

Borusan Birleşik Boru Fabrikaları San. ve Tic. A.Ş.
1Q 2025 Earnings Announcement

Borusan Birleşik Boru Fabrikaları San. ve Tic. A.Ş. (BIST: BRSAN) ("Borusan Boru") announced its 1Q 2025 financial results on May 7, 2025.

Management's Evaluation

"In the first quarter of 2025, ongoing geopolitical uncertainties, intensifying trade tensions, and financial market volatility continued to adversely impact the sectors in which we operate, on a global scale. Pricing constraints stemming from heightened competition, declining raw material prices due to regional oversupply amid sluggish consumer demand, inflationary cost pressures, and subdued market conditions collectively weighed on our operational profitability.

In this challenging environment, we maintained the cost-reduction measures initiated in mid-2024, and continued to focus on effective cash management and a strong balance sheet. Aligned with our growth strategy, we planned investments in advanced forming (JCO) technology for the U.S. market and concentrated on maximizing production capacity allocated to this region.

In the first three months of the year, primarily due to a base effect from projects completed in the Infrastructure & Projects segment in the previous year, our sales volume declined by 28% to 259 thousand tons, while revenue fell by 40% to \$319 million. Production costs and operating expenses increased - particularly under Türkiye's inflationary environment - while limited demand and persistent pricing pressure across key markets continued to constrain profitability. As a result, gross profit decreased by 61% year-over-year to \$17 million, and EBITDA declined by 62% to \$18 million.

Thanks to disciplined cash management, our Net Financial Debt decreased by 11% compared to 2024, reaching \$251 million.

In terms of geographical revenue distribution, international markets accounted for 77% of our consolidated revenue, with 60% of total revenue generated from the U.S. market. By business lines, Industry & Construction contributed the largest share at 32%, followed by Energy (27%), Infrastructure & Projects (25%), and Automotive (16%).

Our financial performance in the first quarter of 2025 fell short of expectations due to weak demand, price-driven competition, and rising cost pressures. However, we expect the favorable pricing environment - particularly evident in the U.S. market during the second quarter - to continue into the third quarter. Accordingly, we have not made any revisions to our year-end 2025 guidance.

While the planned U.S. tariffs are not expected to directly target steel products, they may have broader implications for economic activity both in the U.S. and in other markets. We anticipate these impacts to become more apparent in the fourth quarter of 2025 and throughout 2026, and we are closely monitoring developments.

For the remainder of the year, our priorities remain strengthening cash flow through effective cost control and working capital optimization, with the goal of further reducing leverage. In the area of sustainability, we are committed to prioritizing compliance with the European Union's Carbon Border Adjustment Mechanism (CBAM), as the transitional period concludes on January 1, 2026."

1Q 2025 Summary of Financial Results

(\$ mln)	1Q25	1Q24	YoY Δ	2024	2023	YoY Δ	4Q24
Revenues	319.1	529.3	-39,7%	1,689.5	1,741.2	-3.0%	350.3
Gross Profit	16.6	43.0	-61.3%	112.3	318.1	-64.7%	9.3
EBITDA*	17.6	46.4	-62.0%	101.9	316.2	-67.8%	6.0
PBT	-6.9	20.1	n.m.	0.6	237.6	-99.7%	-18.5
Net Profit	-7.9	11.9	n.m.	-5.1	194.1	n.m.	-15.6

Margins

(%)	1Q25	1Q24	YoY Δ	2024	2023	YoY Δ	4Q24
Gross Margin (%)	5.2%	8.1%	-2.9 pps	6.6%	18.3%	-11.7 pps	2.7%
EBITDA Margin (%)	5.5%	8.8%	-3,3 pps	6.0%	18.2%	-12.2 pps	1.7%
Net Profit Margin (%)	-2.5%	2.2%	-4,7 pps	-0.3%	11.1%	-11.4 pps	-4.5%

(*) EBITDA is calculated including Net Operating Income, Income from Investment Activities and excluding Extraordinary Income (Expense).

The financial results presented here have been prepared in accordance with the Turkish Financial Reporting Standards (TFRS).

