

## First Quarter 2022 Results

May 24<sup>th</sup>, 2022

Manisa, Turkey, May 24<sup>th</sup> 2022 – Klimasan AS (“Klimasan”), a leading cold solutions provider, announces its results for the first quarter of 2022 (“1Q22”). Financial and operational information given is in accordance with Turkish Financial Reporting Standards (“TFRS”), in Turkish lira (TL). Comparisons are with the first quarter of 2021 (“1Q21”) or as indicated.

### 1Q22 HIGHLIGHTS

- Revenues increased by 82% to TL 626 mn in 1Q22 compared to TL 344 mn in 1Q21, mainly driven by better product mix, higher sales to non-key accounts, addition of new customers and contribution of hard currency sales.
- Gross Profit increased by 152% to TL 153 mn in 1Q22 compared to TL 61 mn, with gross margin increased 680 bps to 24.4%, reflecting the positive effects sales in hard currencies, adjustments in commercial policy and manufacturing efficiency gains offsetting higher raw material and energy prices.
- EBITDA reached TL 105 mn in 1Q22 compared to TL 37 mn in 1Q21, supported by efficient management of SG&A expenses and foreign currency gains.
- Net Loss was TL 36 mn in 1Q22 versus net profit TL 20 mn in 1Q21, mainly attributable to higher non-cash financial expenses related to foreign exchange and increase in the corporate tax rate.
- Net Financial Result was significantly impacted by the devaluation of the Turkish Lira vs Euro netting to -TL118mn, as most of the Debt in Klimasan is denominated in Euro.

The company commented:

Klimasan achieved strong revenue growth in 1Q22 benefiting from recovering market conditions, improving sales mix and increasing share of non-key accounts. A higher number of units sold in Turkey and export markets contributed to topline growth coupled with the positive impact of hard currency sales.

2021 and 1Q22 were a challenging year for the industry due to the commodity supercycle and major supply chain disruptions. Significant increase in freight rates, escalating raw material costs, higher energy prices and shortage of some electronic components had a negative impact on costs and production process. The company also had a negative impact by TL devaluation. Nevertheless, strong performance in key markets and successful cost optimization programs enabled Klimasan to improve its operating results compared to 1Q21.

Sales to Russia and Ukraine represented 1% of total Sales in 1Q22 and there is a significant decrease in this period due to the conflict and blockages between these two countries.

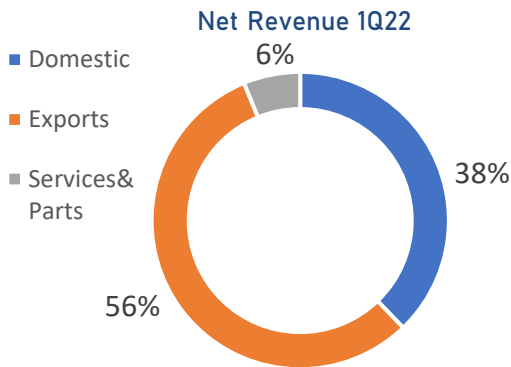
Having delivered strong revenue growth and higher operating profitability in 1Q22, Klimasan will continue to focus on driving efficiencies both in operations and manufacturing to minimize the impacts of higher production costs. Going forward, we plan to increase our engagement in eco-friendly solutions in line with our commitment to sustainability and leverage the opportunities in IoT technology.

(TL mn)	1Q22	1Q21	% VAR
Net Revenues	626	344	82%
Gross Profit	153	61	152%
Gross Margin	24,4%	17,6%	
Operating Profit*	95	28	242%
Operating Margin	15,2%	8,1%	
EBITDA	105	37	184%
EBITDA Margin	16,8%	10,8%	
Net Profit	(36)	20	n.m.

\*Operating profit excludes other income/expense from operations

## Net Revenue

Consolidated Net Revenues increased by 82% in 1Q22 to TL 626 million, setting a new record level for Klimasan 1Q sales, benefitting from higher volumes, price adjustments, higher share of more value-added products, addition of new customers and positive impact of sales denominated in hard currencies.



