



Intro:

Welcome and thank you for joining us today for Koç Holding's first quarter 2025 earnings call.

This is Cansev, IR Manager of Koç Holding. I have here with me our CFO Polat Şen, our IR Coordinator Helin, our Finance Coordinator Özge and our IR Manager İsmail, to go over the presentation and answer your questions during the Q&A session.

Our presentation on the first quarter financial results contains the Company's unaudited financial information prepared according to Turkish Accounting / Financial Reporting Standards by application of IAS 29 inflation accounting.

I would like to note that our presentation and the Q&A session might contain forward-looking statements and assumptions based on our business environment as we see it today, and they might be subject to change. As a reminder, a reply of this webcast will be available on our website after the call.

Now I would like to hand over the call to Polat Bey to start the presentation. At the end of the presentation, we will have a Q&A session.

Polat Şen:

Welcome everyone.

Moving on to **slide 3**, you'll see today's agenda. I would like to start by giving you a quick overview of our position in the current environment.

The first quarter of 2025 was mostly stable both globally and in Türkiye, although economic activity remained below desired levels. In Türkiye, disinflationary policies continued, with demand staying modest and financial conditions remaining tight. Industrial production was weak. Globally, economic activity was also moderate. Toward the end of the quarter, volatility has increased in both global and Turkish financial markets. We expect to be resilient to market volatility, thanks to our diversified portfolio, agile management, strong financials, and prudent risk policies.

Let's start on **slide 5** with some key indicators for Koç Holding.

On the left, you can see the sectoral breakdown of our portfolio, as of the end of March.

On the right, you can see the revenue breakdown. Our portfolio diversification is not limited to sectors but also includes international positioning. We are the largest exporting group in Turkey with our exports accounting for around 7% of Turkey's total exports. On a combined basis, in the first quarter of the year, around 34% of our revenues was generated from international sales. If we also include Tüpraş, which is an FX-linked commodity business, approximately 48% of our revenues can be considered in hard currency.

On **slide 6**, you can see our dividend income and payments in nominal terms. So far this year, our dividend income was solid and amounted to approximately **TL19.7 bn** (~\$545 mn). This includes dividends from our unlisted companies but excludes potential dividends for the remainder of the year from some of our companies as per our past year's practices. Note that most of our dividend income is derived from companies with FX or FX linked revenues. In 2025, we distributed **TL17.4 bn** (~\$460 mn) dividend to our



shareholders (**TL17.5 bn** or \$461 mn, including usufruct shares), corresponding to **4.5%** dividend yield, higher than our historical averages (10-year average: 2.6%). As a reminder, we manage our dividend payments considering (i) our dividend income, (ii) investment opportunities and (iii) our balance sheet management and risk principles, including our net cash position.

Moving on to **slide 7** – You can see the evolution of our net cash in the first quarter of this year. At the end 2024, we had \$911 mn net cash position at the holding level. Considering our dividend flow and other items such as management fees, operating and financial expenses, and currency conversion impact, our net cash position at the end of March 2025 reached almost **\$1.1 bn**. As a separate note, we received dividends from our underlying companies and the dividend payment from Koç Holding was in April and therefore, **not** included in our March-end net cash calculation. Reflecting these, **our adjusted net cash position has become approximately \$835 mn (TL32.1 bn)**.

On **slide 8**, as of the end of March, you can see that around 58% of our net cash was held in hard currency. At the holding stand-alone level, we like to keep some liquidity to serve as a war chest against volatility, as well as fire power, in case of investment opportunities. On the debt side at Koç Holding level, we paid down our Eurobond issued in 2019, which was the only debt we had, in March this year.

We strictly apply and regularly monitor our prudent risk management policies at each underlying company and on a combined basis. In terms of liquidity, leverage, and foreign exchange position, we preserved our conservative levels. On a combined basis, our current ratio is 1.2x and our net financial debt / EBITDA (excluding the finance segment) is at 1.3x. In terms of FX, we remain well within our risk management rules.

