

Reinforced  
by Kordsa



2016 Year End / Earnings Release

Feb 21, 2017



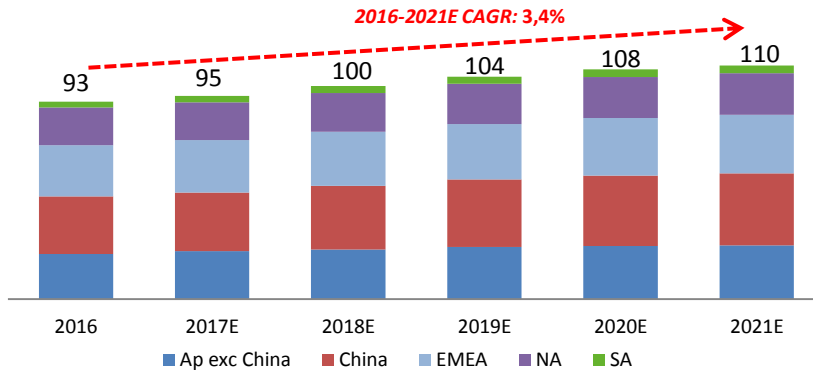
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# Market Dynamics

## Global Automotive Market

Global LV Assembly – M Units / Year

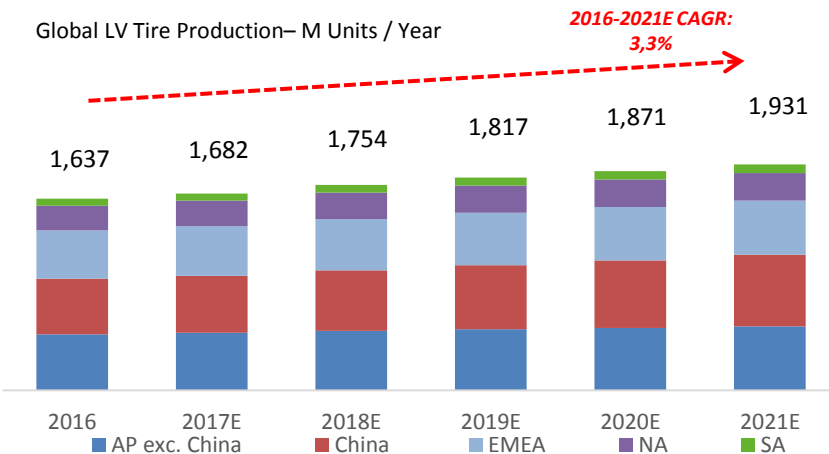


Source: PWC Autofacts

- APAC (Incl. China, India, Thailand, Vietnam) still has the strongest growth with CAGR 5.5%
- Automotive is expected to grow more than others in China, India, Mexico and Thailand.
- EU market still significantly below saturation, slower growth is expected after a dynamic year of %5 growth.
- Assembly in EU is expected to grow till 2023 with additional plants and added capacity coming online

## Global Tire Market

Global LV Tire Production – M Units / Year

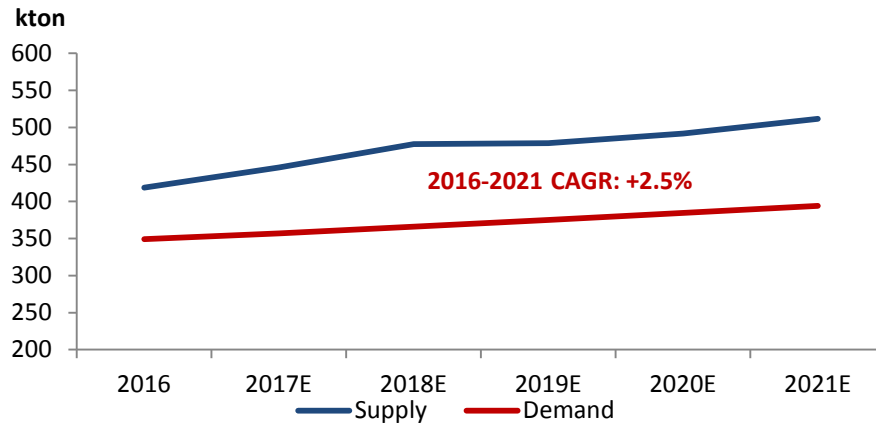


Source: LMC Tyre Forecast

- Tire Market is aligned with Automotive Market Growth
- Europe growth expected around 2.3%
- Mexico investments continue in 2017 – mostly to supply increasing N.American demand
- LATAM expected to recover - but slowly after 2 years of poor performance
- Chinese imports increase at all regions except US due to ADD

