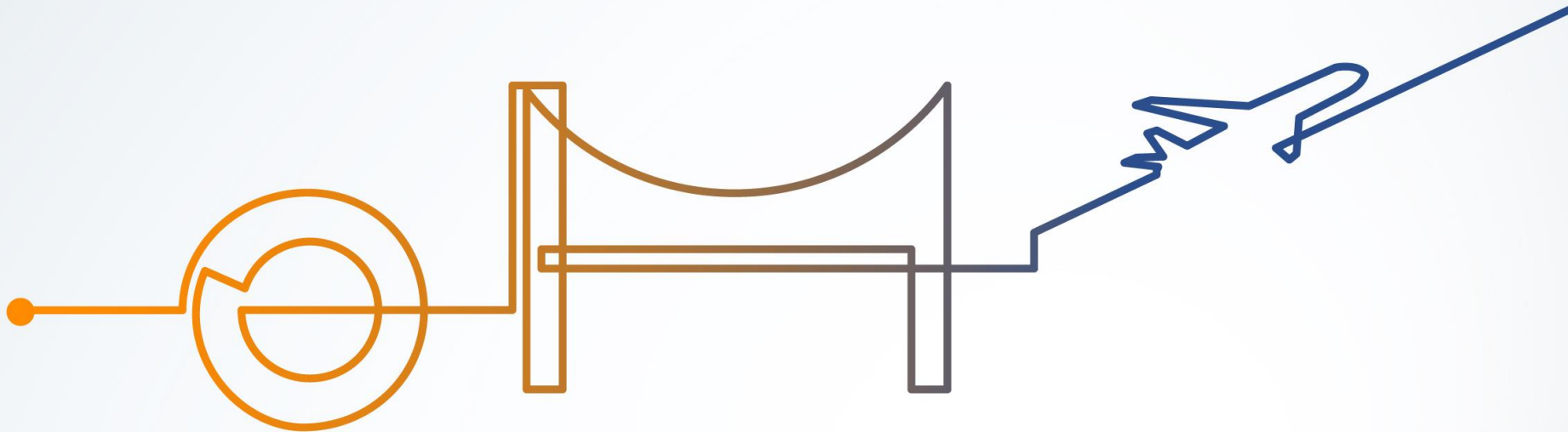


# 2017 YE - Earnings Release

February 21, 2018



# Disclaimer

The information and opinions contained in this document have been compiled by KORDSA Teknik Tekstil Anonim Şirketi (the "Company") from sources believed to be reliable and in good faith, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness or correctness. No undue reliance may be placed for any purposes whatsoever on the information contained in this presentation or on its completeness, accuracy or fairness. This document may contain forward-looking statements by using such words as "may", "will", "expect", "believe", "plan" and other similar terminology that reflect the Company management's current views, expectations, assumptions and forecasts with respect to certain future events. As the actual performance of the companies may be affected by risks and uncertainties, all opinions, information and estimates contained in this document constitute the Company's current judgment and are subject to change, update, amend, supplement or otherwise alter without notice. Although it is believed that the information and analysis are correct and expectations reflected in this document are reasonable, they may be affected by a variety of variables and changes in underlying assumptions that could cause actual results to differ materially. The Company does not undertake any obligation, and disclaims any duty to update or revise any forward looking statements, whether as a result of new information or future events. Neither this document nor the information contained within can construe any investment advice, invitation or an offer to buy or sell the Company and/or Its group companies' shares. The Company cannot guarantee that the securities described in this document constitute a suitable investment for all investors and nothing shall be taken as an inducement to any person to invest in or otherwise deal with any shares of the Company and its group companies. The information contained in this document is published for the assistance of recipients, but is not to be relied upon as authoritative or taken in substitution for the exercise of judgment by any recipient. You must not distribute the information in this document to, or cause it to be used by, any person or entity in a place where its distribution or use would be unlawful. Neither the Company, its board of directors, directors, managers, nor any of Its employees shall have any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