Now, I would like to hand over to Helin to run through the sectoral developments in the first quarter.

Helin Çelikkilek:

Thank you. Let's start with **Energy sector** on **slide 10**.

The Energy Segment's bottom-line performance in the first quarter was adversely impacted by lower crack margins—despite a quarter-on-quarter improvement—and narrower crude differentials compared to the same period last year.

The domestic demand for refined products grew around 4% in the first two months of the year. Gasoline sales surged 18%, jet fuel sales increased 7% and diesel sales grew 2% y/y. In the first quarter, Tüpraş's domestic sales volume declined by 9%, while international sales volumes were down by 6%, resulting in an overall 8% decrease in total sales volume compared to the same period last year.

Looking at the crack margins, Tüpraş's net refining margin stood at \$4.1 per barrel in the first quarter. Crack margins continued to normalize, yet remained above pre-COVID levels, maintaining a healthy spread over operating costs, supported by solid demand and improved market dynamics.

Tüpraş operated at 83% capacity utilization in the first quarter. Following major maintenance activities completed in 2023 and 2024, its white product yield reached 84% in Q1 2025, the highest level since the first quarter of 2021.

On the LPG side, consumption was weak, decreasing 6% y/y (*auto gas -6% and cylinder gas -8% y/y*) in the first two months. Aygaz's domestic retail sales volume was down 3% y/y, and including wholesale as well



as contribution from Bangladesh, total sales volume was up by 9% y/y in the first quarter. In the first two months of the year, Aygaz's market shares for cylinder gas and auto gas were 41.7% and 22.4%, respectively. Aygaz maintained its leadership position in both segments, with a total market share of 25.5%

Let's move to **slide 11** and discuss the developments in the **Auto segment**.

The auto segment was the largest contributor to our bottom-line in the first quarter. However, on a year-over-year basis, it also recorded the steepest decline, as both Turkey and Europe experienced softer demand due to the challenging macroeconomic environment and the ongoing uncertainties.

In the first quarter, we saw a 7% decrease in domestic auto sales volume. This was mainly due to the i) high base effect of last year that was boosted by a) the impact of General Safety Regulation (GSR), b) an upward revision in the price cap for Special Consumption Tax (SCT) exemptions applicable to disabled citizens c) heightened consumer activity in the pre-election period ii) tight liquidity in the market. Our market share in Turkey decreased ~5ppt to c.16% compared to the same period of the previous year, mainly due to fierce competition, especially in passenger cars (~3ppt increase in the share of imported vehicles sales in total).

On the exports side, the European (EU + UK) Passenger Car market decreased by 1% and the Commercial Vehicle market realized 12% decline. Our Group market share in the exports retreated ~2ppt to 40%. In the first quarter, Ford Otosan's export sales volume was 4% lower y/y (*exports from Turkey +5% y/y*), while Tofaş witnessed 61% decrease in its export volumes, mainly due to phase-out of MCV and import restrictions in Algerian market.

To summarize, negative impacts of lower domestic profitability due to the competitive domestic market in terms of pricing and product variety and lower export profitability due to lower export volumes impacted the first quarter financial performances of both Ford Otosan and Tofaş.

TürkTraktör reported a 44% year-over-year decline in revenues, primarily driven by a 44% contraction in tractor sales, reflecting weakness in both domestic and international markets. The domestic tractor market contracted 38% in the first quarter, impacted by tight monetary policy measures aimed at controlling inflation—even for subsidized agricultural loans—which created a more challenging operating environment for the sector.

Otokar, our leading bus and defense Company, recorded 18% y/y growth in revenues and the share of international revenues constituted around 53% of total revenues in the first quarter (*1Q24: 54%*). Otokar holds a backlog of over 900 million EUR in armored vehicle orders. The majority of this backlog is the 4x4 project in Romania. In April, Otokar has taken further step towards fulfilling its obligation by signing of a JV agreement to manufacture these vehicles in Romania.

On **slide 12**, let's look at the **Consumer Durables** segment.