# Market Dynamics

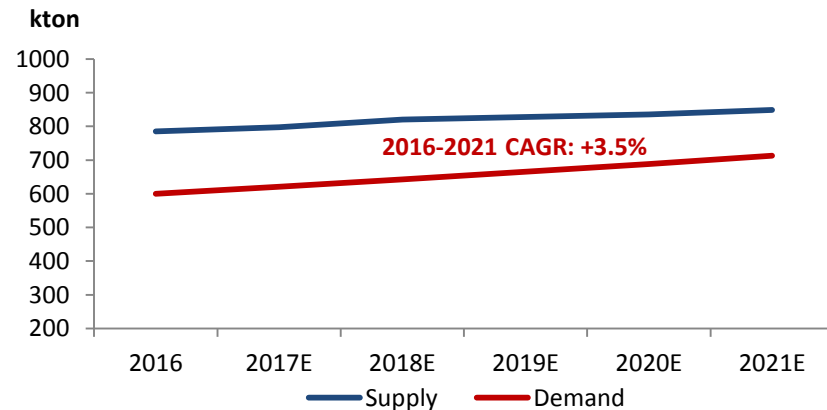
## Tire Reinforcement Market (NY6.6)



Source: Company Estimates

Cap-ply grows, Agro & Mining Tires demand is low

## Tire Reinforcement Market (PET HMLS)



Source: Company Estimates

Passenger & LV tire driven growth

### Nylon 6.6

- 2017: Above 90 % capacity utilisation rates, good demand
- Cap ply demand grows with passenger & light vehicle tire demand
- Still the preferred product in tire performance compared to PET and N6
- Slow growth in Chinese market
- Low prices of caprolactam makes N6 use attractive in low end applications

### PET HMLS

- Increasing rate of PET HMLS penetration to Agro tyres
- Carcass demand grows with passenger & light vehicle tire demand
- Increased capacity utilisation drives investments
- Significant quality differences of suppliers

# Must Win Battles

## 1. Operating Excellence

- a. Continuing Cost Reduction Programs
  - Raw material diversification and improvement for best yields
  - Creep capex driving energy & labor efficient production
  - TPM (total productive maintenance) initiatives at all locations
- b. Lean Kordsa
  - High capacity utilization at all entities
  - Organizational Simplification decreasing OPEX and fixed costs

## 2. Profitable Growth in Tire Industry

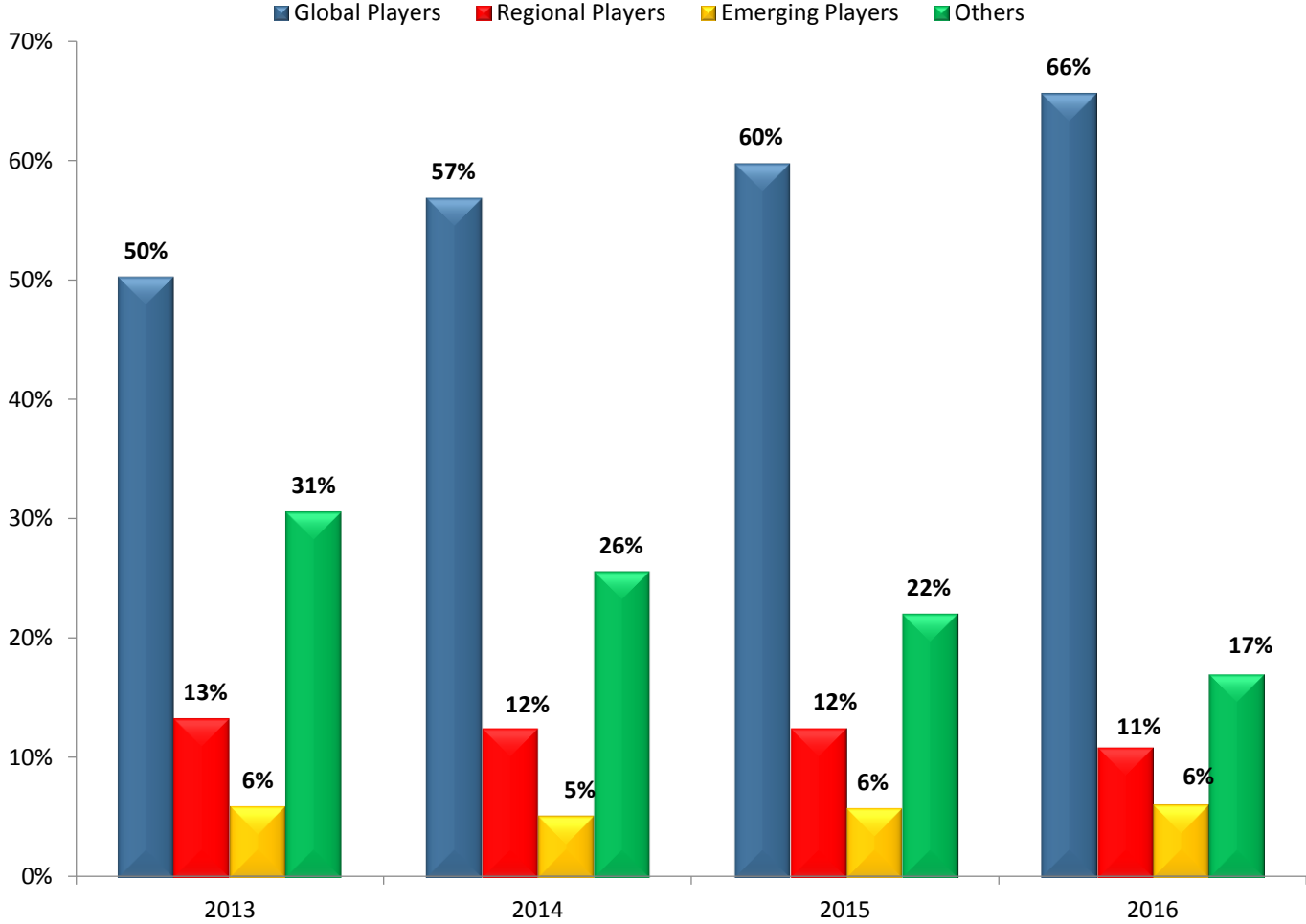
- a. Segmental focus in meeting different customer needs
  - provide better cost of use and value for customer (superior quality, sustainable supply, joint product development, technical support, customised service level, commercial flexibility, geographical presence)
- b. Offer more value added products (fabric vs yarn mix)
- c. Increase new product sales including improved generations of tire products and non tire applications
- d. Further investment in PET HMLS for new generation yarns

