

First Half of 2022 Results

August 19th, 2022

Manisa, Turkey, August, 19th 2022 - Klimasan AS ("KLIMASAN"), a leading cold solutions provider, announces its results for the second quarter of 2022 ("2Q22") and first half 2022 ("1H22"). Financial and operational information given is in accordance with Turkish Financial Reporting Standards ("TFRS"), in Turkish lira (TL). Comparisons are with the second quarter of 2021 ("2Q21") and first half of 2021 ("1H21") as indicated.

2Q22 AND 1H22 HIGHLIGHTS

- Sales increased by 76% to TL 1,578 mn in 1H22 compared to TL 895 mn in 1H21 mainly driven by better product mix and geographical/customer diversity.
- Gross Profit increased by 104% to TL 333 mn in 1H22 compared to TL 164 mn in 1H21, with gross margin increased 280 bps to 21.1%, reflecting the positive effects of adjustments in commercial policy, higher currency levels and manufacturing efficiency gains offsetting higher raw material and energy prices
- EBITDA reached TL 238 mn in 1H22 compared to TL 113 mn in 1H21, supported by efficient management of SG&A expenses and foreign currency gains.
- Net Financial Result was significantly impacted by the devaluation of the Turkish Lira vs Euro netting to -TL 114 mn in 1H22, as most of the Debt is denominated in Euro.
- Net Profit was TL 54 mn in 1H22 versus TL 57 mn in 1H21, and TL 90 mn in 2Q22 versus TL 37 mn in 2Q21, mainly attributable to higher non-cash financial expenses related to foreign exchange and increase in the corporate tax rate.

The company commented:

Klimasan achieved strong revenue growth in 2Q22 benefiting from improved sales mix, having TL 90 mn net profit in 2Q22. A higher number of units sold in export markets contributed to topline growth coupled with the positive impact of hard currency sales.

2021 was a challenging year as well as 1H22 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 2Q21.

Sales to Russia and Ukraine showed a significant decrease in this period due to the conflict and blockages in these two countries.

Having delivered strong revenue growth and higher operating profitability in 2Q22, 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 with sustainability.

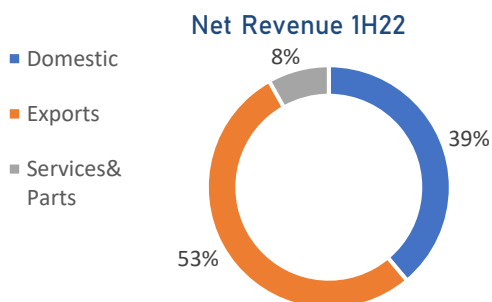
(TL mn)	2Q22	2Q21	% VAR	1H22	1H21	% VAR
Net Revenues	952	551	73%	1578	895	76%
Gross Profit	181	103	75%	333	164	104%
Gross Margin	19,0%	18,7%		21,1%	18,3%	
Operating Profit*	116	68	71%	211	95	121%
Operating Margin	12,2%	12,3%		13,3%	10,7%	
EBITDA	133	76	75%	238	113	110%
EBITDA Margin	14,0%	13,8%		15,1%	12,6%	
Net Profit	90	37	145%	54	57	-4%

*Operating profit excludes other income/expense from operations

Net Revenue

Consolidated Net Revenues increased by 73% in 2Q22 to TL 952 mn, mainly reflecting the positive contribution of sales in hard currencies and continued momentum in key markets.

For the first half year of 2022, revenues grew by 76% to TL 1.578 mn, benefitting from the higher share of more value-added products, addition of new customers and positive impact of sales denominated in hard currencies.



(TL mn)	2Q22	2Q21	% VAR	1H22	1H21	% VAR
Domestic	377	253	49%	614	476	29%
Exports	485	254	91%	836	352	137%
Services&Parts	90	44	106%	129	68	90%
Total	952	551	73%	1578	895	76%

Domestic

Revenues from Turkey, increased 49% to TL 377 mn in 2Q22 compared to TL 253 mn in 2Q21, driven by continued recovery in food service and immediate consumption channels and price adjustments. In addition, Klimasan changed most of domestic sales to EUR/USD.

