



# INVESTOR PRESENTATION

## January - September 2023

# Legal Disclaimer

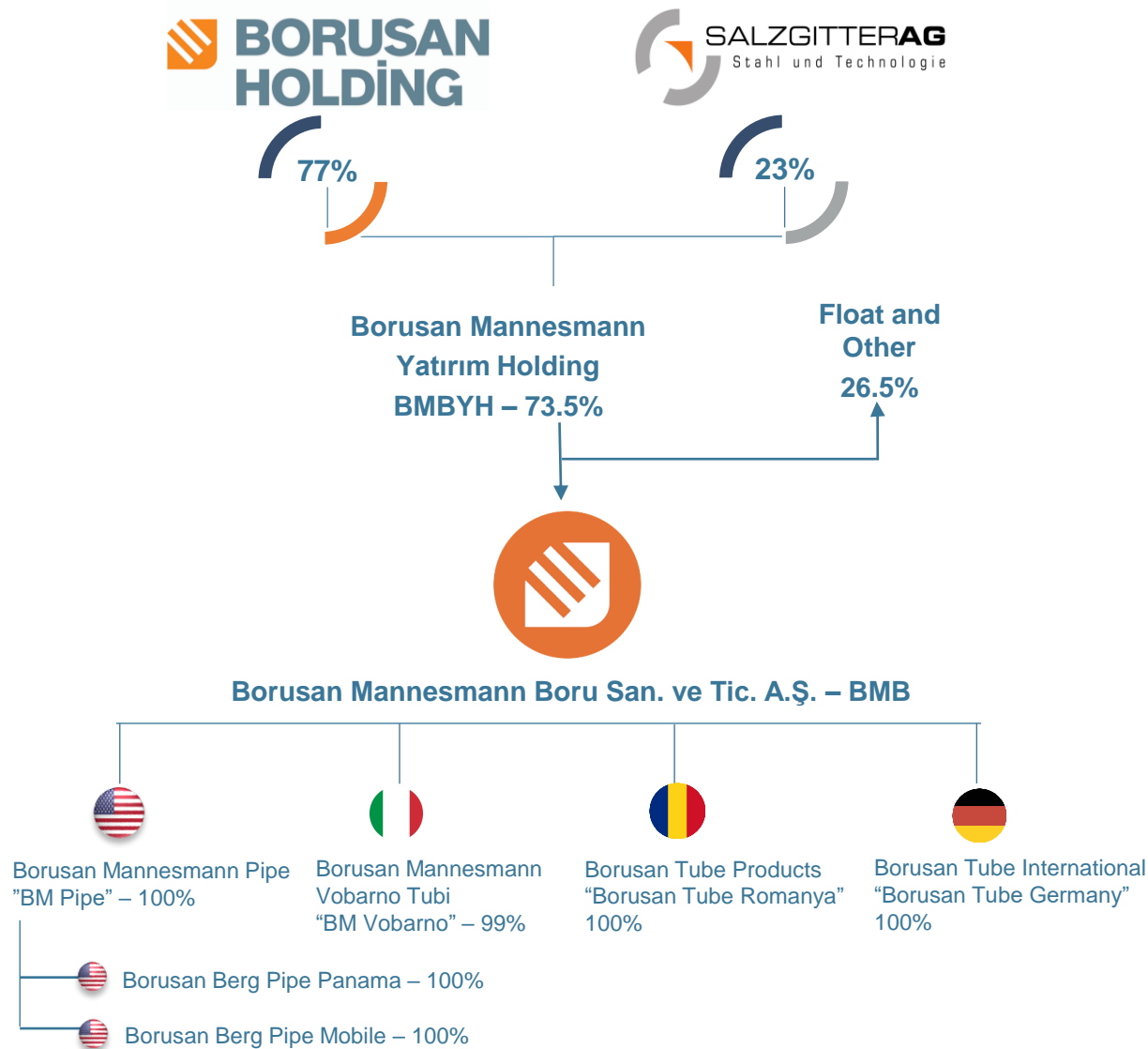
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# BORUSAN MANNESMANN: LOCAL PLAYER OF GLOBAL MARKETS



- Borusan Mannesman (“BMB”), is among the pioneer manufacturers in Europe’s and the world’s steel pipe sector.
- Founded in 1958, BMB is the first industrial company of Borusan Group.
- In 1994, the Company’s shares have been quoted on Borsa İstanbul and since been trading with BRSAN ticker symbol. (Float: 19.85%)
- In 1998, BMB merged its operations in Turkey with Salzgitter Mannesmann GMBH; the leader steel company in Europe.
- In 2001, in line with its strategy to grow in global markets, BMB acquired its first company abroad in Italy, established its first company in the USA in 2014, and started an investment in Romania in 2023.
- Ultimately, in parallel to its strategy of positioning itself as the “local player of global markets”, BMB acquired 100% of USA originated Berg Europeipe Holding Corp’s shares in April 13, 2023, in exchange of \$162 million.\*
- Berg Pipe financials have been consolidated into Borusan Mannesmann’s financial tables as of April 13, 2023.
- Borusan Holding signed a share purchase agreement in June 2023 to acquire 23% share of Salzgitter Mannesmann GmbH in BMBYH’s capital, for a transaction price of €52,8 million.
- Necessary permissions for the share transfer have been obtained. The Extraordinary General Assembly Meeting is to convene on November 21 for the amendment of Articles of Association.