## 3. Profitable Growth in Adjacent Industries

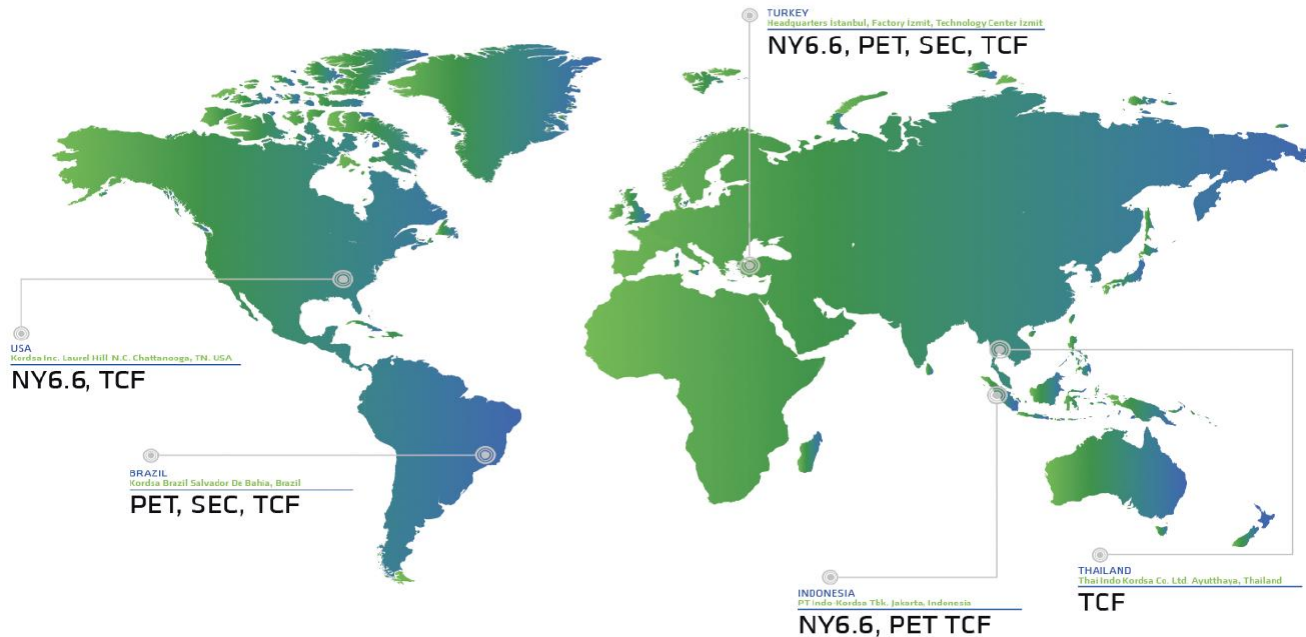
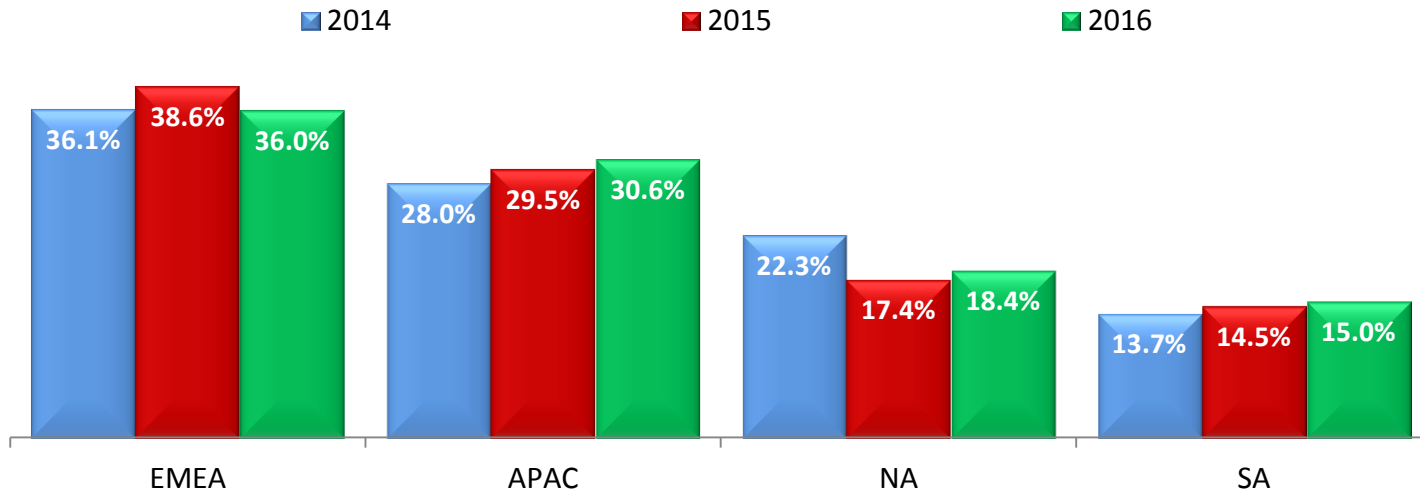
- a. Composites Excellence Center – build up approval base, develop pace in commercial sales
- b. Construction Reinforcement Business – develop new application areas and partnerships