# Kordsa in Brief

4 continents  
8 facilities

~4,000  
employees

2 R&D  
Centers

664 patent applications  
168 patents  
167 inventions



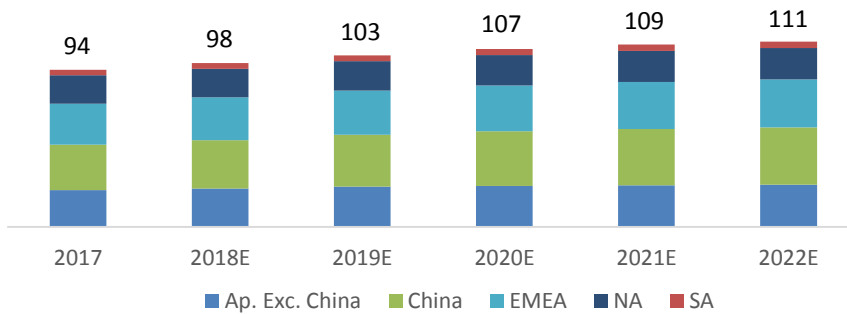
# WE REINFORCE LIFE

# Market Dynamics

## Global Automotive Market

Global LV Assembly – M Units / Year

2017-2022E CAGR: 3,3%



Source: PWC Autofacts

**AP Exc. China:** +4.4% ASEAN region expected to be an engine for global market

**China:** +6.4% Demand expected to grow parallel with GDP increase

**EMEA:** +5.2% Middle East is expected to continue to grow

**NA:** -0.5% Temporary plant shutdowns in 2017

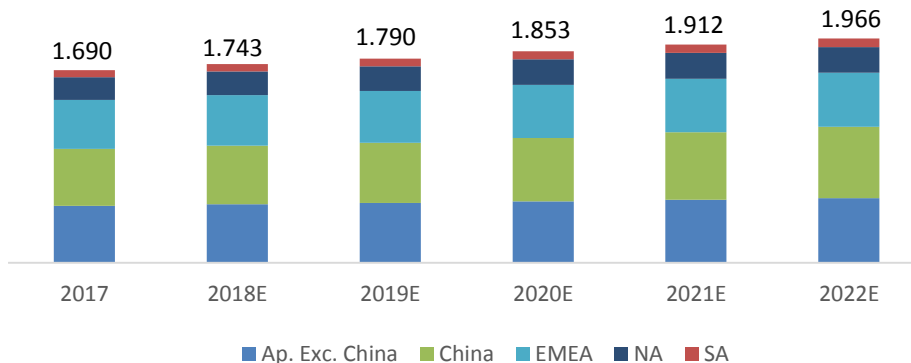
Crossover segment demand is strong

**SA:** +5.9% Market is recovering

## Global Tire Market

Global LV Tire Production – M Units / Year

2017-2022E CAGR: %3,0



Source: LMC Tyre Forecast

Tire Market is correlated to Automotive Market Growth.

