflation in the EMEA region has continued in 2023. In this context, Kordsa's earnings before interest, depreciation, tax and amortization ("EBITDA") realized as 83 million USD. As a result of the increase in financing costs, net profit for the period was 17 million USD.

FINANCIAL DEVELOPMENTS

- In 2023, sales revenues decreased by 13% in USD compared to 2022 and reached 1,003 million USD. Although the shrinkage in the tire reinforcement sector, the competition brought by the high stock amount of Chinese manufacturers and the decrease in freight costs increased product mobility, the volume in 2023 was decreased inline with market demand through the competitive price policy and the advantages of the global footprint. During the same period, revenues from the composite segment increased by 54% compared to 2022 and reached 201 million US dollars. The synergy created with Microtex Composites Srl, the acquisition of which was completed in August 2022, continued in 2023 and the company's contribution to the turnover was 42 million US dollars. After the earthquakes in Turkey, construction segment had a shrinkage in the first half of 2023 and recovered in the second half of 2023 and its turnover was realized as 10 million USD in line with 2022
- EBITDA of 83 million USD was achieved in 2023, as a result of the sectoral contraction in the tire reinforcement segment, the pressure on profitability from high competition created by the high stock levels of Chinese manufacturers, and the increase in inflation-related expenses in the EMEA region and the mismatch in the USDTRY exchange rate. In the light of this information, in 2023 compared to the previous year;
 - There are negative variances amounting to 25 million USD coming from sales (including raw material, packaging and freight) and,
 - 20 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 accrued in 2023. As a result of the improvement in the profitability level in response to the increases in financing costs, our yearly net profit was realized as 17 million USD.

- In 2023, an investment of 55 million USD was made for machinery and product sustainability.
- With the effect of financing working capital and growth-oriented investments, financial debts amounted to 395 million USD, while the net debt/EBITDA ratio decreased to 4.0 on an annual basis with the improvement in net working capital and effective investment management.

SUMMARY FINANCIAL RESULTS

	USD Financials (MUSD)						
	YE'22	YE'23	Δ	1Q'23	2Q'23	3Q'23	4Q'23
Sales	1,154	1,003	-13.1%	276	255	241	231
Gross Profit	210	150	-28.6%	41	37	37	35
Gross Margin (%)	18.2%	15.0%	-3 pts'	14.8%	14.4%	15.2%	15.3%
OPEX (%)	9.9%	10.7%	1 pts'	10.2%	10.8%	10.5%	11.6%
Operating Profit	103	52	-49.2%	14	11	14	13
Operating Profit Margin (%)	8.9%	5.2%	-4 pts'	5.1%	4.2%	5.7%	5.5%
EBITDA	135	83	-38.2%	23	19	22	19
EBITDA* Margin (%)	11.7%	8.3%	-4 pts'	8.3%	7.5%	9.2%	8.2%
Net Income	94	17	-82.2%	5	-2	3	12
Effective Tax Rate (%)	-5.5%	11.2%	16 pts'	-21.9%	-149.7%	-38.1%	-1491.2%
Net Income (%)	8.2%	1.7%	-6 pts'	1.7%	-0.8%	1.3%	5.0%

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