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August 9, 2024

Consolidated Financial Results for the Six Months Ended June 30, 2024[IFRS]



Company name: The Yokohama Rubber Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 5101
 URL: <https://www.y-yokohama.com/global/>
 Representative: Masataka Yamaishi, Chairman & CEO, Chairman of the Board
 Inquiries: Michio Yoshitake, General Manager and Head of Corporate Finance & Accounting Dept.
 Telephone: +81-463-63-0414

Scheduled date to file semi-annual securities report: August 9, 2024
 Scheduled date to commence dividend payments: August 30, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for analysts)

(Yen amounts are rounded to the nearest million yen.)

1. Consolidated financial results for the six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Sales revenue		Business profit		Operating profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2024	525,283	18.5	54,567	113.4	56,254	99.6	46,579	68.3	171,385	63.2
Six months ended June 30, 2023	443,164	13.2	25,566	(7.8)	28,182	4.6	27,678	18.8	104,992	(0.4)

Note: Business profit is calculated by deducting cost of sales and selling, general, and administrative expenses from sales revenue.

	Basic earnings per share	Diluted earnings per share	Business profit margin
	Yen	Yen	%
Six months ended June 30, 2024	290.49	289.74	10.4
Six months ended June 30, 2023	172.62	172.22	5.8

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of June 30, 2024	1,752,970	911,498	902,359	51.5	5,611.81
As of December 31, 2023	1,600,458	748,795	739,565	46.2	4,600.78

2. Dividends

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	—	34.00	—	50.00	84.00
Fiscal year ending December 31, 2024	—	46.00			
Fiscal year ending December 31, 2024 (forecast)			—	52.00	98.00

Note: Revisions to the dividends forecast most recently announced: Yes

3. Consolidated financial results forecast for the fiscal year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes.)

	Sales revenue		Business profit		Operating profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	1,105,000	12.1	128,500	29.6	116,000	15.6	78,500	16.8	489.55

Note: Revisions to the financial results forecast most recently announced: Yes

* Notes

(1) Significant changes in the scope of consolidation during the period: None

Newly included: – companies

Excluded: – companies

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	169,549,081 shares
As of December 31, 2023	169,549,081 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2024	8,752,591 shares
As of December 31, 2023	8,801,310 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended of June 30, 2024	160,347,197 shares
Six months ended of June 30, 2023	160,340,473 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts and other special matters

(Cautionary statements with respect to forward-looking statements and other information)

The earnings forecasts herein are prepared by the Company based on information available to the Company as of the announcement of this document. Actual results may differ from these forecasts due to a wide range of factors.

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1. Qualitative Information on Consolidated Results for the Period under Review

(1) Consolidated Operating Results

	Six months ended June 30, 2023	Six months ended June 30, 2024	YoY change
	¥ million	¥ million	%
Sales revenue	443,164	525,283	18.5
Tires	389,470	469,571	20.6
MB	49,049	51,557	5.1
Others	4,645	4,155	(10.6)
Business profit (loss)	25,566	54,567	113.4
Tires	22,974	51,690	125.0
MB	2,727	3,386	24.2
Others	(153)	(510)	—
Adjustments	18	1	—
Operating profit	28,182	56,254	99.6
Profit before tax	37,067	63,121	70.3
Profit attributable to owners of the parent	27,678	46,579	68.3

Note: Business profit is calculated by deducting cost of sales and selling, general, and administrative expenses from revenues.

Regarding the operating environment for the Yokohama Rubber Group in the first half of fiscal 2024 (January 1, 2024 – June 30, 2024), the environment in Japan included sluggish growth in personal consumption due to high prices, which primarily affected the retail industry. However, business conditions improved overall owing to easing of the impact from previous constraints that had led some automakers to suspend production and shipments and to progress in passing on price increases, especially in the materials industry. Logistics industry business conditions also improved on progress in passing on price increases and an increase in online transactions. Meanwhile the information and communications industry continued to enjoy favorable conditions, mainly due to an increase in digital transformation (DX)-related investment.

In overseas markets, personal consumption in the United States remained strong, supported by solid employment and income environments and the strong stock market's positive impact on individuals' assets. However, corporations' capital investment has been decelerating, particularly among manufacturers, owing to deterioration in funding conditions in an environment of financial tightening. The Chinese economy, meanwhile, remained constrained by sluggish domestic demand and a real estate recession. With investment expected to remain weak, the Chinese economy remains in a gradual slowdown. In Europe, the economy began to recover, supported by a rebound in personal consumption as subsiding inflation boosted real incomes.