\* Detailed information is available on Berg Pipe Acquisition Presentation at <https://www.borusanmannesmann.com/media/2554/bmb-berg-pipe-acquisition-final-eng.pdf>

# SUSTAINABLE GROWTH IN TARGET MARKETS

**3** Continents

**11** Facilities

**1.1 million m<sup>2</sup>** Area

**2,597** Employees

**2 million ton** Capacity

**4,000** Product Types

FACILITY	PRODUCT	SECTOR	YEAR	CAPACITY (tons)
TR - Halkalı	ERW and Cold Drawn Pipe	Industry & Construction	1958	100,000 - welded 40,000 - drawn
TR - Gemlik	ERW Pipe	Industry & Construction, Infrastructure & Project, Energy	1976	550,000
TR - Gemlik	HSAW Pipe	Infrastructure & Project	2011	300,000
TR - Bursa	Service Center	Automotive	2016	21 mln units
TR - Gemlik	Cold Drawn Pipe	Automotive	2019	60,000 - welded 50,000 - drawn
USA - Baytown	ERW Line Pipes	Energy	2014	300,000
USA - Baytown*	SRM Pipe	Industry & Construction	2023	100,000
USA - Panama City	LSAW Pipe	Infrastructure & Project	1979	330,000
USA - Mobile	HSAW Pipe	Infrastructure & Project	2007	220,000
IT - Vobarno	ERW and Cold Drawn Pipe	Automotive	2001	30,000 - drawn
RO - Romania*	Service Center*	Automotive	2023	21 mln units

# INCREASING STAKEHOLDER VALUE THROUGH GROWTH ORIENTED INVESTMENTS

75%

Global Market\*  
Revenue Share



**1958**  
Borusan Boru has been established



**1968**  
Halkalı ERW Pipe Facility commenced operations

**1969**  
First export has been realized



**1976**  
Gemlik ERW Pipe Facility commenced operations



**1979**  
Borusan started seaborne trade



**1994**  
Borusan Boru A.Ş. shares started to be traded on BIST



**1998**  
Borusan and Mannesmann merged their pipe operations in Turkey



**2001**  
Borusan Mannesmann Vobarno Tubi S.p.A.; the first company abroad has been acquired



**2004**  
The Company has been titled as Borusan Mannesman



**2011**  
Gemlik HSAW Pipe Facility commenced operations



**2014**  
OCTG Pipe Facility in Houston constructed with a \$150 mln investment, has commenced operations



**2016**  
Bursa Service Center serving for the automotive segment established



**2019**  
Gemlik Automotive Pipe Line established



**2021**  
Germany Commercial Office has been launched

**\$1.3 billion**

**2022**  
BMB revenues reached to \$1.3 billion



**2023**  
Berg Pipe's LSAW (1979) Facility in, Florida and HSAW (2007) Facility in Alabama acquired for \$162 mln

**\$50 million**

**2023**  
SRM investment, which is worth \$50 mln, continues in US, Baytown



**2023**  
Romania Service Center investment, which is worth €15 mln, continues



# FOUR BUSINESS LINES MANAGING RISKS WITH THEIR POTENTIAL



## INFRASTRUCTURE & PROJECT

15%



- Gemlik (TR)
- Panama City (USA)
- Mobile (USA)

- Spiral Welded Pipes
- LSAW Line Pipes
- ERW Line Pipes



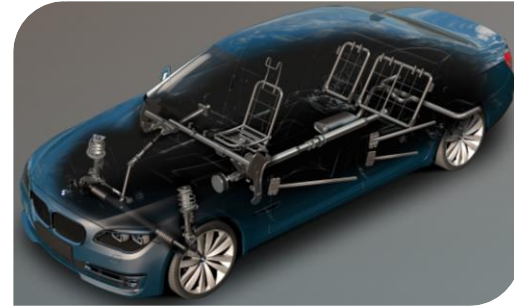
## INDUSTRIAL & CONSTRUCTION

19%



- Gemlik (TR)
- Halkalı (TR)
- Houston (USA)

- ERW Natural Gas Pipes
- Industrial Pipe and Profiles
- Water Pipes
- Construction Pipe and Profiles
- SRM Installation Pipes



## AUTOMOTIVE

13%



- Halkalı (TR)
- Gemlik (TR)
- Vobarno (IT)

- Hydraulic Cylinder Pipe
- Cold Drawn Pipes
- Advance Processed Pipes
- Precision Pipes and Profiles