In 1H22, revenues from Turkey, increased 29% to TL 614 mn compared to TL 476 mn in 1H21, that is reflecting the depreciation of the Turkish Lira.

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 91% to TL 485 mn in 2Q22 compared to TL 254 mn in 2Q21, which was a combination of higher volumes and the tailwind of selling in hard-currencies.

In 1H22, revenues from exports increased 137% to TL 836 mn in 1H22 as all key export markets registered strong growth in number of units sold.

Europe, our largest export region posted 304% growth in sales in 1H22 compared to 1H21. Revenues from exports to Europe made a significant contribution to 1H22 revenue growth reflecting the depreciation of the Turkish Lira. In addition, all key export markets in Europe registered strong growth in number of units sold.

MENA (Middle East/North Africa), our second largest export region, recorded 86% increase in sales in 1H22 compared to 1H21

Amongst other export markets, CIS region recorded a 116% increase in sales in 1H22 compared to 1H21 thanks to strong demand and acquisition of new customers.

Services&Parts

Revenues from services and parts increased by 101% to TL 90 mn in 2Q22 compared to TL 45 mn in 2Q21 and 90% to TL 129 mn in 1H22 compared to TL 68 mn in 1H21. 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 2Q22, gross profit increased by 75% to TL 181 mn compared to TL 103 mn in 2Q21. Gross margin expanded to 19.0% vs. 18.7% in 2Q21, as revenue growth compensated for higher raw material prices and escalating energy costs, especially in Turkey.

For the 1H22, gross profit increased 104% to TL 333 mn compared to TL 164 mn in 1H21. Gross margin expanded to 21.1% vs. 18.3% in 1H21.

Operating Expenses (SG&A)

SG&A expenses increased by 83% and 80% in 2Q22 and 1H22, respectively. The increase was mainly attributable to higher selling expenses as a consequence of more than tripling freight costs. Nevertheless, SG&A as a percentage of revenue was 7.8% in 1H22 and 6,8% in 2Q22, reflecting a rigorous cost management and efficiency gains on higher sales.

Operating Profit

Operating profit increased by 71% and 121% in 2Q22 and 1H22, respectively, with 1H22 operating profit at TL 211 mn, one of the highest level record. 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.

Operating Profit (TL mn)	2Q22	2Q21	% VAR	1H22	1H21	% VAR
Gross Profit	181	103	75%	333	164	104%
SG&A	(65)	(35)	83%	(123)	(68)	80%
Profit From Operating Activities	116	68	71%	211	95	121%

*Operating profit excludes other income/expense from operations

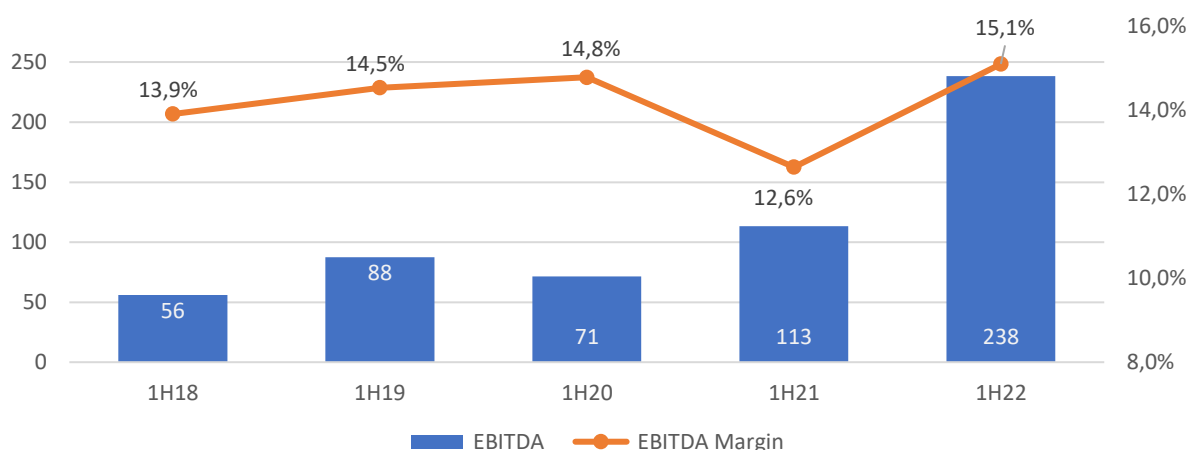
EBITDA&EBITDA Margin

EBITDA recorded more than double increase in 1H22 and reached TL 238 mn, while EBITDA margin was 15.1% compared to 12.6% in 1H21.