In the above operating environment, the Yokohama Rubber Group continued to pursue the “exploitation” of the strengths of its existing businesses and the “exploration” of new value while launching its new medium-term management plan Yokohama Transformation 2026 (YX2026), which aims to complete the transformation begun during the previous medium-term plan. As a result, the Yokohama Rubber Group's consolidated results for the first half of fiscal 2024 included sales revenue of ¥525,283 million (+18.5% YoY), business profit of ¥54,567 million (+113.4% YoY), operating profit of ¥56,254 million (+99.6% YoY), and profit attributable to owners of the parent totaling ¥46,579 million (+68.3% YoY).

Tire segment sales revenue totaled ¥469,571 million (+20.6% YoY), accounting for 89.4% of the Yokohama Rubber Group's consolidated sales revenue.

Original equipment tire sales revenue was higher than in the same period of the previous year as the impact from reductions in domestic production at some Japanese automakers eased and a positive forex impact from the yen's depreciation outweighed the negative impact from continued weakness in Japanese automakers' sales

in China.

Replacement tire sales revenue also was higher than a year earlier, as increased domestic sales boosted by aggressive marketing of new products supplemented overseas sales increases in Europe, India and other Asian markets.

The Yokohama Rubber Group's off-highway tire (OHT) business sales revenue increased year on year, as higher sales in Europe and the Middle East at the Group's legacy OHT business under YOHT (Yokohama Off-Highway Tires, formerly the Alliance Tire Group or ATG) was supplemented by the addition of sales at Y-TWS (formerly Trelleborg Wheel Systems Holding AB, or TWS).

MB (Multiple Businesses) segment sales revenue totaled ¥51,557 million (+5.1% YoY), accounting for 9.8% of the Group's consolidated sales revenue.

The hose & couplings business sales revenue was generally the same as a year earlier, as higher sales of automotive hoses achieved through price increases in the North American market and other sales efforts offset sluggish demand for the business' hydraulic hoses for construction equipment and other applications.

The industrial products business sales revenue increased on high sales of conveyor belts boosted by price hikes in Japan and strong demand in overseas markets as well as strong demand for marine hoses and replacement fixtures/components for commercial aircraft.

The strong growth in Group business profit reflects lower prices of raw materials, successful efforts to reduce logistics costs and raise product prices, MIX improvements, and the positive forex impact from the yen's depreciation.

(2) Consolidated Financial Position

Total assets as of June 30, 2024, were ¥1,752,970 million, an increase of ¥152,511 million from the end of the previous consolidated fiscal year (December 31, 2023). The increase primarily reflects increases in inventories and property, plant and equipment.

Total liabilities as of June 30, 2024, were ¥841,472 million, a decrease of ¥10,191 million from the end of the previous consolidated fiscal year. The decrease in liabilities primarily reflects a reduction in interest-bearing debt.

Total equity as of June 30, 2024, came to ¥911,498 million, an increase of ¥162,702 million from the end of the previous consolidated fiscal year. The increase primarily reflects an increase in other components of equity due primarily to the impact from foreign exchange market fluctuations.

(3) Consolidated Earnings Forecast and Other Forward-Looking Statements

The consolidated earnings forecast for the fiscal year ending December 2024 (January 1 – December 31, 2024) has been revised. For details, please refer to the "Notice of Revision of Full-Year Consolidated Earnings Forecast and Revisions of the Dividend from Surplus Earnings (Interim Dividend) and the Year-End Dividend Forecast" announced today.

2. Condensed Interim Consolidated Financial Statements and Principal Notes

(1) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and cash equivalents	97,613	117,029
Trade and other receivables	243,393	262,756
Other financial assets	6,217	9,565
Inventories	249,721	293,190
Other current assets	21,160	27,019
Total current assets	618,105	709,558
Non-current assets		
Property, plant and equipment	492,796	538,196
Goodwill	275,830	306,821
Intangible assets	73,013	77,516
Other financial assets	104,812	71,303
Deferred tax assets	9,141	10,591
Other non-current assets	26,761	38,985
Total non-current assets	982,353	1,043,412
Total assets	1,600,458	1,752,970