Sales Volume

('000 tons)	1Q25	1q24	YoY Δ	2024	2023	YoY Δ	4Q24
Sales Volume	259.0	357.3	-27.5%	1,167.6	1,062.9	9.8%	214.2

1Q 2025 Highlights

- In 1Q 2025, sales volume contracted by approximately 27.5% year-over-year, reaching 259 thousand tons.
- Sales revenue declined by 39.7% year-over-year to \$319.1 million, primarily due to lower volumes in export markets and pricing pressures stemming from intensified competition.
- Revenue from international markets remained robust, accounting for 77% of total revenue. Regionally, the U.S. market held the highest share at 60%, followed by Türkiye at 23%, with other regions contributing 17%.
- By business lines, Industry & Construction accounted for the largest share of consolidated revenue at 32%, followed by Energy (27%), Infrastructure & Projects (25%), and Automotive (16%).
- During the period, production costs and expenses rose - particularly amid Türkiye's inflationary environment - while limited demand in core markets continued to constrain pricing, placing further pressure on operational profitability.
- Gross profit declined by 61.3% year-over-year to \$16.6 million in 1Q 2025.
- EBITDA decreased by 62.0% to \$17.6 million, and the EBITDA margin fell by 3.3 percentage points to 5.5%.
- The Company reported a pre-tax loss of \$6.9 million (1Q24 profit before tax: \$20.1 million) and a net loss of \$7.9 million (1Q24 net profit: \$11.9 million).
- Net Debt has amounted to \$251 million.

Sectoral Outlook

- In the first quarter of 2025, average hot-rolled coil (HRC) steel prices per ton declined year-over-year across the U.S., China, and Western Europe, reaching \$774, \$396, and \$640, respectively. Compared to the previous quarter, prices increased by 12% in the U.S. and 8% in Western Europe, while declining by 5% in China. As of the end of March, HRC prices stood at \$893 per ton in the U.S., \$690 in Western Europe, and \$392 in China¹.
- In the first week of April, Brent crude oil prices fell from \$78 to \$66 following the signing of an executive order in the U.S. mandating a 10% tariff on imports from all countries. By the end of April, the Brent price had settled at \$67 per barrel. The U.S. Energy Information Administration (EIA) projects that global oil inventories will increase as OPEC+ members begin easing production cuts by mid-2025, production rises in non-OPEC countries, and oil demand growth slows. As a result, the EIA forecasts an average Brent crude price of \$68 per barrel for 2025.
- As of the end of February 2025, the total number of active drilling rigs worldwide² decreased by 71 compared to the previous year, reaching 1,741. In the U.S., the total rig count declined by 33 year-over-year, standing at 592 as of the end of March 2025.³
- Global crude steel production in the first three months of 2025 decreased by 0.4% year-over-year, totaling 468.6 million tons. During the same period, Türkiye's crude steel production declined by 3.4% to 9.3 million tons, while finished steel consumption contracted by 7.3% year-over-year to 9.1 million tons.⁴
- In 2024, Türkiye's steel pipe exports declined by 5.5% compared to the previous year, totaling 507 thousand tons. Romania, the United Kingdom, and Iraq stood out as the key export markets.

(21 Data has been sourced from SteelBenchmarker.

(2) It shows the total number of gas, oil, and other rigs.

(3) Data has been sourced from Baker Hughes.

(4) Data has been sourced from Turkish Steel Producers Association.

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1Q 2025 Business Line Developments

- In the *Infrastructure and Projects* business line, sales volume declined by 76.0% compared to 1Q 2024 due to the base effect stemming from the completion of major projects in the previous year. Accordingly, revenue in this business line decreased by 74.3% to \$78.9 million, accounting for 25% of consolidated revenue.
- In the *Industrial and Construction* business line, the sales volume - having declined in 2024 due to weak demand in operating regions - increased by 37.2% year-over-year, supported by a favorable base effect and with the contribution of the SRM factory which became operational in 3Q24. Business line revenue rose by 39.5% to \$104.2 million, contributing 32% to consolidated revenue.
- In the *Automotive* business line, sales volume dropped by 5.2% year-over-year due to continued weak demand - primarily in the European market - for pipe products. Increased price pressure from heightened competition led to an 11.2% decline in revenue, which stood at \$50.1 million, representing 16% of consolidated revenue.
- In the *Energy* business line, normalized sales volume increased by 8.8%. However, due to balanced pricing dynamics driven by supply-demand conditions, revenue declined by 5.5% year-over-year to \$85.7 million, with this business line contributing 27% to consolidated revenue.