## ENERGY

53%

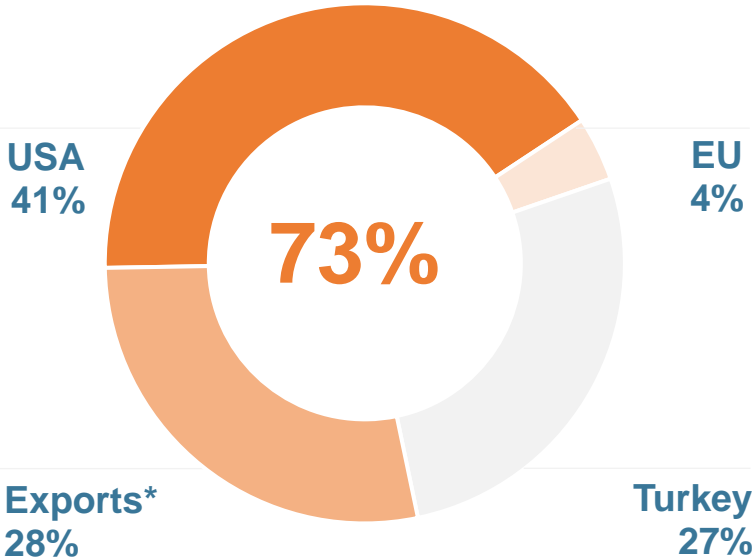


- Gemlik (TR)
- Houston (USA)

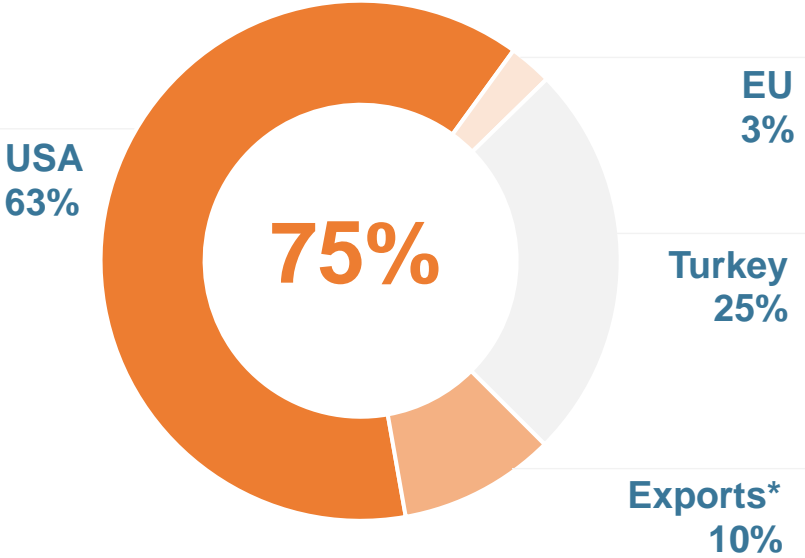
- ERW Line Pipes
- OCTG Pipes

# STRONG REVENUE SHARE IN GLOBAL MARKETS

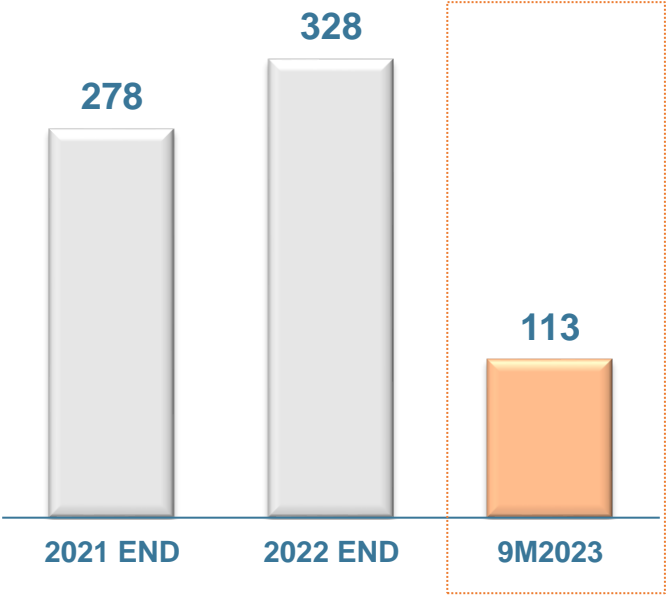
REGIONAL BREAKDOWN 9M22 (%)



REGIONAL BREAKDOWN 9M23 (%)



EXPORT REVENUES (\$ mln)

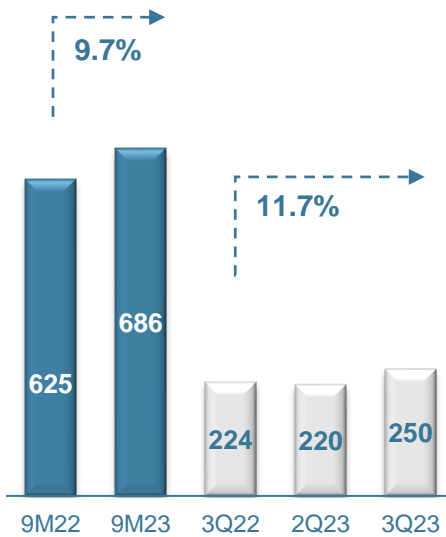


Revenue share of global markets increased to 75% as of 9M 2023.

\* Exports from Turkey to EU and US operations are consolidated under the relevant operations.