(TL mn)	1Q22	1Q21	% VAR
Domestic	237	223	6%
Exports	351	98	258%
Services&Parts	39	23	69%
<b>Total</b>	<b>626</b>	<b>344</b>	<b>82%</b>

### Domestic

Revenues from Turkey, increased 6% to TL 237 mn in 1Q22, driven by continued recovery in food service and immediate consumption channels and price adjustments.

Since 2021 the share of higher value-added products in the sales portfolio continued to increase, supported by product innovations and the recovery in immediate consumption channels.

### Exports

Revenues from exports grew 258% to TL 351 mn in 1Q22 compared to TL 98 mn in 1Q21, which was a combination of higher volumes and the tailwind of selling in hard-currencies. All key export markets registered strong growth in number of units sold.

Europe, our largest export region posted 540% growth in sales in 1Q22 compare to 1Q21. Revenues from exports to Europe made a significant contribution to 1Q22 revenue growth reflecting the depreciation of the Turkish Lira.

MENA (Middle East/North Africa), our second largest export region, recorded a 112% increase in sales in 1Q22 compare to 1Q21, mainly driven by non-key accounts.

Amongst other export markets, CIS region recorded a 398% increase in sales in 1Q22 compare to 1Q21 thanks to strong demand and acquisition of new customers.

### Services&Parts

Revenues from services and parts increased by 69% to TL 39 mn in 1Q22 compared to TL 23 mn in 1Q21. Klimasan integrates products and services related to commercial refrigeration, such as, logistics, field maintenance, refurbishment, parts sales and equipment rental and provides additional services solutions.

## Gross Profit & Gross Margin

In 1Q22, gross profit more than doubled to TL 153 mn compared to TL 61 mn in 1Q21. Gross margin expanded to 24.4% vs. 17.6% in 1Q21, as revenue growth compensated for higher raw material prices and escalating energy costs, especially in Turkey.

For the 1Q22, gross margin was 24.4% compared to 17.6% in 1Q21, reflecting significant broad-based commodities, freight and energy costs increases. Despite persistent raw material inflation and higher input costs aggravated by the depreciation of the Turkish Lira, solid topline growth offset the contraction in gross profit margin to a large extent.

## Operating Expenses (SG&A)

SG&A expenses increased by 78% in 1Q22. The increase was mainly attributable to higher selling expenses as a consequence of both higher sales and more than tripling freight costs. Nevertheless, SG&A as a percentage of revenues decreased to 8.8%, reflecting a rigorous cost management and efficiency gains on higher sales.

## Operating Profit

Operating profit increased by 241% in 1Q22 to TL 95 mn compared to TL 28 mn in 1Q21. A record high level. In addition to higher gross profitability and relatively limited increase in operating expenses, foreign currency gains from operations were a key contributor to the increase, especially in the last quarter of the year.

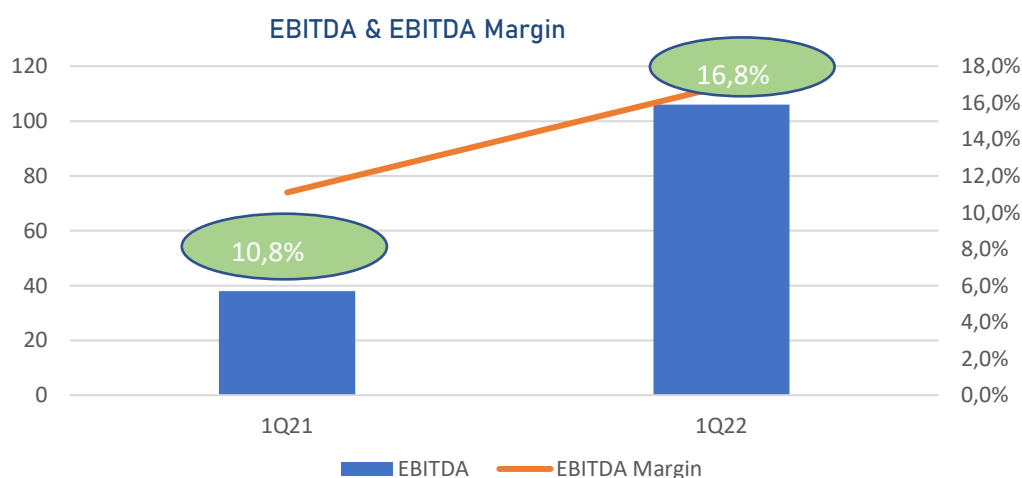
Operating Profit (TL mn)	1Q22	1Q21	% VAR
Gross Profit	153	61	152%
SG&A	(58)	(33)	78%
Profit From Operating Activities	95	28	241%