(Millions of yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	105,239	113,223
Bonds and borrowings	96,135	102,045
Other financial liabilities	28,989	26,130
Income taxes payable	38,085	44,542
Other current liabilities	79,441	77,237
Total current liabilities	347,889	363,177
Non-current liabilities		
Bonds and borrowings	373,221	352,612
Other financial liabilities	41,497	42,128
Liabilities for retirement benefits	17,707	18,966
Deferred tax liabilities	58,856	49,581
Other non-current liabilities	12,494	15,008
Total non-current liabilities	503,774	478,295
Total liabilities	851,663	841,472
Equity		
Share capital	38,909	38,909
Share premium	31,255	31,385
Retained earnings	510,004	588,561
Treasury shares	(11,587)	(11,525)
Other components of equity	170,983	255,029
Total equity attributable to owners of the parent	739,565	902,359
Non-controlling interests	9,231	9,139
Total equity	748,795	911,498
Total liabilities and equity	1,600,458	1,752,970

(2) Condensed Interim Consolidated Statement of Profit or Loss and Condensed Interim Consolidated Statement of Comprehensive Income

Condensed Interim Consolidated Statement of Profit or Loss

Six Months Ended June 30

(Millions of yen)

	For the Six months ended June 30, 2023	For the Six months ended June 30, 2024
Sales revenue	443,164	525,283
Cost of sales	(309,199)	(343,348)
Gross profit	133,966	181,936
Selling, general, and administrative expenses	(108,400)	(127,369)
Business profit	25,566	54,567
Other income	5,458	3,567
Other expenses	(2,842)	(1,880)
Operating profit	28,182	56,254
Finance income	11,652	10,362
Finance costs	(2,767)	(3,495)
Profit before tax	37,067	63,121
Income taxes	(9,094)	(16,246)
Profit	27,974	46,876
Profit attributable to:		
Owners of the parent	27,678	46,579
Non-controlling interests	296	297
Profit	27,974	46,876
Basic earnings per share (Yen)	172.62	290.49
Diluted earnings per share (Yen)	172.22	289.74

Condensed Interim Consolidated Statement of Comprehensive Income

Six Months Ended June 30

(Millions of yen)

	For the Six months ended June 30, 2023	For the Six months ended June 30, 2024
Profit	27,974	46,876
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Gains (losses) on financial assets measured at fair value through other comprehensive income	10,608	12,660
Remeasurements of defined benefit plans	4,796	6,759
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	(987)	446
Exchange differences on translating foreign operations	62,601	104,644
Total other comprehensive income, net of tax	77,019	124,509
Comprehensive income	104,992	171,385
Comprehensive income attributable to:		
Owners of the parent	104,369	170,661
Non-controlling interests	624	724
Comprehensive income	104,992	171,385

(3) Condensed Interim Consolidated Statement of Changes in Equity

Six Months Ended June 30, 2023

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	
					Exchange differences on translating foreign operations	Cash flow hedges
Balance, January 1, 2023	38,909	31,308	432,224	(11,650)	72,854	1,083
Profit			27,678			
Other comprehensive income					62,281	(987)
Comprehensive income	—	—	27,678	—	62,281	(987)
Purchase of treasury shares				(2)		
Share-based payment transactions		79		67		
Dividends from surplus			(5,303)			
Transfer to retained earnings			12,980			
Others			—			
Total transactions with owners	—	79	7,677	65	—	—
Balance, June 30, 2023	38,909	31,387	467,579	(11,585)	135,134	97

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total equity attributable to owners of the parent		
	Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total			
Balance, January 1, 2023	49,695	—	123,633	614,424	8,698	623,121
Profit			—	27,678	296	27,974
Other comprehensive income	10,601	4,796	76,691	76,691	328	77,019
Comprehensive income	10,601	4,796	76,691	104,369	624	104,992
Purchase of treasury shares			—	(2)		(2)
Share-based payment transactions			—	146		146
Dividends from surplus			—	(5,303)	(901)	(6,204)
Transfer to retained earnings	(8,184)	(4,796)	(12,980)	—		—
Others			—	—		—
Total transactions with owners	(8,184)	(4,796)	(12,980)	(5,159)	(901)	(6,060)
Balance, June 30, 2023	52,112	—	187,343	713,634	8,420	722,054