**Focus on tire industry for profitable growth, selectively grow adjacencies**

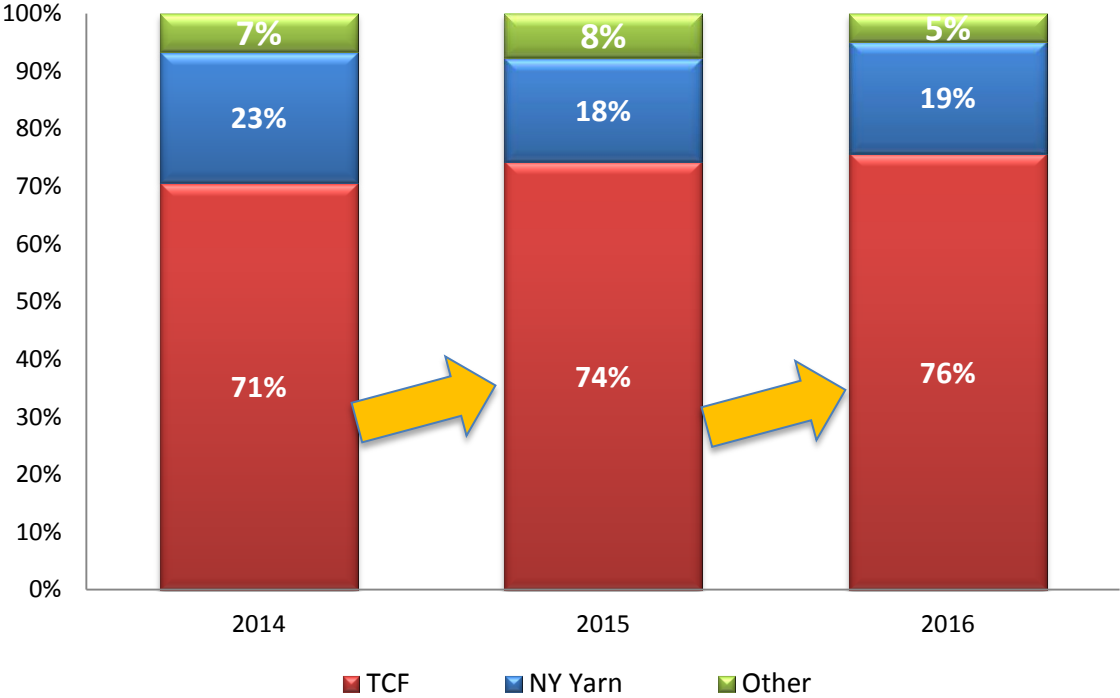
# Segmental Progress



# Regional Revenue Split Progress



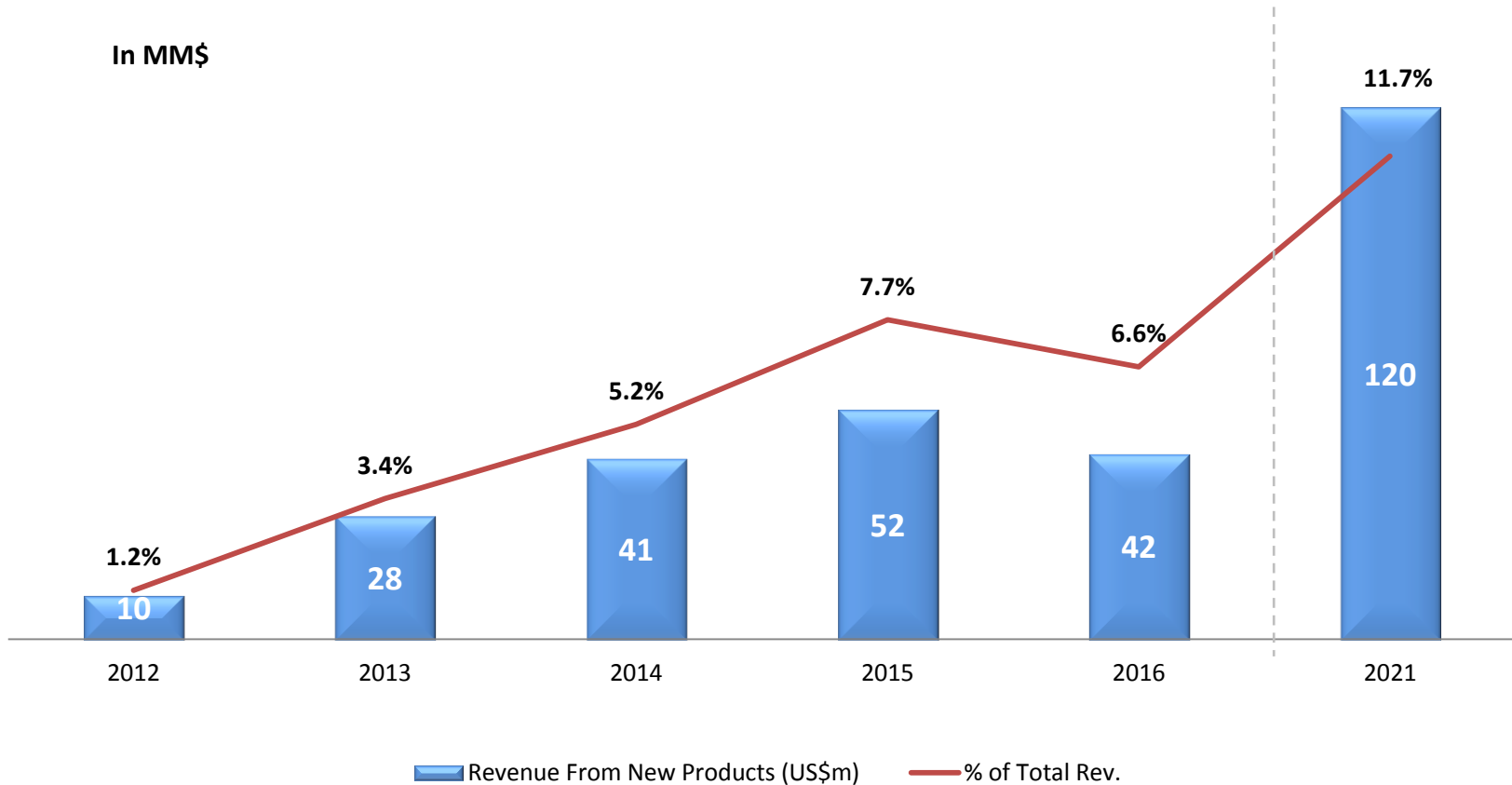
# 2016 Revenue Split Progress by Products





# Strong Focus on R&D

In MM\$



- Incl. Replacement products and incremental new products
- The products whose “new product life cycle” has been completed, transferred to “conventional sales portfolio”

# 2016 - Key Financials

In MMTL	2015 YE	2016 YE	Change
Net Sales	1,735	1,908	10%
Gross Profit	315	397	26%
<i>Gross Profit %</i>	18.2%	20.8%	3 pts
Operating Profit	171	240	41%
<i>Operating Profit %</i>	10%	13%	3 pts
EBITDA*	242	288	19%
<i>EBITDA* %</i>	14.0%	15.1%	1 pts
Net Income	99	143	44%

\*EBITDA Calculation = Operating Profit - [Dep&Amort] - [A]\* - [B]\*\*

[A]\* : FX Gain/Loss on trade Rec. & Pay.