## EBITDA & EBITDA Margin

EBITDA increased by 184% to TL 105 mn, while EBITDA margin was 16.8% compared to 10.8% in 1Q21. EBITDA for the last 12 months is TL 330 mn.

### Reconciliation of EBITDA and EBITDA Margin

(TL mn)	1Q22	1Q21	% VAR
Operating result	95	28	241%
Depreciation and amortization	11	9	16,1%
EBITDA	105	37	184%



## Result from Investing Activities

Net investing activities for 1Q22 is TL -29,4 mn, compare to TL 34,9 mn in 1Q21 as interest income and gains in the investment portfolio were partially offset by the decrease in value of financial investments. Changes in the value of financial investments reflect the increase or decrease in the market value of the stocks, investment funds and Eurobond portfolio the Company owns

(TL mn)	1Q22	1Q21	% VAR
Net Increase/(decrease) in value of financial investments (*)	(47,7)	8,2	n.m.
Interest income	14,0	7,7	82%
- Eurobond interest income	2,8	3,4	-19%
- Bank deposit interest income	0,6	0,7	-4%
- Interest income from related party loans	10,6	3,6	194%
Net FX Gain/(Loss) From Investing Activities	4,2	19,0	-78%
Fixed asset sales income/(loss)	0,0	0,0	n.m.
Net Financial Result from Investing Activities	-29,4	34,9	n.m.

## Financial Result

Net Financial Result for the first quarter was significantly impacted by the devaluation of the Turkish Lira vs Euro, as most of the debt in the Turkish subsidiary is denominated in Euro. Such movement does not impact cash as the maturity of the loans in Turkey has been extended and more than 85% of the sales are denominated in Euro and USD.

Net financial expenses was TL 118 mn in 1Q22 vs. TL 70 mn in 1Q21, mainly reflecting the depreciation of the Turkish Lira against the Euro and the USD, by 11% and 13% end of in 1Q22 compare to end of 2021, respectively.

Net Finance Expense (TL mn)	1Q22	1Q21	% VAR
Financial Income	0,0	0,0	n.m.
Financial Expense	-41,5	-28,7	45%
Net FX Gain/Loss (net)	-76,2	-41,5	84%
Net Financial Income/Expense (net)	-118	-70	68%

## Tax

In Turkey, the corporate tax rate has been increased for a period of 2 years. Accordingly, the legal corporate tax rate of 20% was applied as 25% for the 2021 taxation period, and as 23% for the corporate earnings for the 2022 taxation period. Despite the company recording a deferred tax income of TL 1.8 mn in 1Q22 compare to TL 16 mn in 1Q21 a higher corporate tax rate applied for the period more than offset this positive impact.

## Net profit/loss

The Company recorded TL 36 mn net loss in 1Q22, compared to TL 20 mn net gain in 1Q21. Despite better operating profitability, increasing net financial expenses and the higher tax amount had an adverse impact on net profit.

## Non-current Assets

### Property, Plant and Equipment

At the end of 1Q22, net property, plant and equipment was TL 419 mn compared to TL 414 mn at the end of 2021, and to TL 150 mn at the end of 1Q21. The increase vs 1Q21 mainly reflects a revaluation for building and lands in scope of the TAS 16 Property, Plant and Equipment, which results in an increase in TL 218 mn, based on the value of these assets as of 30 September 2021. The revaluation impacted in both fixed assets and equity, however, this gain did not go through the net profit. Rest of the increase is by contribution of machinery and equipment in PP&E.