Six Months Ended June 30, 2024

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	
					Exchange differences on translating foreign operations	Cash flow hedges
Balance, January 1, 2024	38,909	31,255	510,004	(11,587)	121,674	(305)
Profit			46,579			
Other comprehensive income					104,235	446
Comprehensive income	—	—	46,579	—	104,235	446
Purchase of treasury shares				(4)		
Share-based payment transactions		130		65		
Dividends from surplus			(8,037)			
Transfer to retained earnings			40,037			
Others			(21)			
Total transactions with owners	—	130	31,979	62	—	—
Balance, June 30, 2024	38,909	31,385	588,561	(11,525)	225,910	141

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total equity attributable to owners of the parent		
	Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total			
Balance, January 1, 2024	49,614	—	170,983	739,565	9,231	748,795
Profit			—	46,579	297	46,876
Other comprehensive income	12,642	6,759	124,082	124,082	427	124,509
Comprehensive income	12,642	6,759	124,082	170,661	724	171,385
Purchase of treasury shares			—	(4)		(4)
Share-based payment transactions			—	195		195
Dividends from surplus			—	(8,037)	(816)	(8,854)
Transfer to retained earnings	(33,278)	(6,759)	(40,037)	—		—
Others			—	(21)	—	(21)
Total transactions with owners	(33,278)	(6,759)	(40,037)	(7,867)	(816)	(8,683)
Balance, June 30, 2024	28,978	—	255,029	902,359	9,139	911,498

(4) Condensed Interim Consolidated Statement of Cash Flows

(Millions of yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Cash flows from operating activities		
Profit before tax	37,067	63,121
Depreciation and amortization	28,239	33,396
Impairment losses	966	—
Increase (decrease) in liabilities for retirement benefits	(256)	(351)
Interest and dividend income	(2,420)	(2,645)
Interest expenses	2,431	2,929
Loss (gain) on sale and retirement of non-current assets	(372)	(2,208)
Gain on sale of businesses	(2,731)	—
Decrease (increase) in trade receivables	9,914	4,181
Increase (decrease) in trade payables	(6,636)	(258)
Decrease (increase) in inventories	12,268	(17,441)
Other	(17,910)	(26,104)
Subtotal	60,563	54,620
Interests and dividends received	2,414	2,566
Interests paid	(2,410)	(3,079)
Income taxes (paid) refund	(11,447)	(32,344)
Net cash provided by operating activities	49,119	21,763
Cash flows from investing activities		
Payments into time deposits	(5,868)	(325)
Proceeds from withdrawal of time deposits	—	1,638
Purchases of property, plant and equipment	(27,534)	(36,665)
Proceeds from sale of property, plant and equipment	1,741	3,725
Purchases of intangible assets	(224)	(496)
Purchases of investment securities	(10)	(198)
Proceeds from sale of investment securities	13,561	52,455
Proceeds from sale of businesses	2,284	—
Payments for acquisition of subsidiaries, net of cash and cash equivalents acquired	(321,039)	—
Other	2,239	(709)
Net cash used in investing activities	(334,850)	19,426
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(4,328)	4,018
Net increase (decrease) in commercial paper	3,000	—
Proceeds from long-term borrowings	314,700	—
Repayments of long-term borrowings	(7,069)	(23,721)
Purchases of treasury shares	(2)	(4)
Proceeds from sale of treasury shares	146	195
Cash dividends paid	(5,304)	(8,033)
Other	(5,028)	(6,250)
Net cash provided by financing activities	296,115	(33,795)
Effect of exchange rate changes on cash and cash equivalents	4,499	11,460
Net increase (decrease) in cash and cash equivalents	14,883	18,854
Cash and cash equivalents at the beginning of period	75,572	97,613
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	561
Cash and cash equivalents at the end of period	90,455	117,029

(5) Notes Concerning Condensed Interim Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Segment information, etc.)

(1) Outline of Reportable Segments

The Group's business segments are organizational units for which the Group is able to obtain discrete financial information in order for the Company's Board of Directors to regularly review performance to determine the distribution of management resources and evaluate business results.

The Group classifies organizational units by product and service. Each organizational unit plans domestic or overseas general strategies for its products and services and operates its business.

