Kocaer Steel 9M and Q3 2026 Earnings Webcast Transcript

Welcome and thank you for joining us today for Kocaer Steel's first nine-month and third quarter 2026 earnings call.

This is Nursel, Group Chief Strategy, Business Development and Capital Markets Officer of Kocaer Steel.

I'm joined today by our Vice Chair Mehmet Cakmur and our General Manager Sevket Erol, to take you through the presentation and answer your questions during the Q&A session.

Our presentation of Kocaer Steel's financial results for the first nine months and third quarter of 2026 includes financial information prepared in accordance with Turkish Accounting and Financial Reporting Standards, including the application of IAS 29 inflation accounting. Please note that the presentation and Q&A session may contain forward-looking statements and assumptions based on the current business environment, which are subject to change.

Now, I would now like to hand it over to Sevket Bey to briefly recap the major developments that has affected our Company's operating environment.

M. Sevket Erol

Good afternoon, everyone. Thank you for joining us today.

I am pleased to be with you once again to review Kocaer Steel's results for the third quarter and the first nine months of 2026.

In the third quarter, weak demand, intense price competition, rising trade barriers and risks related to raw material supply continued to weigh on the global steel industry. In this environment, our focus was on sustaining profitability, improving our product mix, increasing operational efficiency, and maintaining financial discipline.

In the first nine months;

- The share of value-added products in our total sales rose by 3 percentage points year on year to 47 percent. This progress supports our strategy of focusing on high value-added steel solutions.
- We also see a positive picture in terms of profitability, as indicated by our EBITDA and net profit figures.
- Strengthening our financial structure was also among our key priorities, and we reduced our net financial debt.

As you know, our growth strategy is built on four key areas: increasing the share of value-added, high-margin products; strengthening our international distribution channels; evaluating vertical integration opportunities; and supporting our production with renewable energy.

In this context, we have received Environmental Impact Assessment (EIA) approval for our geothermal power plant project.

International markets remain one of the key pillars of our business model. Following the resumption of our US sales in the second quarter, we aim to get closer to our customers and expand our customer base in this market through KCR Steel U.S., which we established in Texas.

While maintaining a cautious approach for the period ahead, we are confident in Kocaer Steel's long-term potential. With our strong engineering capabilities, broad product portfolio and international customer relationships, we aim to strengthen our position as a reliable global supplier of high value-added steel solutions.

I would like to thank our colleagues for their hard work, our business partners for their collaboration, and our shareholders for their trust.

Now, I will hand over to Nursel Hanim to share our financial and operational results in more detail.

Nursel Metin

Let's start on **slide 3** with some key indicators about the global steel sector.

Global steel production remained suppressed over the first nine months of the year. After a weak first quarter, when output fell 2.3% y/y, production stabilized in the second and third quarters. As a result, nine-month output reached 1.37 billion tonnes, 0.7% lower than last year, the same rate of decline as in the first half.

Chinese production fell 2.9% over nine months. Excluding China, global production grew by around 2% in the first nine months, supported by India (+5.6%) and North America (+4.7%), while the EU (-0.8%) and the Middle East (-9.2%) remained weak. With China still accounting for around 53% of global output, competition in the sector remains structurally intense.

Moving on to **slide 4**, let's look at the key trends in the Turkish steel sector.

Turkish crude steel output reached 29.8 million tonnes in the first nine months, up 6.1% y/y, keeping Turkey as the world's seventh-largest producer.

On the export side, despite several challenges, Turkey's steel export volume was 1.9% higher, thanks to the sector's continued market diversification capabilities and competitive resilience.

On **slide 6**, you can see sales volumes at Kocaer Steel.

Driven by strong July orders, we observed a visible sequential growth and third-quarter sales reached their highest quarterly level of 2026, lifting nine-month sales volume to 498,036 tons, only 1% below the same period last year. As a separate note, we had a solid start to the fourth quarter with October orders making up around 12% of our full year 2025 consolidated revenue.