### Intangible assets

Total intangible assets were TL 38 mn in 1Q22 vs. TL 35 mn in FY2021.

Fixed Assets (TL mn)	31.03.2022	31.12.2021	% VAR
Net PP&E	419	414	1%
Right of Use Assets	16	18	-14%
Intangibles	38	35	6%
<b>Total</b>	<b>472</b>	<b>468</b>	<b>1%</b>

## Capitalization and Liquidity

At the end of 1Q22, cash and cash equivalents were TL 361 mn, compared to TL 579 mn in the prior year-end. Gross debt increased to TL 2.027 mn, which was mostly driven by non-cash changes due to the movement in foreign exchange rates. As a result, net debt increased from TL 967 mn in the prior year-end to TL 1.383 mn at the end of 1Q22.

At the end of 1Q22, short-term debt was TL 1.179 mn, up from TL 1.066 mn in the prior year-end, and long-term debt was TL 849 mn up from TL 825 mn in the prior year-end. As a result, short-term debt as a percentage of total debt increased up to 58% at the end of 1Q22, from 56% at the end of 2021.

Last twelve months EBITDA was TL 330 mn and at the end of 1Q22, Net Debt/EBITDA was 4.2%, compared to 3.7% at the end of 2021.

Liquidity Indicators (TL mn)	31.03.2022	31.12.2021	% VAR
Cash and equivalents	361	579	-38%
Financial Investments*	283	345	-18%
Short term debt (ST)	1.179	1.066	11%
Long term debt (LT)	849	825	3%
Euro denominated debt	1.838	1.891	-3%
TRY denominated debt	189	0	n.m.
Gross debt	2.027	1.891	7%
Net cash / (Net debt)	(1.383)	(967)	n.m.
Shareholders' equity	592	609	-3%
Net debt/Equity	2,3	1,6	
Net debt/EBITDA	4,2	3,7	
Cash and equivalents&Financial Investments/ST debt	0,3	0,5	-44%
ST debt/(ST Debt + LT Debt)	58%	56%	3%

\* The Group invests in various private sector bonds, bonds, mutual funds and stocks to evaluate the fund surplus that occurs in certain periods

## Shareholders' equity

Shareholders' equity at the end of 1Q22 decreased by TL 17 mn to TL 592 mn which was mainly comes from net loss of 1Q22.

Consolidated Income Statement

Income Statement (TL mn)	Audited	Audited	% VAR
	1Q22	1Q21	
Net Revenue	626	344	82,0%
Cost of Sales	(473)	(283)	67,0%
Gross Profit	153	61	152,0%
General and Administration Expenses	(18)	(10)	84,4%
Marketing Expenses	(37)	(20)	71,8%
Research and development expense	(3)	(2)	33,9%
Other Income from Operating Activities	99	64	54,6%
Other Expenses from Operating Activities	(60)	(42)	45,4%
<b>Profit From Operating Activities</b>	<b>133</b>	<b>50</b>	<b>165,2%</b>
Investment Activity Income	23	42	-45,2%
Investment Activity Expenses	(53)	(7)	611,0%
<b>Profit (Loss) Before Financing Income (Expense)</b>	<b>104</b>	<b>85</b>	<b>21,7%</b>
Financial Income	0	0	206,4%
Financial Expense	(42)	(29)	44,7%
<b>Net FX Gain/Loss (net)</b>	<b>(76)</b>	<b>(41)</b>	<b>n.m.</b>
<b>Profit (Loss) Before Tax from Continuing Operations</b>	<b>(14)</b>	<b>15</b>	<b>n.m.</b>
Tax (Expense) Income, Continuing Operations	(22)	5	-564,1%
Current Period Tax (Expense) Income	(24)	(11)	n.m.
Deferred Tax (Expense) Income	2	16	n.m.
<b>Net Profit / (Loss)</b>	<b>(36)</b>	<b>20</b>	<b>n.m.</b>