Consumer durables segment's performance was adversely affected by soft demand, again driven by ongoing challenging market environment.

White goods unit sales in Türkiye contracted by 15% year-over-year in the first two months, largely attributable to the high base of comparison. Export sales also softened, decreasing by 6% over the same period.

Looking at Arçelik figures, Turkey revenues decreased 12% y/y, on the back of lower demand. Meanwhile,



international revenues, constituting 66% of the total, increased 25% y/y, primarily due to inorganic growth stemming from Whirlpool's contribution.

As to the key risk metrics, Arçelik's working capital to sales ratio improved further, reaching 20.2%. The depreciation of TL and weaker EBITDA resulted in higher leverage, with a net debt / EBITDA ratio rising to 5.01x, compared to 3.80x at year-end. Adjusting for the monetary gain on inventories, net debt / EBITDA ratio would have been 4.06x.

Last but not least, let me also briefly talk about the **Finance** segment, mainly Yapı Kredi on **slide 13**.

For our consolidated financials, we take Yapı Kredi's inflation adjusted financial statements, which is affected by monetary loss, due to the net monetary position of the Bank. As a separate note, Yapı Kredi's contribution to finance segment results may differ from the Bank's IFRS results, mainly due to purchase price allocation (PPA) adjustments regarding Koç Holding's additional share purchase transaction in February 2020.

In this presentation, when providing the main KPIs of the bank, I will refer to its BRSA financials, as banks are exempt from inflation accounting for 2025.

In the first quarter of the year, on a year-on-year basis total performing cash loan growth was around 28% (+17% TL loans & +31% cash loans in USD terms) and total customer deposits growth was 25% (+26% TL & +6% in FC in USD terms). The bank's strategy to focus on small tickets in deposits continued and the share of demand deposits in total customer deposits became 44%. Sustained yield enhancement continued through optimizing the cost of funding via the strength in demand deposits and pricing agility, along with selective lending and strategic pricing amid the declining interest rate environment during the first quarter. As a result, the TL loan-deposit spread widened by 315 basis points in the first quarter compared to the previous quarter. Swap adjusted net interest margin increased to 2.09%, mainly driven by strong TL spread widening despite a lower CPI linker contribution.

Net fees and commissions registered a solid 44% growth y/y, while operating costs increased by 53% y/y. As a result, fee coverage of operating costs ratio was realized as high as 91%.

All in all, Yapı Kredi achieved 23.4% return on average tangible equity in the first quarter.

Net cumulative CoR including currency hedge was at 178bps given front-loaded provisions in order to build pre-cautionary buffers, despite strong collections during the quarter. Conservative coverage levels were preserved, and the total coverage was 3.6% on a consolidated basis.

Yapı Kredi remains comfortable in terms of liquidity. The FX liquidity coverage ratio was 282%, while the total liquidity coverage ratio of the bank was realized at 132% as of the end of March.

In terms of capital, Yapı Kredi continued to operate with 262bps buffer on its capital ratios (CET-1) compared to regulatory requirements. The CAR and Tier-1 ratios continued to remain comfortably above regulatory levels at 14.4% and 11.7%, respectively.



I would like to leave the floor to Polat Bey for concluding remarks.

Polat Şen:

On **slide 14**, I will walk you through the overall results of the Group in the first quarter of the year, incorporating all the segment trends we just discussed. Please note that **all figures in this slide are inflation adjusted**. Accordingly, on a combined basis, Koç Group registered TL13.8 bn in profit before tax and TL946 million in net income. On a consolidated level, net loss amounted to TL1.4 bn.

In the first quarter, we registered monetary losses in our companies that have high net monetary asset positions, like Tofaş, Tüpraş and Koç Holding as well as Yapı Kredi in its inflation-adjusted financials. As a reminder, Yapı Kredi already reported its financials according to BRSA and banks are exempt from inflation accounting, but we must consolidate the bank applying inflation accounting, which results in monetary losses. Note that our companies' net cash positions and hence monetary assets were high at the end of March, ahead of the dividend payments in April, which led to an additional burden in terms of monetary loss. And yet, due to lower inflation and changes in our companies' net monetary asset positions, the monetary loss position improved compared to the same period last year.