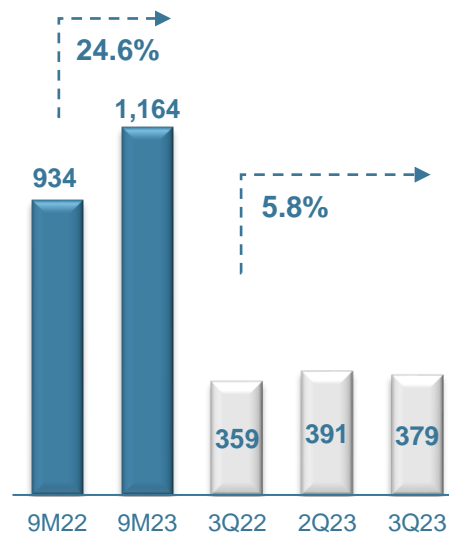
# NORMALIZATION OF REVENUE AS A RESULT OF THE SUPPLY- DEMAND BALANCE IN 3Q 2023

SALES VOLUME (ton)



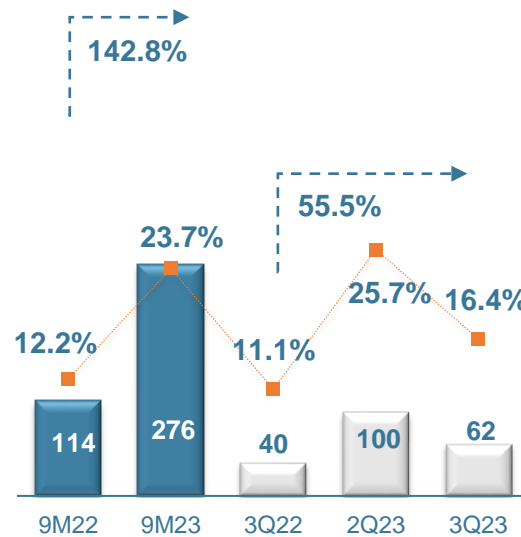
- Annual volume change as of 3Q 2023 based on business lines:
- + Infrastructure and Project: 161.8% increase
  - + Automotive: 7.2% increase
  - + Industrial and Construction: 5.2% increase
  - Energy: 27.2% decrease

REVENUE (mln \$)



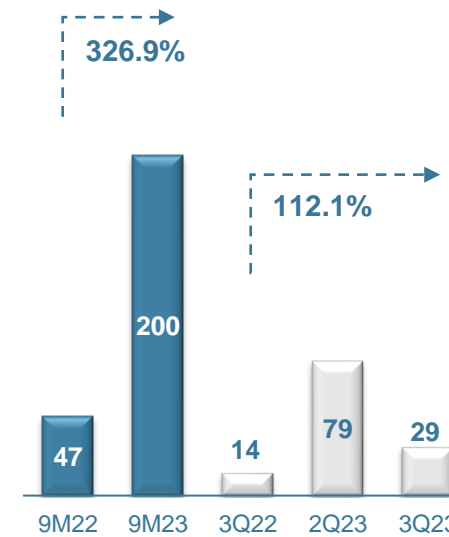
- Annual volume change as of 3Q 2023 based on business lines:
- + Infrastructure and Project: 124.6% increase
  - + Automotive: 0%
  - Industrial and Construction: 10.9% decrease
  - Energy: 14.2% decrease

EBITDA (mln \$) & EBITDA MARGIN (%)



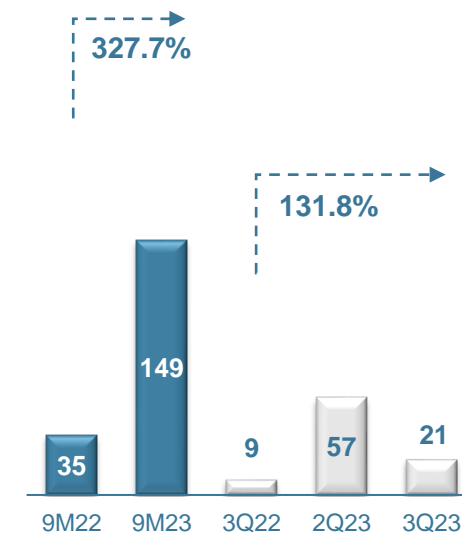
- Normalization of exceptional profitability generated in 1H23, as a result of decreasing volume and sales prices in the energy business line in 3Q
- Negative impact on profitability of the production costs affected by the fx volatility and inflation

PROFIT BEFORE TAX (mln \$)



- + Diminishing financing costs with decreasing working capital and financial loans

NET INCOME (mln \$)



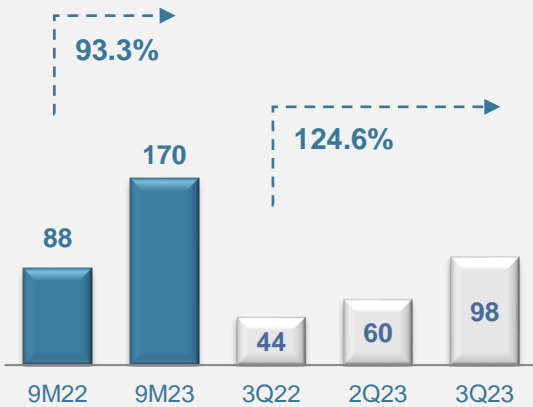
- Diminishing net income as a result of declining gross profitability in 3Q as well as rising tax rates



