



Intro:

Welcome and thank you for joining us today for Koç Holding's first half 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 half financial results contains the Company's reviewed 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 brief overview of the macroeconomic dynamics of the period.

Global economic activity remained steady in the second quarter contrary to expectations. In Türkiye, the policy rates rose and remained elevated. The Turkish lira continued to depreciate gradually against the US dollar, while the euro Turkish lira parity rose in parallel with the euro dollar parity. The central bank's measures succeeded in easing the volatility in the domestic financial markets. Higher interest rates and tight liquidity conditions put pressure on the financial sector. High funding costs and limited demand weighed on industrial production. Meanwhile, domestic demand for autos was strong and services activities were steady. Inflation continued to decline. Recently, the central bank has begun cutting its policy rates. Domestic demand is expected to rise, and funding costs will ease as interest rates fall.

Within this tough macroeconomic backdrop, our diversified portfolio structure, agile execution and disciplined risk management have kept us resilient, while positioning us to pursue selective growth opportunities.

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 in terms of net asset value as at the end of June.

The chart on the right shows the share of international revenues within combined revenues which was around 33% in the first half. Our portfolio diversification is not only 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. Including the FX-linked revenues of Tüpraş, nearly half of our revenue



base is hard currency-linked.

On **slide 6**, you can see our dividend income and dividend payments in nominal terms. Year-to-date, our dividend income was solid and amounted to approximately **TL20.1 bn** (~\$538 mn). This amount does not include potential dividend income that may be received in the remainder of the year. In 2025, we distributed **TL17.4 bn** (~\$460 mn) in dividends (**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 at June 2025, we held a net cash position at the holding level at **\$857 mn** (TL34.1 bn) compared to **\$911 mn** (TL32.1 bn) at year end. The net proceeds from dividend contributed to net cash position in TL terms, while 13% depreciation of TL during this period resulted in a slight decline in \$ terms.

On **slide 7**, you can see that around 69% of our net cash was held in hard currency as of the end of June. At the holding stand-alone level, we maintain a level of liquidity to cushion against market volatility and to retain flexibility for potential investment opportunities. We currently have no outstanding financial debt at the holding level.

We strictly apply and regularly monitor our prudent risk management policies both at the individual company level 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 1.6x. In terms of FX, we remain well within our risk management rules.

With that, I'll hand over to Helin to walk you through the key sectoral developments in the first half of the year.

Helin Çelikkilek:

Thank you. Let's start with **Energy sector** on **slide 9**.

The energy segment's contribution to Koç Holding's consolidated net income was strong in the first half of the year, mainly supported with improved white product yield and higher capacity utilization, despite narrower differentials and softer crack margins y/y.

In the first five months, the domestic demand for refined products grew by nearly 4%. Demand for gasoline was particularly strong, resulting in 20% growth y/y. Jet fuel sales increased 9% while diesel sales growth was around 2% y/y. In the first half, Tüpraş's domestic sales volume declined by 2%, mainly due to weak diesel demand. With a 14% decline in international sales volumes, Tüpraş registered a 5% decline in total sales volume compared to the same period last year.

Looking at the crack margins, net refining margin of Tüpraş stood at \$4.7 per barrel in the first half, on a higher q/q performance with improved demand. Global inventories remaining below the five-year averages in Q2 also contributed to the strengthening of product margins.

Tüpraş operated at 90% capacity utilization in the first half. Following major maintenance activities in 2023 and 2024, its white product yield reached 82% during this period.

On the LPG side, consumption was weak, decreasing 6% y/y (*auto gas -6% and cylinder gas -6% y/y*) in the



first five 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 3% y/y in the first half. In the first five months of the year, Aygaz's market shares for cylinder gas and auto gas were 40.8% and 22.8%, respectively. Aygaz maintained its leadership position in the cylinder gas segment, with a total market share of 25.7%

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

The auto segment was the largest contributor to our consolidated net income in the first half of 2025. However, on a year-over-year basis, it also recorded the steepest decline despite strong domestic demand in the second quarter, the ramp-up of new models and the 2-month contribution of Stellantis-Türkiye under Tofaş.

In the first half of the year, the total automotive market rebounded from a 7% decline in Q1 to register a 5% year-over-year increase. This recovery was partially driven by pull-forward demand with anticipated increases in the Special Consumption Tax (SCT), intense price competition driven by aggressive sales campaigns as well as the wealth effect on a high real interest rate environment.