On **slide 16**, you will see the evolution of the Net Asset Value (NAV) discount. As Koç Holding, we benefit from our market proxy status and we observed our NAV discount narrowing down, when supported by sentiment. However, our weekly average NAV discount in the first quarter of the year was approximately 30% compared to the long-term average discount of ~13%. We believe that such discount is unwarranted, and it does not reflect the strength of our fundamentals.

In summary,

We continued to manage our balance sheets and liquidity with the same discipline, and to create value with our diversified and balanced portfolio that provides resilience against market volatility.

Let me say a few words on our recent announcement on Tofaş - Stellantis deal. As Koç Group, we have carried out strong investments to support our target of creating long-term value. Tofaş's strategic acquisition of the commercial operations of all Stellantis brands in Türkiye under the roof of Tofaş and new light vehicle investment, combined with Tofaş's production volume, export performance and R&D capabilities, is taking the company to new heights in the automotive industry. As one of the leading automotive companies in Türkiye, Tofaş will further expand its goals and strengthen its credentials with this new investment. The agreement is yet another confirmation of the Koç Group's and our partner's strong commitment to Türkiye.

Thank you for listening. We can now open the floor for questions.



OPERATOR: The first question is from the line of Kılıçkiran Hanzade with JP Morgan. Please go ahead

HANZADE KILIÇKIRAN: Polat Bey, thank you very much for the presentation and Helin, congratulations for your new post. I have three questions. The first one is that do you consider any share buyback in order to reduce the NAV discount which already reached the highest levels of the past 10 years actually because I can see that you are now trading at around 36% discount and this is a big discount so I don't know if the holding is planning to act and reduce this discount.

The second one is how do you see the impact of I mean tariff force or policies on your companies? Which companies will be the most sensitive to rising tariffs and their indirect relation on consumer sentiment, raw material costs and etc.? And finally, is it possible to comment about Otokoç as well because I think I don't know if you highlighted, I think I missed it if you did, I do apologize for it. Thank you very much.

POLAT ŞEN: Okay. Can I also understand the question about Otokoç?

HANZADE KILIÇKIRAN: Otokoç used to contribute largely to your financials as well so you have been always commenting around its profitability or revenue growth. I don't know how sizable it is now. I just wonder if it's still sizable and is there any risk on this company or upside?

POLAT ŞEN: Thank you. Okay. Thank you, Hanzade Hanım. For the buyback, yes, you're right. The NAV discount is very deep right now at 36% as of today. Unfortunately, the main reason, you already know the reason but for everybody who is attending the call to know, when the CDS of Turkey goes up and we are the most affected company because of our proxy status in Turkey. So that is the main reason. So, this can be seen as an opportunity to consider share buyback. We are looking at almost all of our companies. As you know, there has been kind of a simplifying regulation right now around but we didn't decide anything yet but I can say that we do consider and we are aware that there could be an opportunity around this but we should also take into account that how we are going to be using our cash within a



period where financing is very tight, let me say. So we are trying to make the best decision how to use our cash and that's one of the options. If we come to a decision on that, we will announce it to the market immediately.

The second question on tariffs and policies, yes, the tariffs are changing, and we do not know how it's going to end up, by the way. It's too early, according to us, to make some bold statements on how the world is going to change but it seems like when we look at our industries that we are operating in, automotive and consumer durables are going to be affected more than the others. On the automotive side, it's still not clear yet how the supply chain is going to be working.

In all the world and how the allocation of the big producers or manufacturers in the world are going to be using their capacities to fulfill the demand in different countries. So, it's going to take a little bit more time to understand how we are going to be affected but, in our situation, as Tofas and Ford Otosan mainly, we are, you know, mainly exporting to EU and we do not expect EU to be, I mean, our trade to be affected negatively from that. I mean, the automotive industry has its own challenges with electrification and other stuff and some fierce competition, especially on electric vehicles from China and we really need to see how this game is going to be shaping throughout the next maybe three months or to six months.