# BUSINESS LINES MITIGATING THE EFFECTS OF GLOBAL VOLATILITY

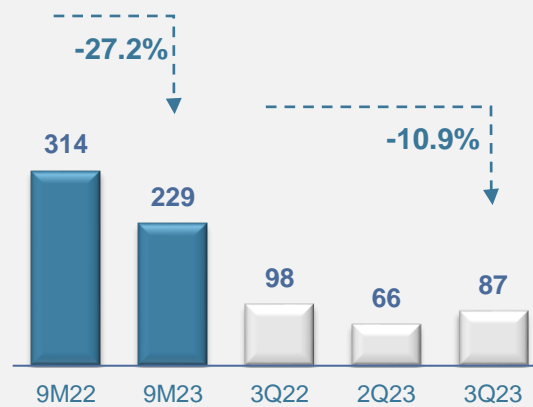
REVENUE SHARE

**15%** INFRASTRUCTURE & PROJECT



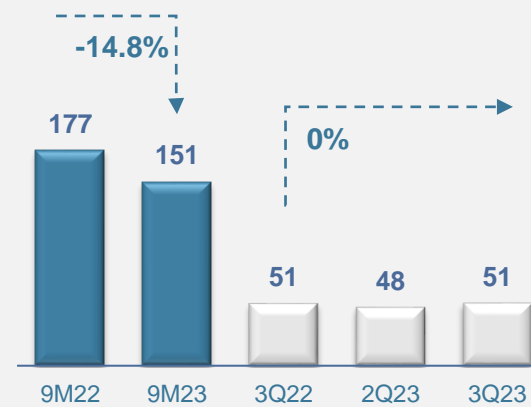
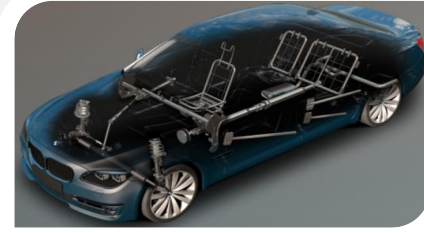
- + Contribution of Berg Pipe, which has been consolidated as of April
- + Increasing share of high value added spiral welded pipe sales

**19%** INDUSTRIAL & CONSTRUCTION



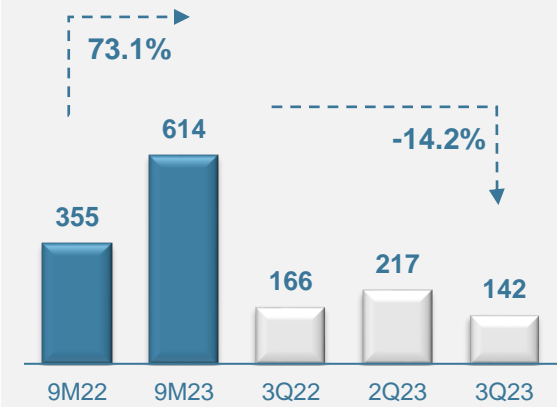
- Negative effect of economic volatility in the operating areas
- The pressure on sales price resulting from the decreasing raw material prices

**13%** AUTOMOTIVE



- Contracting demand particularly in Europe and resulting negative impact on revenue

**53%** ENERGY



- Normalization of revenue as a result of supply and demand beginning to balance in the 2. Half of the year

## SUMMARY INCOME STATEMENT (\$ MLN)

CONSOLIDATED (\$ mln)	9M23	9M22	Change (%)	3Q23	3Q22	Change (%)	2Q23
Revenue	1,164	934	24.6%	379	359	5.8%	391
Gross Profit	280.5	103.3	171.5%	59.5	39.1	52.4%	108
<i>Gross Profit Margin (%)</i>	<i>24.1%</i>	<i>11.1%</i>	<i>13.0 p.p.</i>	<i>15.7%</i>	<i>10.9%</i>	<i>4.8 p.p.</i>	<i>27.6%</i>
Operational Expenses	(69)	(43)	58.8%	(23)	(15)	45.9%	(27)
<i>OPEX Margin (%)</i>	<i>(5.9%)</i>	<i>(4.6%)</i>	<i>1.3 p.p.</i>	<i>(6.0%)</i>	<i>(4.3%)</i>	<i>1.7 p.p.</i>	<i>(7.0%)</i>
Other	26	27	(3.8%)	7	8	(14.6%)	9
EBIT	238	88	172.0%	44	32	38.2%	90
<i>EBIT Margin (%)</i>	<i>20.5%</i>	<i>9.4%</i>	<i>11.1 p.p.</i>	<i>11.6%</i>	<i>8.9%</i>	<i>2.7 p.p.</i>	<i>22.9%</i>
Financial Expenses	(39)	(41)	(5.2%)	(15)	(18)	(16.6%)	(10)
Profit Before Tax	200	47	326.9%	29	14	112.1%	79
<i>PBT Margin (%)</i>	<i>17.1%</i>	<i>5.0%</i>	<i>12.1 p.p.</i>	<i>7.6%</i>	<i>3.8%</i>	<i>3.8 p.p.</i>	<i>20.2%</i>
Net Income	149	35	327.7%	21	9	131.8%	57
<i>Net Income Margin (%)</i>	<i>12.8%</i>	<i>3.7%</i>	<i>9.1 p.p.</i>	<i>5.5%</i>	<i>2.5%</i>	<i>3.0 p.p.</i>	<i>14.6%</i>
Amortisation	38	26	45.2%	18	8	123.7%	11
EBITDA*	276	114	142.8%	62	40	55.5%	100
<i>EBITDA Margin (%)</i>	<i>23.7%</i>	<i>12.2%</i>	<i>11.5 p.p.</i>	<i>16.4%</i>	<i>11.1%</i>	<i>5.3 p.p.</i>	<i>25.7%</i>