**AP Exc. China:** +2.7%

**China:** +2.4%

**EMEA:** +3.4%

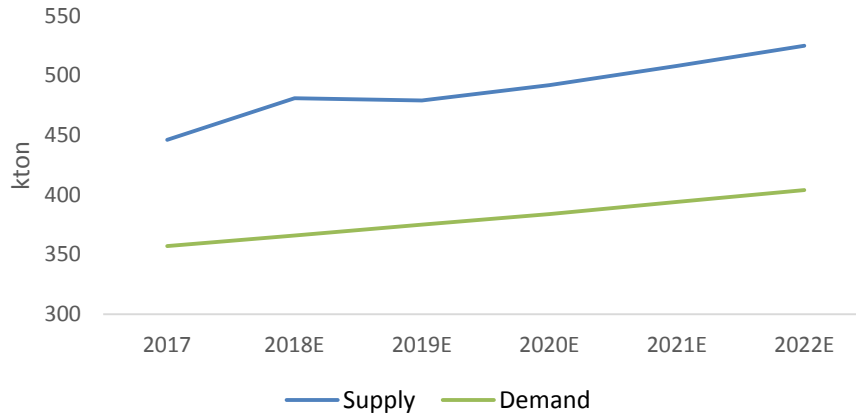
**NA:** +5.2%

**SA:** +3.8%

# Market Dynamics

## Tire Reinforcement Market (NY 6.6)

2017-2022 CAGR: +2.5%



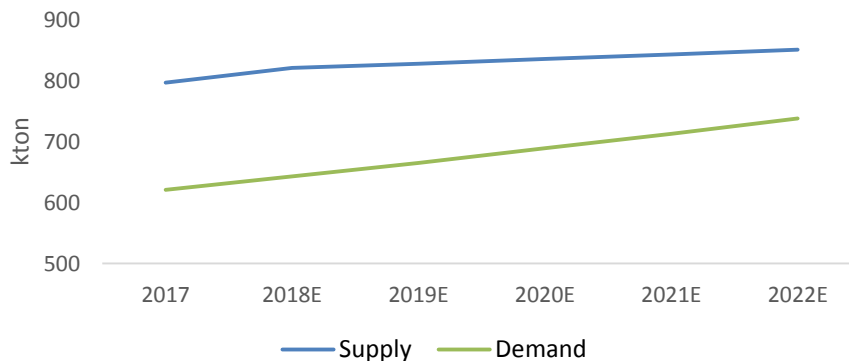
Source: Company Estimates

### Nylon 6.6

- 2017: High capacity utilisation rates
- Chinese nylon players increasing competition
- Nylon raw material tightness expected until 2020

## Tire Reinforcement Market (PET)

2017-2022 CAGR: +3.5%



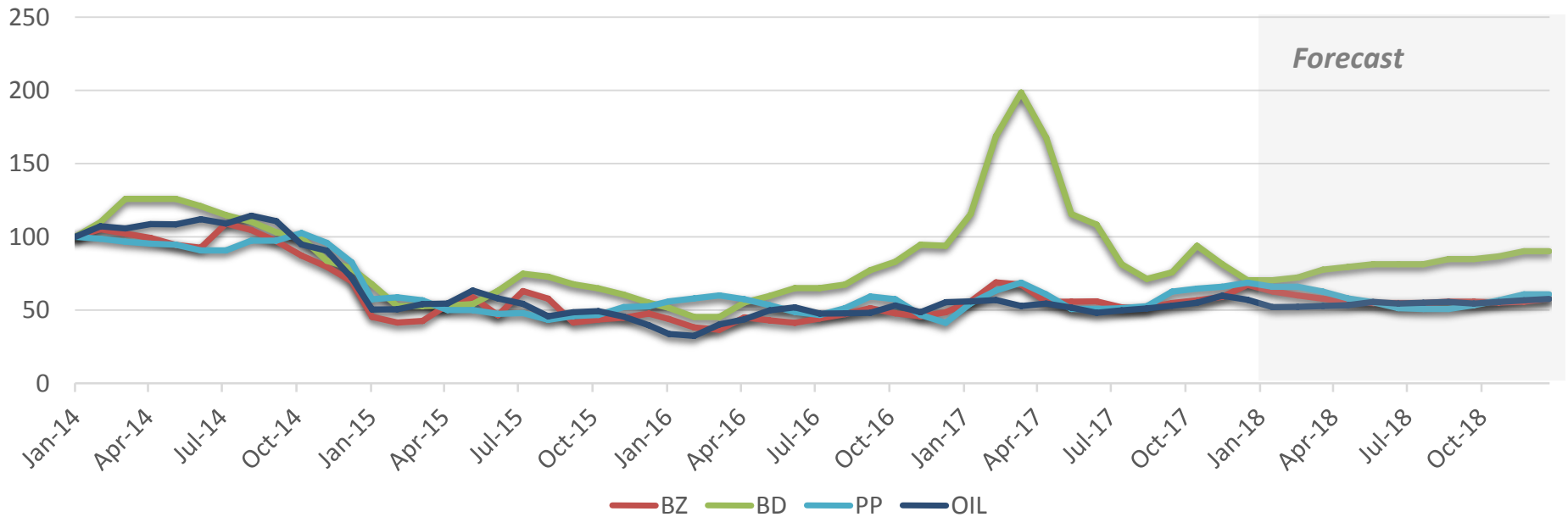
Source: Company Estimates

### PET HMLS

- Capacity development in line with demand growth
- Nylon tightness increasing demand for PET