We'll understand better how Europe is going to be affected. To be honest, on the non-EV side, which we are operating right now and the commercial vehicle side, which is not as electrified as the other side, as PCs, we do not really see a big issue. So in the short term, we do not see any big impact on our sales.

But of course, the supply chain is going to be affected, and we really need to see how the parts and the components are going to be affected through that, and we will understand the end cost maybe after three to six months. On the consumer durable side, it's a little bit more different. What we expect is the trade between China and the U.S. is quite high and consumer durables is part of that.

Right now, they say that they are discussing something, but we do not know what it is. If the Chinese producers are not going to be able to sell their capacity in the U.S., we see a threat in the EU. The Chinese coming into the EU and being even more competitive to make sure that they are fulfilling their capacities.



They could be more aggressive, which can indirectly affect our companies. But Beko and our new brand, Whirlpool, are strong enough in terms of brands to be able to cope with that kind of, let's say, low level Chinese competition. We don't think that we are going to be affected so negatively. But, of course, throughout the time we are following up very intensely with what's happening and how can we be getting affected. And we are trying to make sure that we are trying to strategize around how we are going to be mitigating this risk around these tariffs. On Otokoç, right now as you know Otokoç is one of our companies which is affected from the inflation accounting most negatively as this company has a huge amount of assets on their balance sheet and some of those assets are seen as an inventory type of asset. So those are especially secondhand sales I'm talking about. And there's a very small margin in this business on second hand.

And because of the inflation adjustments, the profitability is getting even lower than lower in this thin profitability. So, we are getting negatively affected on secondhand sales because of the inflation. But this is not a monetary or, let's say, cash flow item for us.

So even though profitability is getting hit negatively on the cash flow side, things are still positive. So we are not seeing a very big negative impact on the cash flow side, which is making us feel better actually. Yes, it's really hard to read the financials within the inflation environment with the inflation accounting.

But we are looking at, in our case as well this quarter, we have announced negative results. But in terms of cash generation, we are not looking at only on the profit side. On the cash generation side, we feel quite positive actually within the given environment that we have right now. The companies have been quite frugal in terms of generating cash. So I think I have answered all the questions. Thank you.

HANZADE KILIÇKIRAN: Thank you very much, Polat Bey. Very helpful.

OPERATOR: We'll now move on to written questions from our webcast participants. And the next written question is from Mr. Onur Yalınkılıç from Perform Portföy. And I quote, "Hi, this is Onur Yalınkılıç. I have a question regarding Arçelik Considering Arçelik high level of debt and the recent share buyback of TRY10 billion, is there a possibility that the holding company might step in to purchase these shares? Thank you."



POLAT ŞEN: Onur Bey, as I have answered to Hanzade Hanım's question on share buyback for Koç holding side, it's the same answer, basically because we have a limited amount of cash around \$800 to \$850 million, and we are trying to make sure that we are going to make the right decision.

So, this Arçelik's shares are quite a big amount, but that doesn't mean that we are not going to do that. But there are a lot of things. We can do a share buyback from Koç holding. We can also consider Arçelik's shares as well as our other companies, not only Arçelik.

On the other side as well, I mean, on the other companies, there are opportunities there. At the same time, we are looking at M&A opportunities as well. So we want to make sure. And at the same time, we know that the financing is very tight in the market. And we just do not want to create a situation that we are going to need the money, but we just bought back the shares and sitting on them. So we just want to make the right decision at the right time. Right now, none of those decisions has been made. But we are considering all opportunities and all options that we have in front of us. But whenever we make a decision on that, we are going to be informing the market.

OPERATOR: Thank you. Ladies and Gentlemen, there are no further questions at this time. I will now turn the conference over to management for any closing comments. Thank you.

POLAT ŞEN: All right. Thank you very much for attending the call. If you have any further questions, our IR team is always happy to help. So thank you very much.