While our market share in the domestic market through the first six months stood at 23%, June figure of 32% truly reflects our scale post Tofaş - Stellantis Türkiye merger.

On the exports side, while the European (EU + UK) Passenger Car market decreased by 1%, and the Commercial Vehicle market declined by 13% in the first six months. Meanwhile, our Group market share in exports increased ~5ppt to 42%. During this period, Ford Otosan's export sales volume was 18% higher y/y on the back of refreshed product lineup (*exports from Turkey +31% y/y*), while Tofaş registered a 33% decrease in its export volumes, mainly due to decline in the PC exports.

To summarize, despite rise in volumes, the decline in profitability in our automotive segment was mainly due to i) competitive pricing environment ii) higher share of export revenues within the total revenue mix iii) increase in COGS due to a) higher proportion of EVs in production, b) high inflationary environment and c) rise in imported vehicle cost with FX movement.

TürkTraktör reported a 43% year-over-year decline in revenues, primarily driven by a 42% contraction in tractor sales, reflecting weakness in both domestic and international markets. The domestic tractor market contracted 27% in the first half, impacted by tight monetary policy measures aimed at controlling inflation—including subsidized agricultural loans—which created a more challenging operating environment for the sector.

Otokar, our leading bus and defense company, recorded 13% y/y revenue growth in the first half of the year and the international revenue share corresponded to 61% within total (1H24: 65%). Domestic deliveries of trucks and the newly added pick-up model to the product family, and export deliveries of armored vehicles contributed significantly to the revenue growth. The increase in armored vehicle deliveries compared to the same period last year significantly contributed to its gross profit. Otokar holds a backlog of around 880 million EUR in armored vehicle orders, and the majority of this backlog is the 4x4 project in Romania.

On **slide 11**, let's look at the **Consumer Durables** segment.

Consumer durables segment's performance was adversely affected by soft demand, driven by a challenging



market environment.

White goods unit sales in Türkiye contracted by 8% year-over-year in the first half, largely attributable to high interest rates, limitations for monthly instalments, and diminishing disposable household income. Export sales also softened, decreasing by 5% over the same period, given the intensified competition and pricing challenges.

Looking at Arçelik figures, Turkey revenues decreased by 9% y/y. Meanwhile, international revenues, constituting 66% of the total, increased by 1% y/y.

As to the key risk metrics, Arçelik's working capital to sales ratio was 20.9%, similar to the year-end level.

Arçelik's leverage was higher due to changes in working capital and financing activities with a net debt / EBITDA ratio rising to 5.86x, compared to 3.80x at year-end. Adjusting for the monetary gain on inventories, net debt / EBITDA ratio would have been 4.50x. Arçelik remains confident in its ability to improve its leverage level by the year-end on the back of margin and cash flow improvement expectations in the second half.

Lastly, I'd like to briefly touch on the **Finance** segment, mainly Yapı Kredi on **slide 12**.

For our consolidated financials, we take Yapı Kredi's inflation adjusted financial statements, where the bottom line is impacted by monetary loss, given the net monetary position of the Bank. It is also worth mentioning that Yapı Kredi's contribution to our 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 remain exempt from inflation accounting.

In the first half of the year, total performing cash loan growth was around 32% (+20% TL loans & +30% cash loans in USD terms) and total customer deposits growth was 29% (+19% TL & +21% in FC in USD terms) on a year-on-year basis. The bank's strategy to focus on small tickets in deposits has continued and the share of demand deposits in total customer deposits became 47%.

Despite the disruption in the rate cut cycle in the second quarter, swap-adjusted NIM widened by 116 basis points over end-2024 to 1.89%, thanks to agile asset-liability management.

Net fees and commissions registered a solid 45% growth y/y, while operating costs increased was 52% y/y. As a result, fee coverage of operating costs ratio was registered at a strong 96%.

All in all, Yapı Kredi achieved a net income of TL22.7 bn and 22.4% return on tangible equity whereas the return on assets stood at 1.6% in the first six months of the year.

As of first six months of 2025, Yapı Kredi's non-performing loan ratio realized as 3.4% on a BRSA bank-only financials basis. Despite continued strong collection performance and comparatively slower increase in non-performing loans versus the sector, Yapı Kredi maintained its prudence in provisioning. Accordingly, provisions to gross loans ratio realized at 3.7% on BRSA bank-only financials basis when net cost of risk (adjusted for hedged foreign currency impact) materialized at 162 basis points during this period.