Here on **slide 7**, we provide a breakdown of our first nine-month sales by composition and geography.

Based on the first nine months figures shown here, international sales, including export-registered sales, accounted for nearly 72% of total revenue, while domestic sales contributed 28%. Although the share of direct international sales was lower, FX-linked sales still represented approximately 90%–95% of total revenue.

Looking at our international revenue distribution, our sales remained relatively balanced across regions. North Africa continued to represent the largest share, at 43% (*FY2025: 41%*). This was followed by the Americas at 27% (*FY2025: 26%*), Europe at 14% (*FY2025: 15%*), and the UK at 6% (*FY2025: 5%*). The Middle East accounted for 6%, compared to 10% in full-year 2025, reflecting the impact of ongoing regional disruptions. Other regions made up the remaining 4% (*FY2025: 3%*).

As a separate note, sales to the US resumed in May this year, after no sales to the US since the second half of last year, following the increase in Section 232 tariffs from 25% to 50% in June 2025. We are encouraged by the renewed demand from the US.

As we show on **slide 8**, the share of value-added products in our total sales rose by 3 percentage points year-on-year; averaging 47% in the first nine months. Sustaining this mix through a period of geopolitical uncertainty and trade barriers underscores the resilience of our business model.

Looking at the financial performance, let's begin with the details of the financials on **slide 10**. The graphs on this slide show the key highlights of the first nine months. We recorded TL 19.8 billion revenue, TL 2.9 billion EBITDA and TL 865 million net profit (*attributable to the parent*). The decrease in revenue in inflation adjusted TL terms mainly stemmed from lower pricing and the inflation-TL depreciation difference (*inflation > TL depreciation y/y*). EBITDA margin was almost 2 ppt higher, reaching 14.7%, despite the lower share of US sales in the first half of this year. Net profit was supported by one-off deferred tax income in the second quarter, mainly driven by the reduction of corporate tax rate for manufacturing companies from 25% to 12.5% as of 2027.

The graphs on **slide 11** show the key highlights of the third quarter. We recorded TL 7.6 billion revenue, c.TL 1.05 billion EBITDA and TL 221 million net profit (*attributable to the parent*).

Zooming into the EBITDA performance on **slide 12**, you can see that EBITDA per ton and EBITDA margin in the third quarter of 2026 were at $118 and 13.8%, respectively. Even under challenging market conditions, attaining EBITDA per ton of >$110 for four consecutive quarters highlights our operational resilience and confirms the robustness of our business model. Note that all figures on this slide are comparable, since they are shown as at the end of September 2026 purchasing power. That said, the EBITDA per ton figures shown here may differ from what we have announced in our previous earnings presentations.

Moving on to **slide 13**, I would like to walk you through our solid financial structure. Our net debt position was TL 1.5 billion, *equivalent to $31 million,* as of the end of September 2026 (*June'26: TL 2.4 billion and $52 million*). Accordingly, our net debt to EBITDA ratio was at 0.38x, indicating a low financial leverage. In line with risk management, we also monitor developments in our net working capital very closely. We are very happy to see that net working capital over last 12-month revenue is at 7.2%, lower than the previous levels. I would like to highlight that a significant portion of our domestic and export sales continue to be covered by receivables insurance, and export sales are made under confirmed letter of credit. This practice mitigates the receivables collection risk arising from the sales and we are closely monitoring this.

On **slide 14,** let's briefly discuss our foreign exchange (FX) position. As at the end of September this year, we had a short FX position of $88 million, that was $60 million at the end of 2025. As you know, we also include inventory within our FX position calculations, due to the nature of our business model. Accordingly, adding inventory, we come up with a long FX position of $42 million as at the end of September 2026 (*June 2026: $61 million*), which we feel comfortable.

Finally, on **slide 15,** you will see a snapshot of our first nine- month financial performance, summarizing the developments we mentioned in the previous slides.