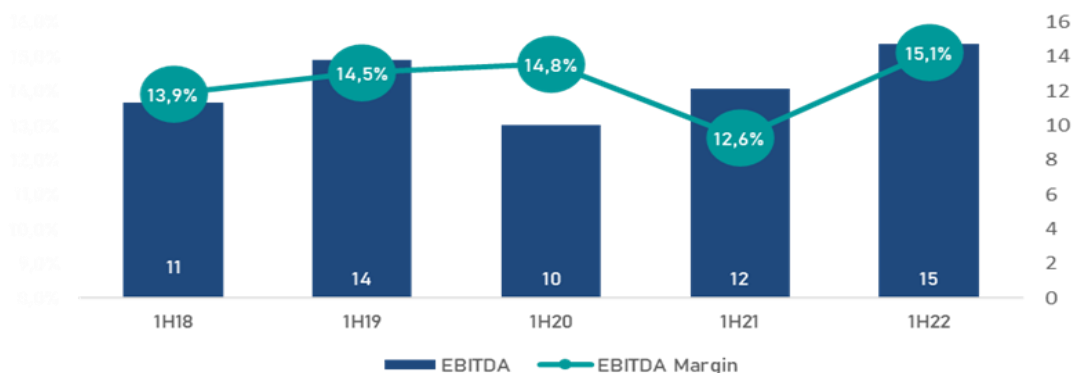
Reconciliation of EBITDA&EBITDA MARGIN

(TL mn)	2Q22	2Q21	% VAR	1H22	1H21	% VAR
Operating result	116	68	71%	211	95	121%
Depreciation and amortization	17	8	99,6%	28	18	56%
EBITDA	133	76	75%	238	113	110%

EBITDA(TL mn) & EBITDA Margin(%)



EBITDA (EUR mn) & EBITDA Margin (%)



Result from Investing Activities

Net investing for the first half of 2022 is TL -38,0 mn, compare to TL 49,8 mn in 1H21 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)	1H22	1H21	% VAR
Net Increase/(decrease) in value of financial investments	(62,3)	11,9	n.m.
Interest income	19,4	14,8	31%
- Eurobond interest income	5,1	6,2	-18%
- Bank deposit interest income	0,8	0,9	-9%
- Interest income from related party loans	13,4	7,7	75%
Net FX Gain/(Loss) From Investing Activities	4,8	23,1	-79%
Fixed asset sales income/(loss)	0,0	0,0	n.m.
Net Financial Result from Investing Activities	(38,0)	49,8	n.m.

Financial Result

Net Financial Result for the the first half of 2022 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, whereas most of our asset in USD. Also that's partly due to losses in EUR/USD parity. Such movement does not impact cash as the maturity of the loans in Turkey has been extended and more than 90% of the sales are denominated in Euro and USD.

Net financial expense was TL 114,2 mn in 1H22 vs. TL 104,3 mn in 1H21, mainly reflecting the depreciation of the Turkish Lira against the Euro and the USD, by 19,3% and 28,4% end of in 2Q22 compared to end of 2021, respectively. Net financial income was TL 3,4 mn in 2Q22 compared to TL 34,1 mn of net financial expenses in 2Q21.

Net Finance Expense (TL mn)	2Q22	2Q21	% VAR	1H22	1H21	% VAR
Financial Income	0,0	0,0	n.m.	0,1	0,0	n.m.
Financial Expense	(46,8)	(6,8)	585%	(88,3)	(35,5)	149%
Net FX Gain/Loss (net)	50,2	(27,3)	n.m.	(26,0)	(68,8)	-62%
Net Financial Income/Expense (net)	3,4	(34,1)	n.m.	(114,2)	(104,3)	10%

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 14 mn in 1H22, a higher corporate tax rate applied for the period more than offset this positive impact.