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

## SUMMARY INCOME STATEMENT (TRY MLN)

CONSOLIDATED (TRY mln)*	9M23	9M22	Change (%)	3Q23	3Q22	Change (%)	2Q23
Revenue	25,734	14,834	73.5%	10,156	6,289	61.5%	8,151
Gross Profit	5,975	1,641	264.2%	1,594	687	132.1%	2,248
<i>Gross Profit Margin (%)</i>	<i>24.1%</i>	<i>11.1%</i>	<i>13.0 p.p.</i>	<i>15.7%</i>	<i>10.9%</i>	<i>4.8 p.p.</i>	<i>27.6%</i>
Operational Expenses	(1,525)	(685)	122.6%	(605)	(274)	120.4%	(568)
<i>OPEX Margin (%)</i>	<i>(5.9%)</i>	<i>(4.6%)</i>	<i>1.3 p.p.</i>	<i>(6.0%)</i>	<i>(4.3%)</i>	<i>(1.7 p.p.)</i>	<i>(7.0%)</i>
Other	567	436	29.9%	183	151	21.4%	187
EBIT	5,017	1,392	260.4%	1,172	563	108.1%	1,867
<i>EBIT Margin (%)</i>	<i>20.5%</i>	<i>9.4%</i>	<i>11.1 p.p.</i>	<i>11.6%</i>	<i>8.9%</i>	<i>2.7 p.p.</i>	<i>22.9%</i>
Financial Expenses	(867)	(649)	33.6%	(403)	(314)	28.4%	(219)
Profit Before Tax	4,149	743	458.8%	769	249	208.4%	1,649
<i>PBT Margin (%)</i>	<i>17.1%</i>	<i>5.0%</i>	<i>12.1 p.p.</i>	<i>7.6%</i>	<i>3.8%</i>	<i>3.8 p.p.</i>	<i>20.2%</i>
Net Income	3,093	554	458.1%	556	169	228.9%	1,190
<i>Net Income Margin (%)</i>	<i>12.8%</i>	<i>3.7%</i>	<i>9.1 p.p.</i>	<i>5.5%</i>	<i>2.5%</i>	<i>3.0 p.p.</i>	<i>14.6%</i>
Amortisation	846	416	103.3%	449	147	204.8%	228
EBITDA**	5,863	1,808	224.2%	1,621	710	128.2%	2,095
<i>EBITDA Margin (%)</i>	<i>23.7%</i>	<i>12.2%</i>	<i>11.5 p.p.</i>	<i>16.4%</i>	<i>11.1%</i>	<i>5.3 p.p.</i>	<i>25.7%</i>

# SUMMARY BALANCE SHEET AND FX POSITION

## BALANCE SHEET

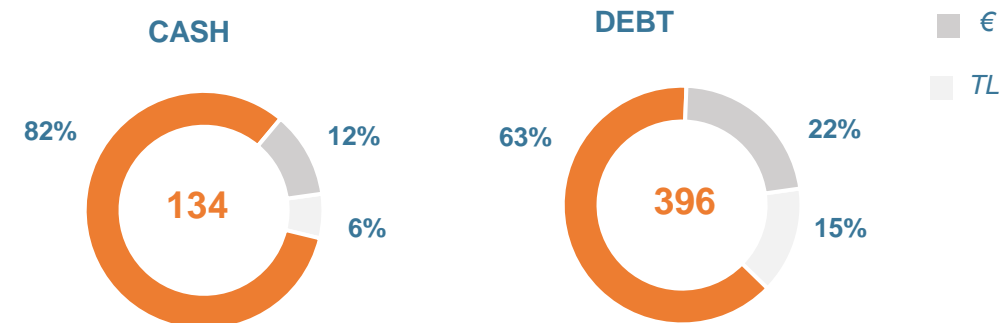
(\$ mln)	3Q23	2Q23	2022	3Q22
Cash and Cash Equivalents	134	178	83	77
Trade Receivables	191	224	251	204
Inventories	526	475	335	412
<b>Current Assests</b>	<b>986</b>	<b>953</b>	<b>735</b>	<b>754</b>
<b>Non-Current Assets</b>	<b>865</b>	<b>857</b>	<b>741</b>	<b>665</b>
<b>TOTAL ASSETS</b>	<b>1,850</b>	<b>1,810</b>	<b>1,476</b>	<b>1,419</b>
Short Term Borrowings	297	277	424	460
Trade Payables	253	229	203	249
<b>Short Term Liabilities</b>	<b>846</b>	<b>779</b>	<b>681</b>	<b>747</b>
Long Term Borrowings	99	139	79	66
<b>Long Term Liabilities</b>	<b>235</b>	<b>255</b>	<b>161</b>	<b>143</b>
Paid in Capital	69	69	69	69
<b>Equity</b>	<b>769</b>	<b>776</b>	<b>634</b>	<b>530</b>
<b>TOTAL LIABILITIES</b>	<b>1,850</b>	<b>1,810</b>	<b>1,476</b>	<b>1,419</b>