## Consolidated Balance Sheet

	Audited	Audited
Assets (TL mn)	31 March 2022	31 December 2021
<b>Current assets</b>	<b>2.652,8</b>	<b>2.282,4</b>
Cash and cash equivalents	361,3	578,8
Financial Investments	282,8	345,3
Trade Receivables	1.039,3	710,6
Other Receivables	62,1	58,5
Inventories	714,9	392,9
Derivative Financial Assets	-	-
Prepayments	78,1	124,1
Other current assets	114,3	72,2
<b>Non-Current Assets</b>	<b>970,0</b>	<b>937,9</b>
Other Receivables	496,8	467,1
Property, plant and equipment	419,1	413,9
Right of Use Assets	15,8	18,4
Intangible Assets	37,6	35,5
Prepayments	0,7	3,1
Deferred Tax Asset	-	-
<b>Total Assets</b>	<b>3.622,8</b>	<b>3.220,3</b>
Liabilities	31 March 2022	31 December 2021
<b>Current Liabilities</b>	<b>2.148,4</b>	<b>1.756,6</b>
Current Borrowings	310,7	265,0
Bank Loans	310,7	265,0
Current Portion of Non-current Borrowings	867,8	801,4
Trade Payables	817,3	572,6
Employee Benefit Obligations	15,1	12,6
Deferred Income	26,6	16,2
Derivative instruments	22,7	5,8
Current tax liabilities, current	28,8	25,6
Current provisions	40,0	41,3
Other Current Liabilities	19,5	16,1
<b>Non-current liabilities</b>	<b>882,4</b>	<b>855,0</b>
Long Term Borrowings	848,6	825,0
Bank Loans	848,6	825,0
Deferred tax liability	9,2	10,7
Other payables	0,4	-
Non-current provisions	24,1	19,3
Equity	592,0	608,7
Equity attributable to owners of parent	591,5	609,2
Issued capital	79,2	79,2
Other Accumulated Comprehensive Income (Loss)	278,3	259,0
Prior Years' Profits or Losses	271,0	249,0
Current Period Net Profit or Loss	(36,9)	21,9
Non-controlling interests	0,5	(0,5)
<b>Total Liabilities and Equity</b>	<b>3.622,8</b>	<b>3.220,3</b>

## Consolidated Cash Flow

(TL mn)	Audited 1Q 22	Audited 1Q 21
<b>Cash Flows from Operating Activities</b>	<b>(302,2)</b>	<b>(278,3)</b>
Profit (Loss)	(35,9)	19,6
Adjustments to Reconcile Profit (Loss)	97,0	(12,0)
Adjustments for depreciation and amortisation expense	10,8	9,3
Adjustments for impairments	1,8	(0,5)
Adjustments for provisions	10,9	4,2
Adjustments for interest income and expense	1,0	(0,4)
Adjustments for unrealised foreign exchange losses (gains)	9,7	(31,6)
Adjustments for fair value losses (gains)	64,6	11,7
Adjustments for Tax (Income) Expenses	(1,8)	(4,7)
Adjustments for gain and losses on disposal of fixed assets	(0,0)	(0,0)
Changes in working capital	(279,2)	(278,7)
Payments for employee termination benefits	(5,8)	(3,7)
Payments for other provisions	(0,5)	(0,3)
Income taxes refund (paid)	(77,8)	(3,3)
<b>Cash Flows from Investing Activities</b>	<b>9,6</b>	<b>(45,3)</b>
Cash Payments to Acquire Equity or Debt Instruments of Other Entities	14,8	(42,9)
Purchase of Property, Plant, Equipment and Intangible Assets	(19,2)	(10,1)
Interest received	14,0	7,7
<b>Cash Flows from Financing Activities</b>	<b>(17,7)</b>	<b>141,0</b>
Proceeds from borrowings	217,1	241,7
Repayments of borrowings	(223,2)	(96,9)
Payments of Lease Liabilities	(7,1)	(2,4)
Interest paid	(4,5)	(1,4)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>92,7</b>	<b>113,5</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(217,5)</b>	<b>(69,2)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>578,8</b>	<b>243,5</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>361,3</b>	<b>174,4</b>



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