Net profit/loss

The Company recorded TL 90 mn net profit in 2Q22, compared to TL 37 mn net profit in 2Q21. Despite better operating profitability, increasing net financial expenses and the higher tax amount had an adverse impact on net profit. Accordingly, earnings per share were TL 1,1363 in 2Q22 vs. TL 0,9343 in 2Q21.

Non-current Assets

Property, Plant and Equipment

At the end of 1H22, net property, plant and equipment was TL 476 mn compared to TL 414 mn at the end of 2021. The increase in TL 62 mn, mainly reflects by contribution of machinery and equipment in PP&E.

Intangible assets

Total intangible assets were TL 40 mn in 2Q22 vs. TL 35 mn in the prior year-end.

Fixed Assets (TL mn)	30.06.2022	31.12.2021	% VAR
Net PP&E	476	414	15%
Right of Use Assets	14	18	-23%
Intangibles	40	35	14%
Total	531	468	13%

Capitalization and Liquidity

In 1H22, cash and cash equivalents were TL 336 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 1.398 mn at the end of 2Q22.

At the end of 2Q22, short-term debt was TL 1.296 mn, up from TL 1.066 mn in the prior year-end, and long-term debt was TL 732 mn down from TL 825 mn in the prior year-end. As a result, short-term debt as a percentage of total debt increased up to 64% at the end of 2Q22, from 56% at the end of 2021.

At the end of 2Q22, EBITDA LTM was TL 384 mn, Net Debt/EBITDA LTM was 3.6x, compared to 3.7x at the end of 2021.

Liquidity Indicators (TL mn)	30.06.2022	31.12.2021	% VAR
Cash and equivalents	336	579	-42%
Financial Investments*	293	345	-15%
Short term debt (ST)	1.296	1.066	22%
Long term debt (LT)	732	825	-11%
Euro denominated debt	1.500	1.891	-21%
TRY denominated debt	528	0	n.m.
Gross debt	2.027	1.891	7%
Net cash / (Net debt)	(1.398)	(967)	45%
Shareholders' equity	763	609	25%
Net debt/Equity	1,8	1,6	
Net debt/EBITDA (LTM)	3,6	3,7	
Cash and equivalents&Financial Investments/ST debt	0,3	0,5	-52%
ST debt/(ST Debt + LT Debt)	64%	56%	13%

* 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 2Q22 increased by TL 154 mn to TL 763 mn as a result of a net profit of TL 54 mn and the positive effect of the CTA (cumulative translation adjustments) due to the devaluation of TL against the subsidiaries' currencies.

Consolidated Income Statement

Income Statement (TL mn)	2Q22	2Q21	% VAR	Audited	Audited	% VAR
				1H22	1H21	
Net Revenue	952	551	72,7%	1578	895	76,3%
Cost of Sales	(772)	(448)	72,1%	(1.245)	(732)	70,1%
Gross Profit	181	103	75,3%	333	164	103,7%
General and Administration Expenses	(20)	(10)	77,4%	(38)	(20)	89,4%
Marketing Expenses	(42)	(24)	107,9%	(79)	(44)	80,6%
Research and development expense	(2)	(2)	23,1%	(5)	(4)	28,8%
Other Income from Operating Activities	171	41	322,7%	270	109	147,6%
Other Expenses from Operating Activities	(173)	(30)	487,7%	(234)	(76)	208,7%
Profit From Operating Activities	114	79	44,8%	247	129	91,7%
Investment Activity Income	6	20	-69,0%	29	63	-53,3%
Investment Activity Expenses	(15)	(5)	171,9%	(68)	(13)	404,2%
Profit (Loss) Before Financing Income (Expense)	105	94	12,6%	209	179	17,0%
Financial Income	0	0	68,4%	0	0	194,4%
Financial Expense	(47)	(7)	584,6%	(88)	(36)	148,7%
Net FX Gain/Loss (net)	50	(27)	-284,0%	(26)	(69)	-62,2%
Profit (Loss) Before Tax from Continuing Operations	109	59	83,0%	95	74	27,3%
Tax (Expense) Income, Continuing Operations	(19)	(23)	-17,5%	(40)	(18)	126,4%
Current Period Tax (Expense) Income	(31)	(18)	69,6%	(55)	(30)	84,4%
Deferred Tax (Expense) Income	12	(4)	n.m.	14	12	20,4%
Net Profit / (Loss)	90	37	144,5%	54	57	-4,0%