(\$ mln)	3Q23	2Q23	2022	3Q22
Net Working Capital	464	470	382	368
Net Debt	262	238	420	448

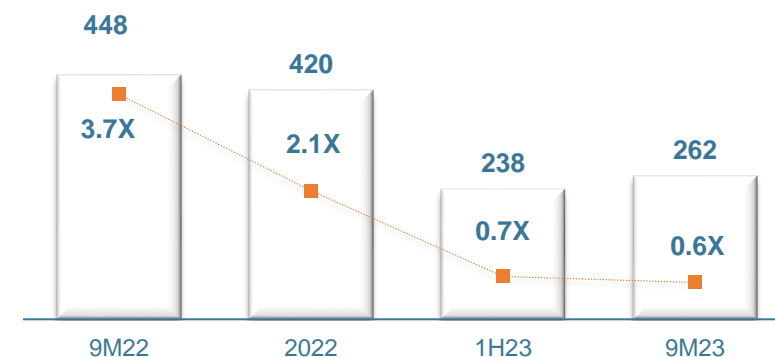
## CASH – DEBT BREAKDOWN

(\$ mln)



- On October 2, 2023, TRY500 million bond with four coupon payments, 365 days of maturity, fixed interest rate of 45% and redemption date of October 1st, 2024 has been issued for the qualified investors in domestic market.

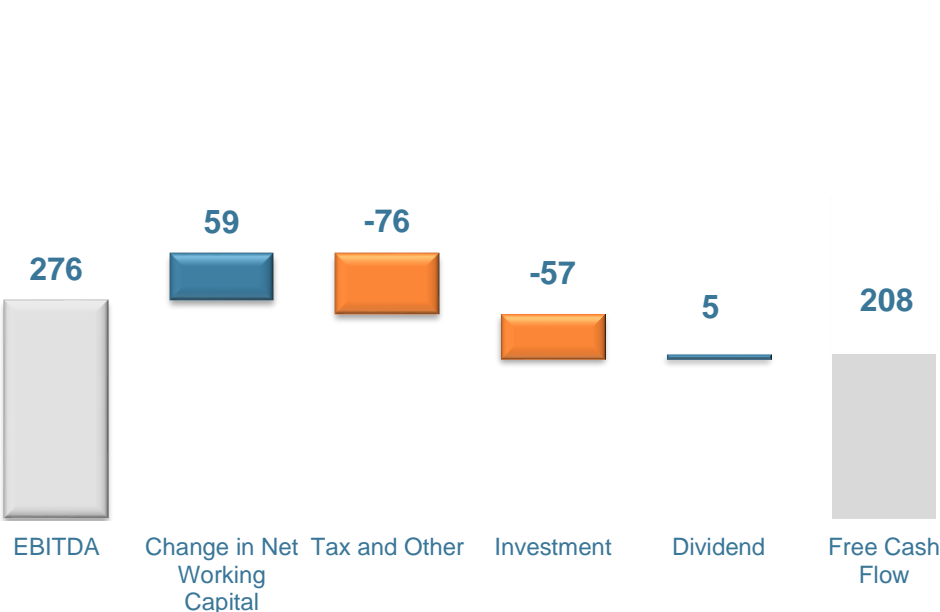
## NET DEBT\*/EBITDA



# STRONG CASH GENERATION ABILITY THROUGH EFFECTIVE EXECUTION

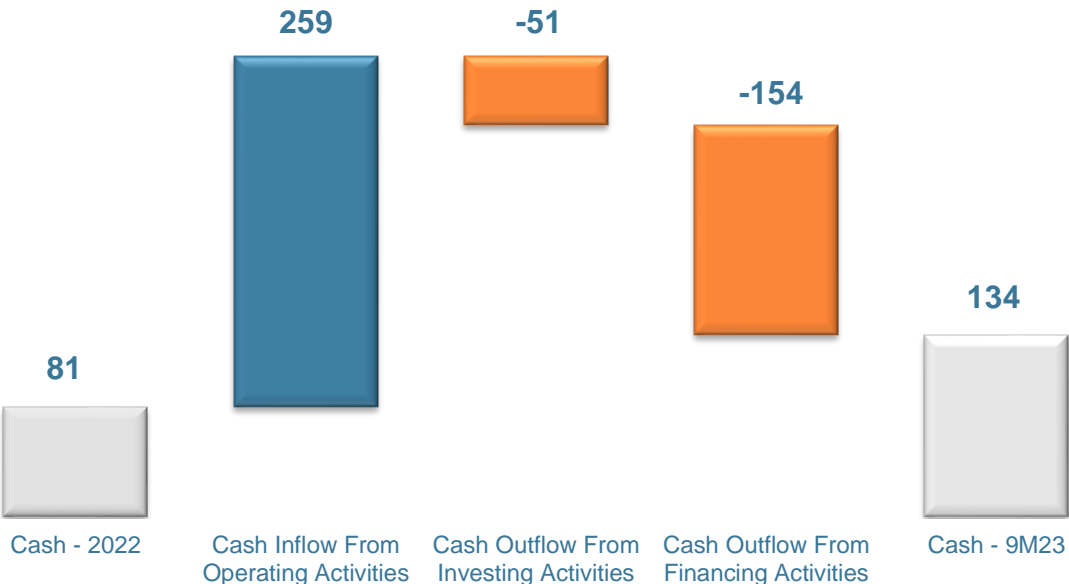
## EBITDA

(\$ mln)