Major products in each reportable segment

Reportable segment	Major products
Tires	Tires for passenger cars, trucks and buses, light trucks, agricultural machinery, construction equipment, industrial equipment, forestry machinery, etc.; various tire tubes; aluminum alloy wheels; and auto supplies
MB	Conveyor belts, various hoses, pneumatic marine fenders, oil fences, marine hoses, and aerospace products

(2) Information on Segment Revenues and Results

The figures related to reportable segments are based on business profit. Intersegment revenues are based on prevailing market prices.

For the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

(Millions of yen)

	Reportable segment		Others (Note 1)	Total	Adjustment (Note 3)	Consolidated
	Tires	MB				
Sales revenue						
Sales revenue from external customers	389,470	49,049	4,645	443,164	—	443,164
Intersegment revenue	567	46	5,325	5,938	(5,938)	—
Total	390,037	49,096	9,970	449,103	(5,938)	443,164
Segment profit (business profit) (Note 2)	22,974	2,727	(153)	25,548	18	25,566
Other income and expenses						2,616
Operating profit						28,182

(Notes) 1. “Others” includes the sports business.

2. Segment profit (business profit) is calculated by deducting cost of sales and selling, general, and administrative expenses from sales revenues.

3. Segment profit adjustments include the elimination of intersegment transactions.

For the six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024)

(Millions of yen)

	Reportable segment		Others (Note 1)	Total	Adjustment (Note 3)	Consolidated
	Tires	MB				
Sales revenue						
Sales revenue from external customers	469,571	51,557	4,155	525,283	—	525,283
Intersegment revenue	562	67	9,194	9,823	(9,823)	—
Total	470,133	51,624	13,349	535,107	(9,823)	525,283
Segment profit (business profit) (Note 2)	51,690	3,386	(510)	54,566	1	54,567
Other income and expenses						1,687
Operating profit						56,254

(Notes) 1. “Others” includes the sports business.

2. Segment profit (business profit) is calculated by deducting cost of sales and selling, general, and administrative expenses from sales revenues.

3. Segment profit adjustments include the elimination of intersegment transactions.

(Significant subsequent events)

The Yokohama Rubber Co., Ltd. (hereafter, “Yokohama Rubber”, or the “Company”) entered into an agreement with The Goodyear Tire & Rubber Company (hereafter, “Goodyear”), a tire manufacturing and sales company headquartered in the United States, to acquire the latter’s off-the-road tire business (hereafter, “OTR Business”) (“Acquisition”) on July 22, 2024.

(1) Reason for the Acquisition

The Yokohama Rubber Group is, from fiscal year 2024, implementing Yokohama Transformation 2026

(YX2026), its three year medium-term management plan for fiscal years 2024–2026. The plan includes the use of programmatic M&A as one of the growth strategies for expanding the off-highway tire (OHT) business, which is expected to contribute to stably high earnings of Yokohama Rubber’s commercial tire business. The Acquisition will strengthen the Company’s lineup of mining & construction machinery tires, which has been an issue to date, and contribute to the acceleration of the Yokohama Rubber Group’s global expansion.

(2) Name of the counterparty of the Acquisition

The Goodyear Tire & Rubber Company

(3) Outline of the Acquisition

①Business to be acquired: Goodyear’s OTR Business, which is engaged in the manufacture and sale mainly of tires for mining & construction machinery (the Acquisition includes all shares in Goodyear’s subsidiaries, Goodyear Earthmover Pty Limited in Australia and Nippon Giant Tire Co., Ltd in Japan.

②Outline of the business to be acquired

Business: Mining & construction machinery tires (OTR Business)

Annual sales: US\$674 million (fiscal 2023)

Employees: Approx. 500

③Acquisition price: The acquisition price is expected to be US\$905 million (about ¥129.4 billion, at ¥143/1\$). The actual acquisition price will be determined by price adjustments and other factors stipulated in the contract for the Acquisition.

(4) Past three years consolidated results of the business to be acquired

Fiscal period	Financial Year to Dec. 2021	Financial Year to Dec. 2022	Financial Year to Dec. 2023
Consolidated Sales	US\$ 607 million	US\$698 million	US\$ 674 million
Consolidated EBITDA	US\$ 129 million	US\$ 145 million	US\$ 130 million
Consolidated Adjusted EBITDA margin	21.2%	20.8%	19.3%

(5) Timing of the Acquisition

To be determined

Note: The acquisition is subject to required regulatory approvals from competition law authorities in all relevant countries.

(6) Acquisition Financing

The Company plans to finance the Acquisition with its own funds and borrowings.