[B]\*\* Unearned finance inc/exp on credit sales

## 2016 - Balanced Sheet (Selected Items)

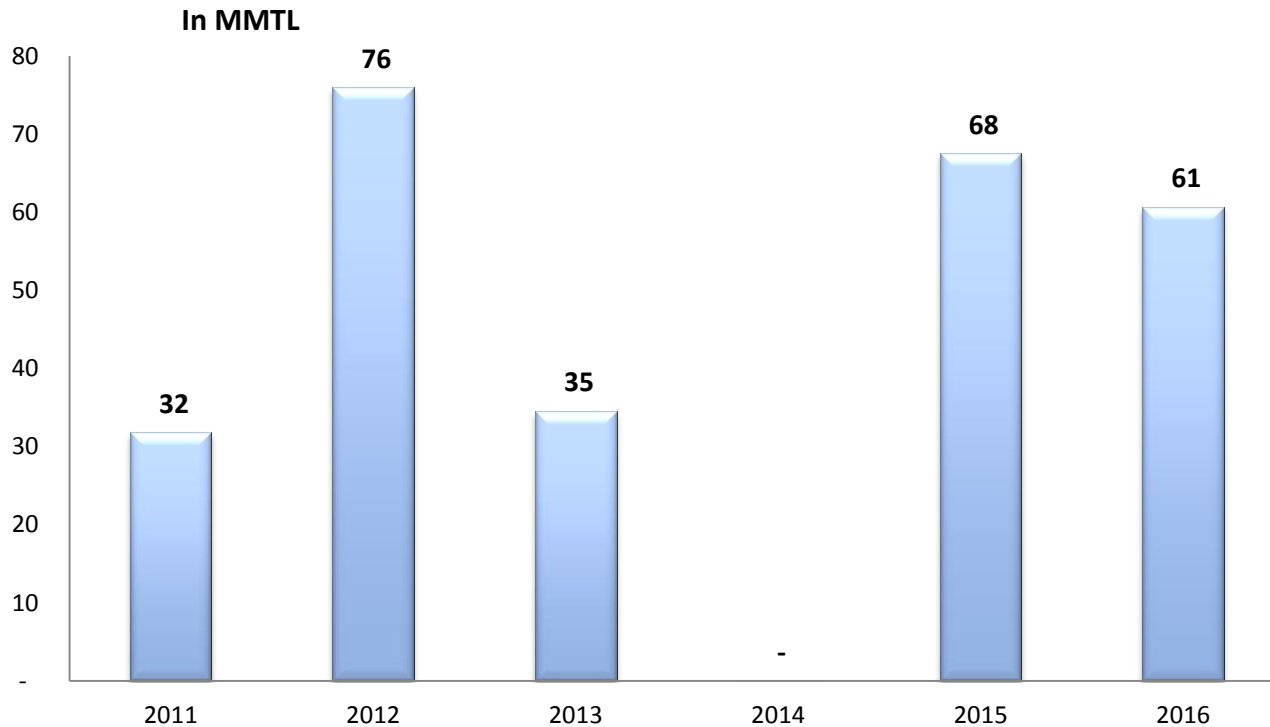
In MMTL	Dec 31, 2015	Dec 31, 2016	Change
Cash and Cash Equivalents	18	39	(21)
Account Receivable	297	372	(75)
Other Current Assets	109	114	(5)
Inventories	425	537	(113)
Accounts Payable	(172)	(284)	112
Oth. Curr. Liab. (Excl. Borrowings)	(50)	(71)	21
<i>WCAP Turnover</i>	3.2	3.5	-