## FREE CASH FLOW

(\$ mln)



# OUR REVIZED 2023 GUIDANCE

2022 ACTUAL

CHANGING DYNAMICS

2Q 2023 - OLD

3Q 2023 - REVIZED

**Sales Volume:  
853,000 Tons**

- + Contribution of Berg Pipe
- Falling volume in Energy business line
- Limited exports

1.10 – 1.30 mln tons

**1.00 – 1.15 mln tons**

**Revenue:  
\$1.34 Billion**

- + Contribution of Berg Pipe
- Normalized sales prices
- Contracting demand

\$1.7 – 2.0 billion

**\$1.5 – 1.8 billion**

**EBITDA Margin:  
14.9%**

- Decrease in steel prices
- Rising inflation
- FX fluctuation
- Rising production costs

-

**< 20%\***



# OUR TARGET: POSITIONING BMB FOR THE FUTURE GROWING STAKEHOLDER VALUE

## COMPETITIVE ADVANTAGES

- **Qualified human resources** with agility to take prompt action and vision to turn crises into advantage
- **Quality and leading** brand perception
- **Strong customer satisfaction** thanks to customer and solution focused approach at the maximum
- **Preferred manufacturer by suppliers** due to value-added products, continuous growth and reliable partner approach
- **Wide product portfolio** continuously supported by new investments
- **Ranked 1. in Europe** in cold drawn pipes and **leading manufacturer in the USA** in welded steel pipe market
- **Balanced portfolio approach** with presence in geographies and segments having different dynamics


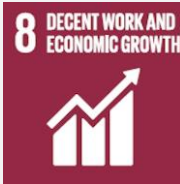




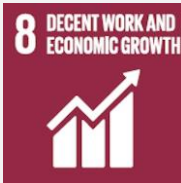




## FOCUS FOR TRANSFORMATION

- ESG oriented **cultural transformation**
- **Compliance studies on CBAM** (Carbon Border Adjustment)
- **Digitalization of** processes
- **Efficiency** in operations
- **Profitability oriented sustainable growth** in business lines and geographic regions
- The integration of acquisitions and investments in **new regions** in the most efficient manner
- **Generating value add with smart pipes**, enabling customer and product communication
- **Targeting new markets** with hydrogen, carbon capture and energy storage products

## STRATEGIC ACTIONS

- Infrastructure and Project: Growth in Northern America Market with **Berg Pipe acquisition in the USA**
- Industrial and Construction: Increasing the weight of new products in the portfolio through **SRM investment in the USA**
- Automotive: Penetration in Tier 1 – Tier 2 customer segments in Europe with the **Service Center investment in Romania**
- Energy: Sustaining profitable revenue growth by weighing on **automation and robotics investment** in existing lines
- Constantly evaluating **acquisition and mergers** options with a focus on efficiency

# OUR ENVIRONMENT, SOCIAL, GOVERNANCE (ESG) ORIENTED ACTIONS

	PRIORITIES	RELATED KPI'S	RELATED SDG
HUMAN	<ul style="list-style-type: none"> <li>Occupational Health and Safety</li> <li>Social Contribution</li> <li>Effective People Management</li> </ul>	<ul style="list-style-type: none"> <li>Decrease in Frequency and Weight of Accident</li> <li>Female Employee Rate</li> <li>Employee Loyalty</li> <li>Talent Retention Rate</li> </ul>	  
CLIMATE	<ul style="list-style-type: none"> <li>Waste Management</li> <li>Circular Economy</li> <li>Combating Climate Crisis</li> <li>Transition to Zero Carbon Economy</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of Scope 1 and 2 Emission</li> <li>Reduction of Waste</li> <li>Reduction of Water Consumption</li> <li>Increase of Recycled Water</li> </ul>	  
GOVERNANCE	<ul style="list-style-type: none"> <li>Sustainability in Supply Chain</li> <li>Effective Risk ve Crisis Management</li> <li>Excellence in Customer Relations</li> <li>Adopting Innovative Business Models</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with Corporate Governance Principles</li> <li>All Sustainability KPI's</li> <li>Green Purchase at Supply Chain</li> </ul>	  
INNOVATION	<ul style="list-style-type: none"> <li>New Product and Innovation</li> <li>Digital Transformation</li> <li>Artificial Intelligence</li> <li>Operational efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Revenue Generated from Innovative Business Models</li> <li>Implementation of Circular Business Model (Product or Service)</li> </ul>	 



# **BORUSAN MANNESMANN**

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