Yapı Kredi remains comfortable in terms of liquidity. The FX liquidity coverage ratio was 273%, while the total liquidity coverage ratio of the bank was 134% as of the end of June.

In terms of capital, Yapı Kredi continued to operate with 189bps buffer on its capital ratios (CET-1) compared to regulatory requirements. The capital ratios continued to remain comfortably above regulatory levels, and the consolidated CAR and Tier-1 ratio without forbearance were at 13.1% and 10.9%, respectively.

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

Polat Şen:

On **slide 13**, I will walk you through the overall results of the Group in the first half of the year, incorporating all the segment trends we just discussed. Please note that **all figures in this slide are inflation adjusted**.

On a combined basis, Koç Group registered TL39.6 bn in profit before tax and TL19.8 bn in net income. Koç Holding's consolidated net income (after non-controlling interest) amounted to TL6.2 bn.

Our second quarter and therefore first half financials of last year included a provisional accounting for the recognition of the Whirlpool EMEA and Whirlpool MENA acquisitions in accordance with TFRS 3 Business Combinations following their closing in April 2024. The actual figure was finalized at year end financials. Same reporting standard requires a restatement to our Q2 2024 and 1H 2024 financial statements to reflect the actual final figure. The impact of this adjustment is an additional gain of TL 9.2 bn at the consolidated net income level. We believe excluding this one-off item enables a like-for-like comparison of our underlying performance. Excluding this impact, the consolidated net income growth in the first half of 2025 would have been positive 73% compared to the same period of the previous year. Considering the second quarter only, our income growth in 2025 was ten-folds.

In the first half, we continued to record monetary losses in our companies that carry high net monetary asset positions, particularly Yapı Kredi. And yet, due to lower-level inflation and changes in our companies' net monetary asset positions, monetary losses significantly improved in favor of a monetary gain position compared to the same period last year.

On **slide 15**, I would like to briefly talk about some of our **unlisted companies**.

Otokoç clearly makes the largest contribution to our NAV among our unlisted assets. It is Turkey's leading automotive retailing and car leasing company and #1 in second-hand sales among corporate brands, with operations in 9 countries abroad. The Company is Avis Budget Group's biggest licensee and its most important investment partner abroad.

Opet is a significant player in the fuel distribution sector in Turkey, with a total of 1,886 stations. As of the end of June, Electric Vehicle charging units were available at %12 of Opet stations. Opet has 18.7% market share in white products, thanks to its well-established dealer network.

In line with Tüpraş' strategic transformation plan, **Entek** aims to expand in the field of renewable energy, not only in Turkey but also abroad. Currently, ~77% of Entek's 492 MW total installed capacity is zero carbon electricity (ZCE). As the first milestone for international growth strategy, Entek successfully concluded the acquisition of Niculesti solar power plant project in January this year. The project is in Romania with a



capacity of 214 MW at "ready to build" status and the construction work is scheduled to start late this year.

Another unlisted company is **Koçfinans**. Engaged in the finance sector, Koçfinans is a leading company in its sector with total assets worth TL33 bn. The Company's loans portfolio increased by 4% to TL29 bn as compared to 2024 year-end, and its net profit for the period grew by 32% to TL0.6 bn.

I would like to say a few words also on our marina operations. We recently announced the signing of an SPA to acquire Göcek Village Port Marina and Göcek Exclusive Port Marina through Setur Marinas for a total consideration of US\$160 mn, subject to closing adjustments. The Göcek marinas, located in one of Turkey's most prestigious yachting destinations, benefit from long-term usage rights. These premium assets complement Setur Marinas' existing marina portfolio (*Kalamış-Fenerbahçe, Yalova, Ayvalık, Çeşme, Kuşadası, Marmaris, Kaş, Demre, Antalya, and Finike, and on the Lesbos Island abroad*) and further solidify its position in Turkey's maritime tourism sector.

On **slide 17**, 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 half of the year was approximately 32% compared to the long-term average discount of ~13%. We believe that this discount is unwarranted and does not reflect the strength of our underlying fundamentals.

In summary,

In the first half of the year, with a disciplined focus on balance sheet strength and liquidity, we continued to generate value through a diversified and balanced portfolio designed to withstand market volatility.

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