# 2016 - Free Cash Flow

In MMTL	Dec 31, 2015	Dec 31, 2016	Change
EBIT*(1-t)	142	204	62
Depreciation and Amortization	81	79	1
Change in Working Capital	(23)	(124)	(102)
Cash Used in Investing Activities	(77)	(134)	(54)
<b>Free Cash Flow**</b>	<b>124</b>	<b>26</b>	<b>(98)</b>

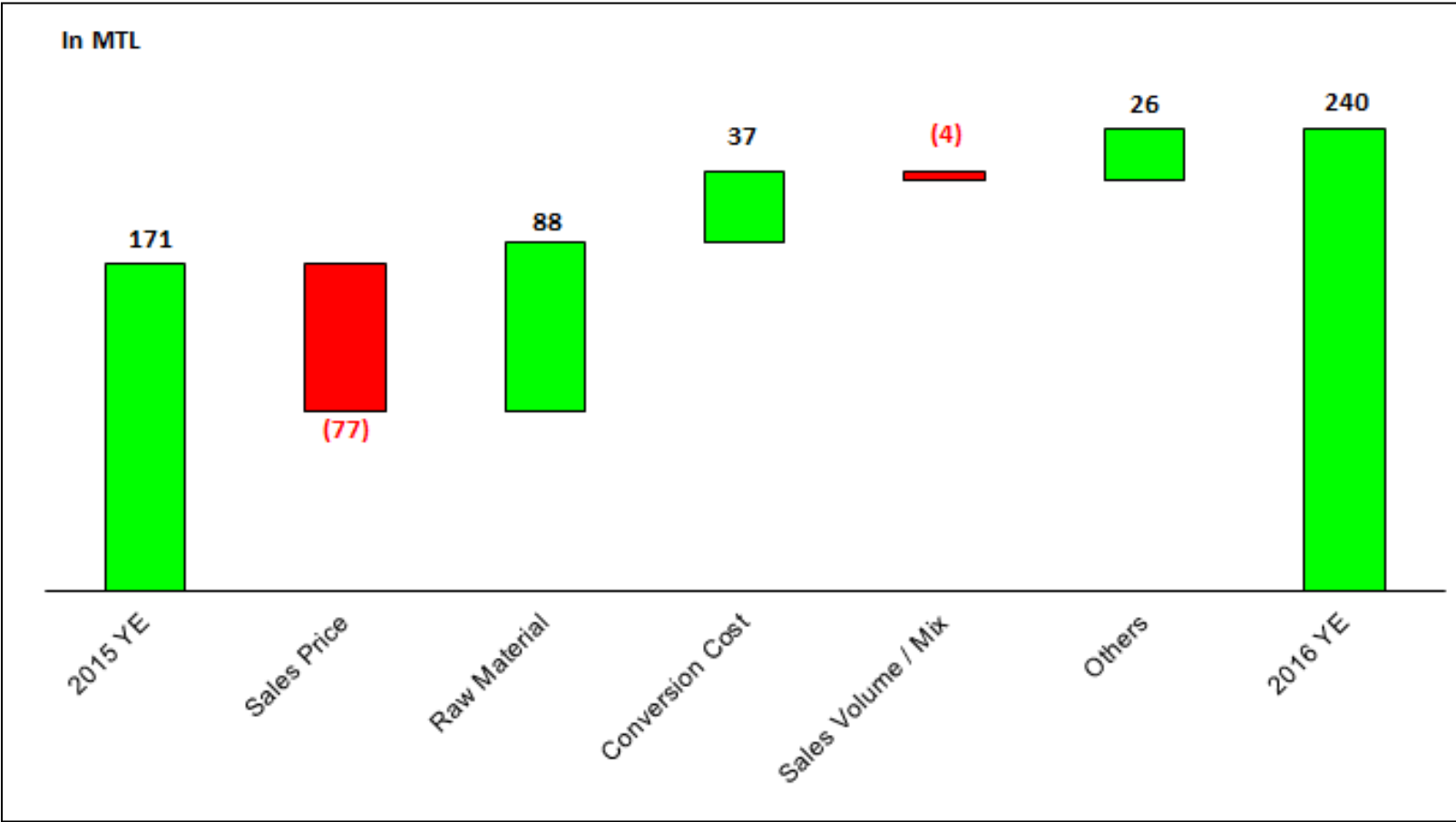
*\* FCF: EBIT(1-Tax Rate) + Depreciation & Amortization - Change in Net Working Capital - Capital Expenditure*