# RM Price Drivers

## NY Raw Material Trend (Indexed)

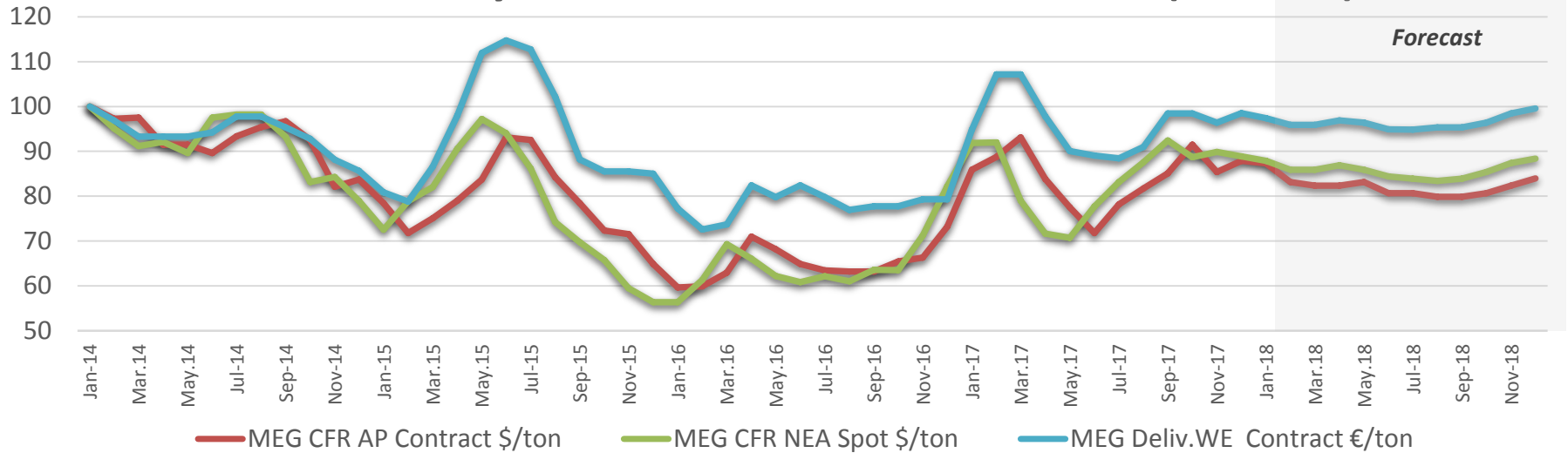


Source: Company Estimates

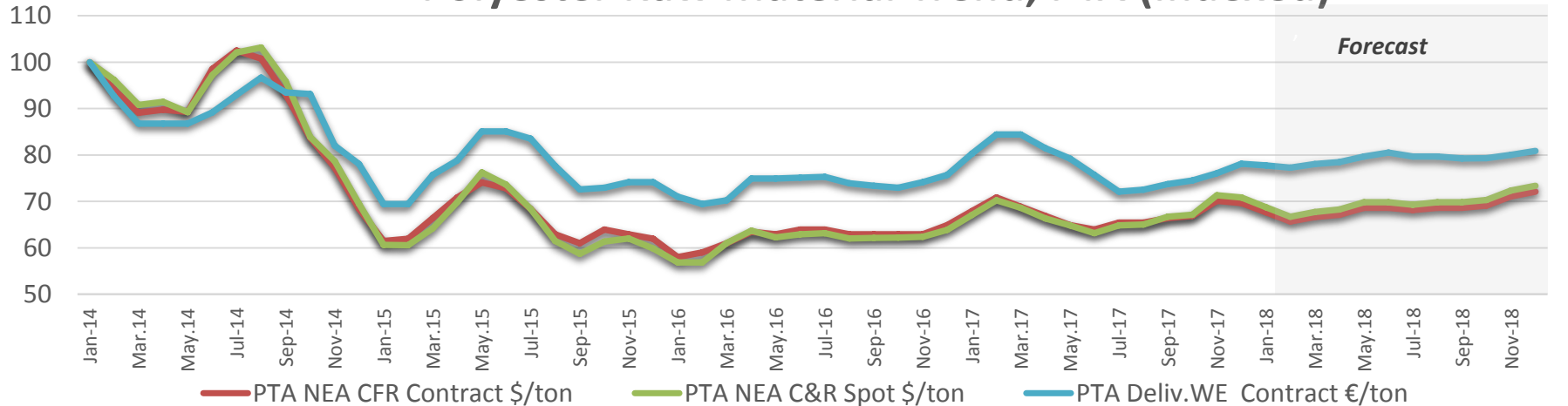
BZ: Benzene  
BD: Butadiene  
PP: Polypropylene