Revenue Breakdown by Business Lines

(\$ mln)	1Q25	1Q24	YoY Δ	2024	2023	YoY Δ	4Q24
Revenues	319	529	-39.7%	1,689	1,741	-3.0%	350
<i>Infrastructure and Project</i>	79	307	-74.3%	797	510	56.2%	136
<i>Industry and Construction</i>	104	75	39.5%	301	309	-2.5%	78
<i>Automotive</i>	50	56	-11.2%	203	201	0.8%	46
<i>Energy</i>	86	91	-5.5%	389	721	-46.1%	90

Summary Balance Sheet Figures

(\$ mln)	March 31, 2025	December 31, 2024	YoY Δ
Current Assets	859	698	23.2%
Property, Plant and Equipment	741	742	-0.1%
Total Assests	1,730	1,571	10.1%
Short Term Liabilities	697	539	29.4%
Total Liabilities	886	718	23.4%
Equity	844	853	-1.0%

Financial Ratios

(\$ mln)	March 31, 2025	March 31, 2024
Current Ratio	1.23	1.26
Liquidity Ratio	0.64	0.56
Inventory Turnover Ratio	3.03	2.40
Working Capital Utilization	46.9%	47.7%
Net Financial Debt/ EBITDA**	3.4	0.7
Equity Utilization Ratio	52.1%	49.4%

Summary Cash Flow Statement

(\$ mln)	March 31, 2025	March 31, 2024
Cash Inflow/Outflow (-) From Operating Activities	50.1	35.8
Cash Inflow/Outflow (-) From Investing Activities	-5.7	15.3
Cash Inflow/Outflow (-) From Financing Activities	-2.1	-50.1
Change in Cash and Cash Equivalents	42.3	1.0
Cash at the beginning of the Period	66.8	129.4
Cash at the end of the Period	109.1	130.4

Free Cash Flow

(\$ mln)	March 31, 2025	March 31, 2024
EBITDA*	17.6	46.4
Increase/Decrease (-) in Net Working Capital	32.9	-10.6
Tax and Other	-0.4	0.0
Investment, net	-7.6	13.4
Dividend	1.8	1.9
Free Cash Flow	44.4	51.2

(*) EBITDA is calculated including Net Operating Income, Income from Investment Activities and excluding Extraordinary Income (Expense).

(**) Net Financial Debt/EBITDA ratios are calculated using EBITDA for the last twelve months.

The financial results presented here have been prepared in accordance with the Turkish Financial Reporting Standards (TFRS).

2025 Guidance

(\$ mln)	2021	2022	2023	2024	1Q25	2025 Guidance	2025 Revized Guidance
Sales Volume (mln tons)	0.76	0.85	1.06	1.17	0.26	1.05 - 1.20	-
Revenue (\$ billion)	0.8	1.3	1.7	1.7	0.3	1.6 - 1.8	-
EBITDA Margin (%)	9.8%	14.9%	18.2%	6.0%	5.5%	5% - 7%	-

- In 1Q 2025, financial results came in below expectations due to ongoing sluggish demand, price-driven competition, and rising cost pressures. However, the favorable pricing environment - particularly prevailing in the U.S. market during 2Q 2025 - is expected to continue into 3Q 2025.
- Although the tariffs to be implemented by the U.S. are not expected to have a direct impact on steel products, their potential effects are anticipated to become more evident in the fourth quarter of 2025 and throughout 2026. At this stage, no revisions have been made to the year-end 2025 guidance.
- In line with its outlook for the remainder of the year, Borusan Boru expects to achieve a sales volume of between 1.05 and 1.20 million tons, revenue in the range of \$1.6 - 1.8 billion, and an EBITDA margin between 5% and 7% in 2025.
- Under normal circumstances, guidance is disclosed four times a year, in conjunction with quarterly financial disclosures.

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