Consolidated Balance Sheet

	Audited	Audited
Assets (TL mn)	30 June 2022	31 December 2021
Current assets	2.822,7	2.282,4
Cash and cash equivalents	336,1	578,8
Financial Investments	292,9	345,3
Trade Receivables	1.134,9	710,6
Other Receivables	10,0	58,5
Inventories	811,1	392,9
Derivative Financial Assets	-	-
Prepayments	85,2	124,1
Other current assets	152,5	72,2
Non-Current Assets	1.090,2	937,9
Other Receivables	555,5	467,1
Property, plant and equipment	476,5	413,9
Right of Use Assets	14,1	18,4
Intangible Assets	40,3	35,5
Prepayments	0,7	3,1
Deferred Tax Asset	3,2	-
Total Assets	3.913,0	3.220,3
Liabilities	30 June 2022	31 December 2021
Current Liabilities	2.387,0	1.756,6
Current Borrowings	616,0	265,0
Bank Loans	607,5	265,0
Lease Liabilities	8,6	-
Current Portion of Non-current Borrowings	688,2	801,4
Trade Payables	878,6	572,6
Employee Benefit Obligations	20,5	12,6
Deferred Income	22,5	16,2
Derivative instruments	29,5	5,8
Current tax liabilities, current	37,8	25,6
Current provisions	52,8	41,3
Other Current Liabilities	41,0	16,1
Non-current liabilities	763,1	855,0
Long Term Borrowings	737,3	825,0
Bank Loans	731,6	825,0
Lease Liabilities	5,7	-
Deferred tax liability	-	10,7
Other payables	1,7	-
Non-current provisions	24,1	19,3
Equity	762,9	608,7
Equity attributable to owners of parent	762,5	609,2
Issued capital	79,2	79,2
Other Accumulated Comprehensive Income (Loss)	363,9	259,0
Prior Years' Profits or Losses	266,0	249,0
Current Period Net Profit or Loss	53,4	21,9
Non-controlling interests	0,5	(0,5)
Total Liabilities and Equity	3.913,0	3.220,3

Consolidated Cash Flow

(TL mn)	Audited	Audited
	1H22	1H21
Cash Flows from Operating Activities	(380,9)	(217,4)
Profit (Loss)	54,3	56,6
Adjustments to Reconcile Profit (Loss)	143,0	52,1
Adjustments for depreciation and amortisation expense	27,7	17,7
Adjustments for impairments	2,3	1,2
Adjustments for provisions	24,7	13,6
Adjustments for interest income and expense	8,3	0,3
Adjustments for unrealised foreign exchange losses (gains)	(46,3)	(2,9)
Adjustments for fair value losses (gains)	85,9	4,4
Adjustments for Tax (Income) Expenses	40,4	17,9
Adjustments for gain and losses on disposal of fixed assets	(0,0)	(0,0)
Changes in working capital	(527,7)	(306,5)
Payments for employee termination benefits	(7,4)	(4,2)
Payments for other provisions	(0,8)	(0,5)
Income taxes refund (paid)	(42,4)	(14,8)
Cash Flows from Investing Activities	(25,6)	(62,4)
Cash Payments to Acquire Equity or Debt Instruments of Other Entities	(9,9)	(51,5)
Purchase of Property, Plant, Equipment and Intangible Assets	(35,2)	(25,7)
Interest received	19,4	14,8
Cash Flows from Financing Activities	(21,7)	108,1
Proceeds from borrowings	217,1	383,0
Repayments of borrowings	(223,2)	(260,0)
Payments of Lease Liabilities	(11,1)	(4,5)
Interest paid	(4,5)	(10,5)
Effect of exchange rate changes on cash and cash equivalents	185,6	151,5
Net increase (decrease) in cash and cash equivalents	(242,7)	(20,3)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	578,8	243,5
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	336,1	223,2

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