# 2016 - Dividend Distribution\*



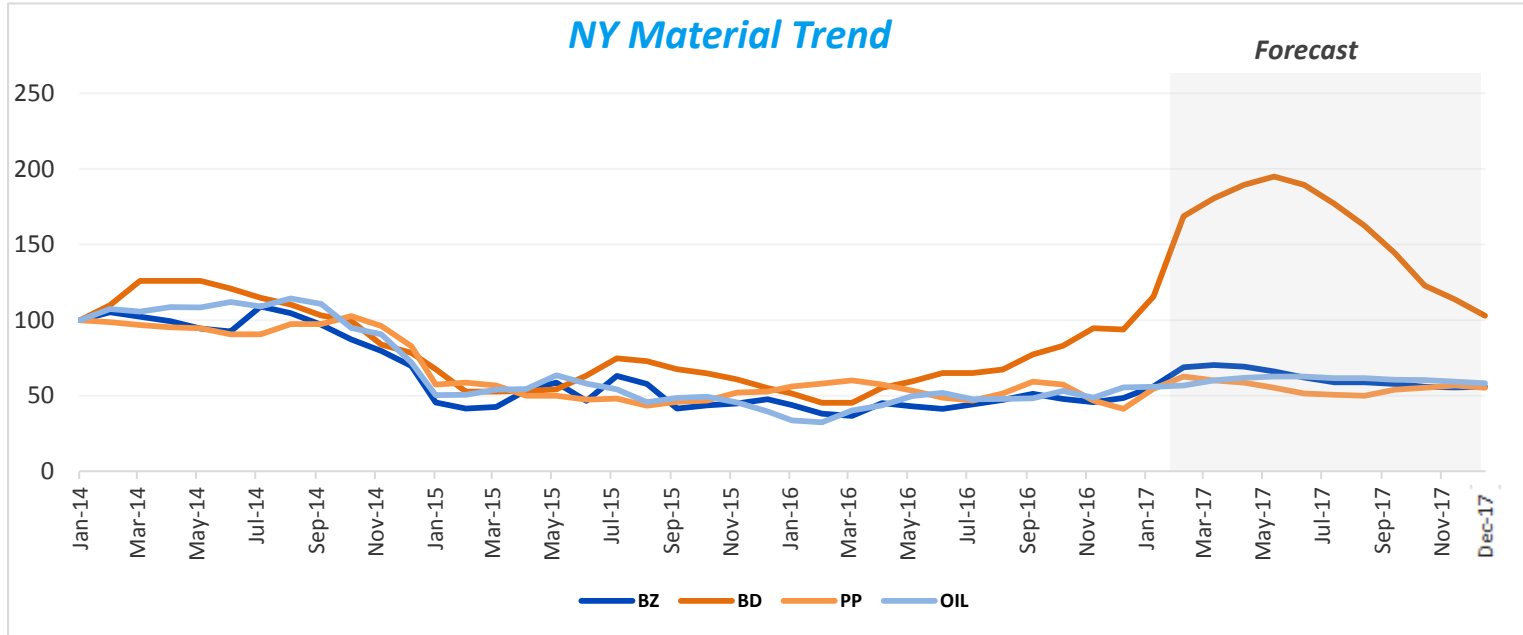
\* Kordsa distributes all the distributable income subject to Gen Assembly approval. Basis of distribution is the lower of the Turkish solo tax books or consolidated TFRS net income.

# 2016 - Operating Profit Bridge



# APPENDIX

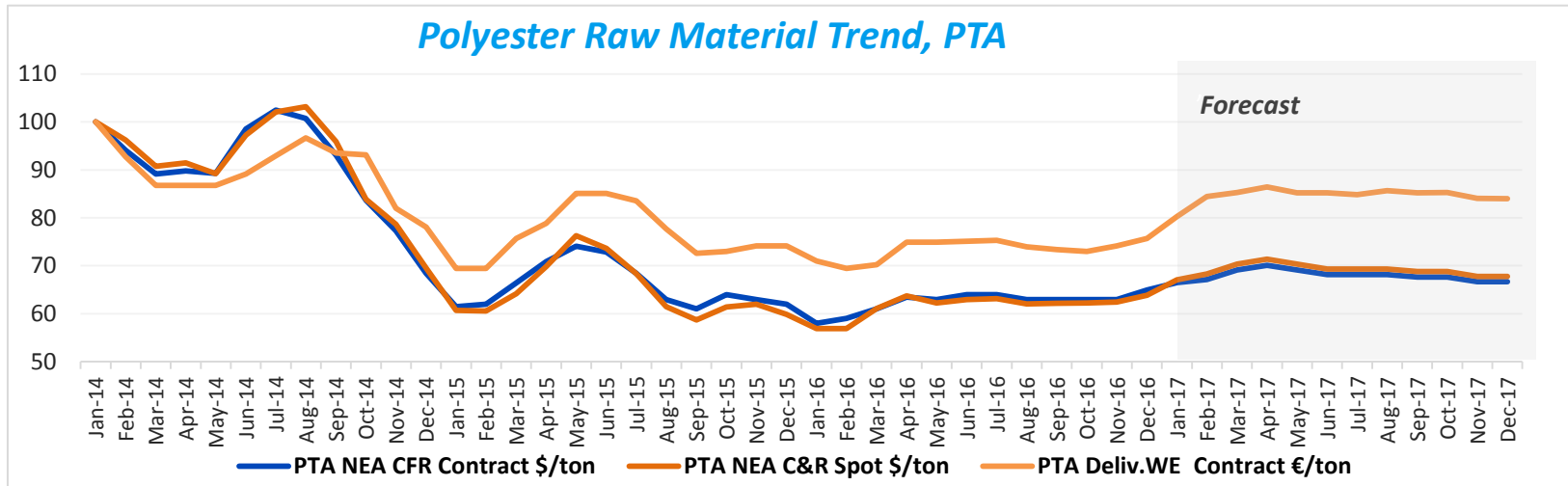
# RM Price Drivers



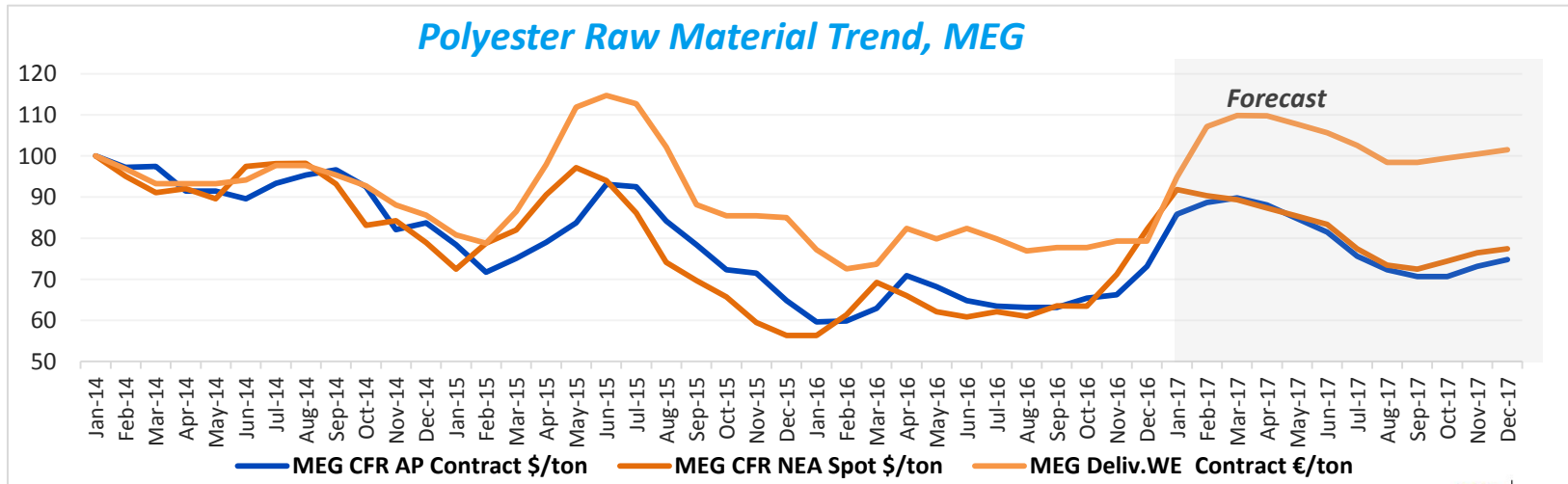
Source: Company Estimates



# RM Price Drivers



Source: Company Estimates



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