# RM Price Drivers

## Polyester Raw Material Trend, MEG (Indexed)

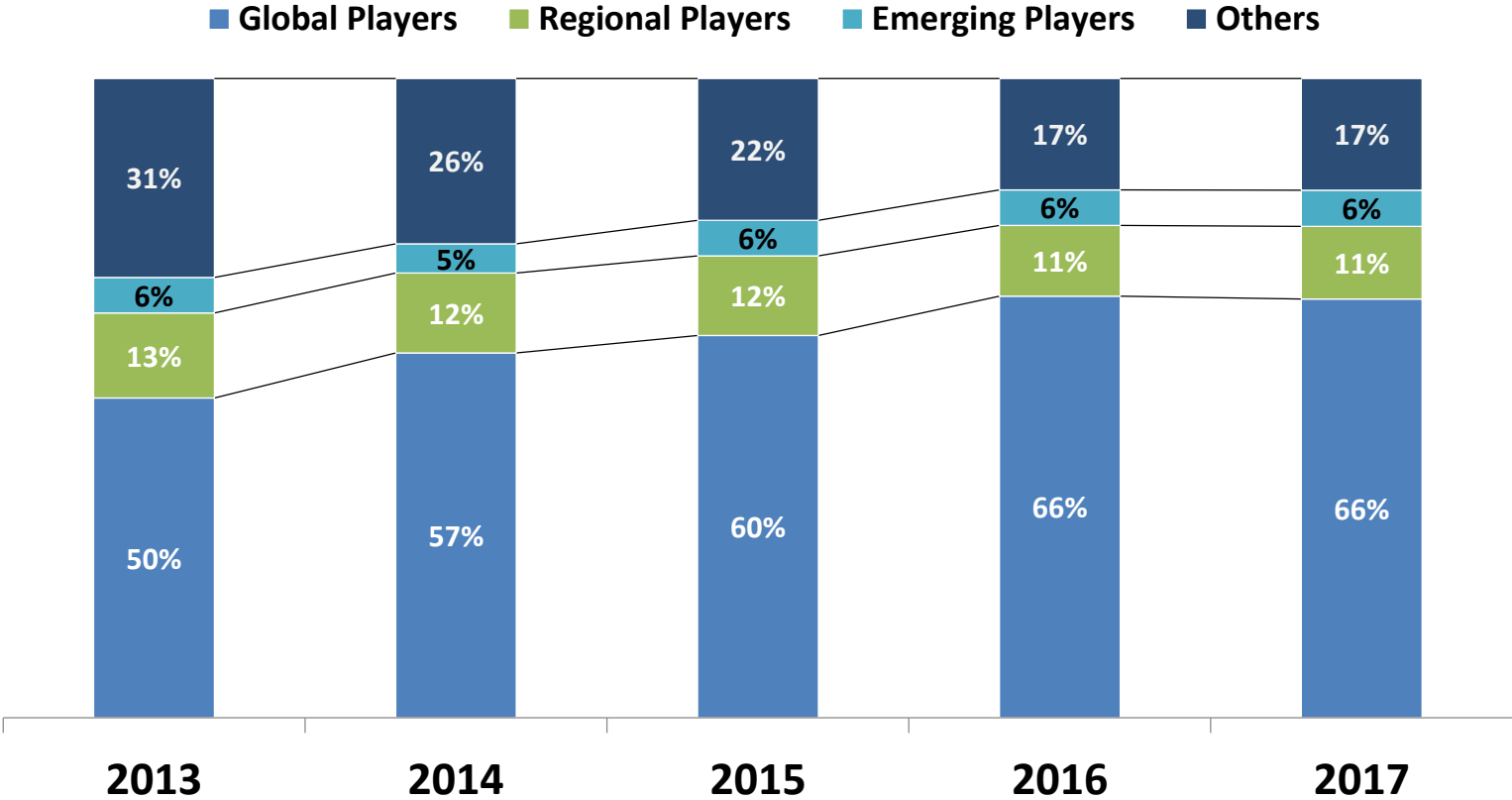


## Polyester Raw Material Trend, PTA (Indexed)



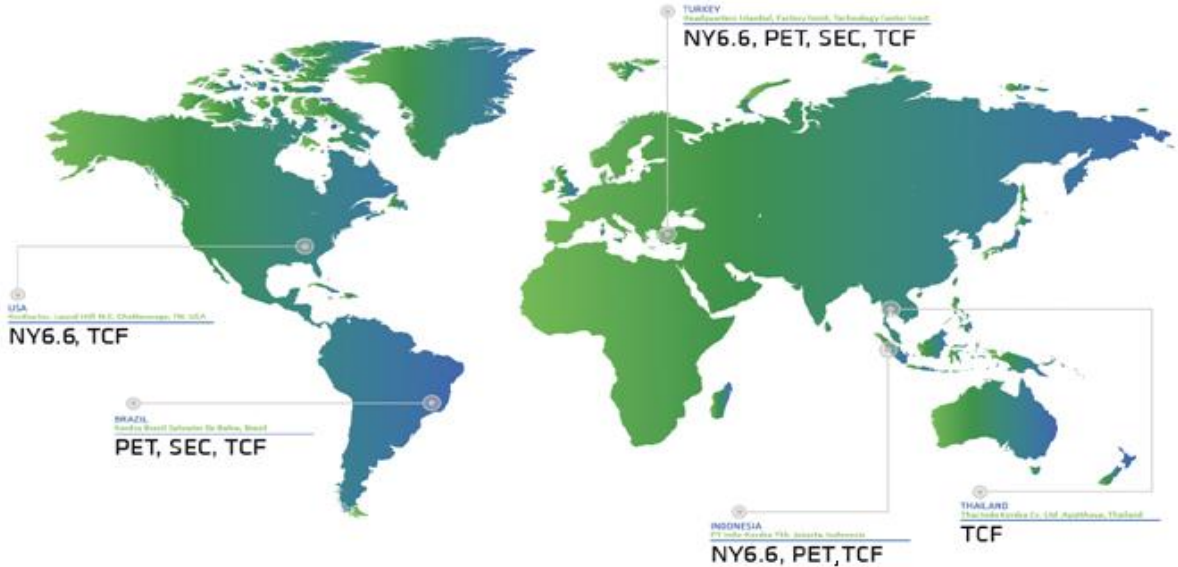
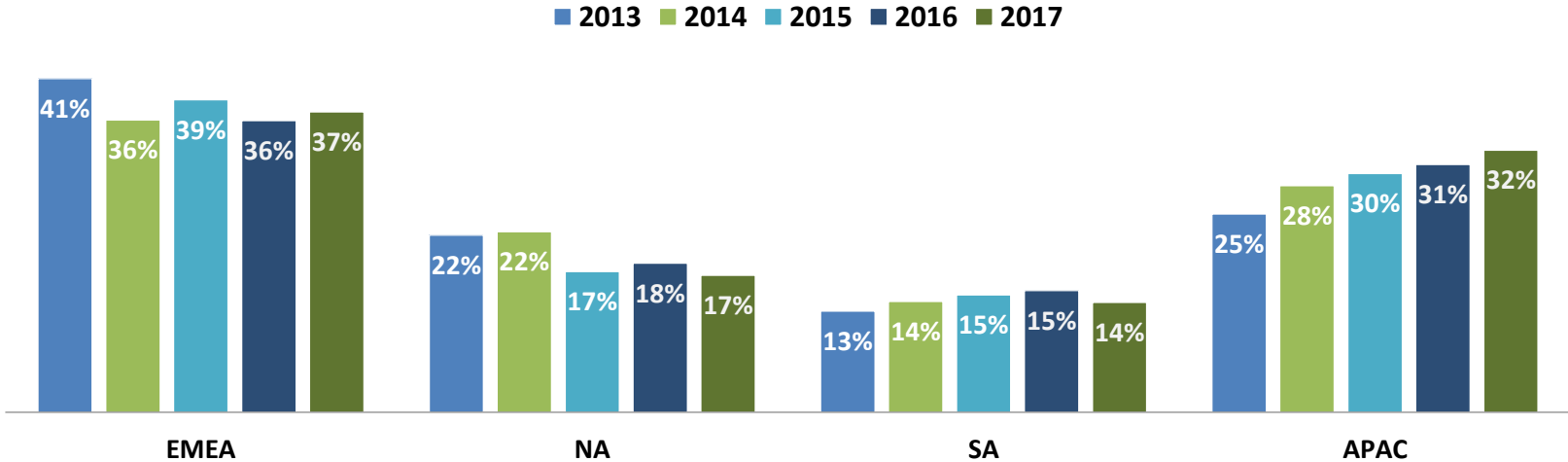
Source: Company Estimates

# Segmental Progress

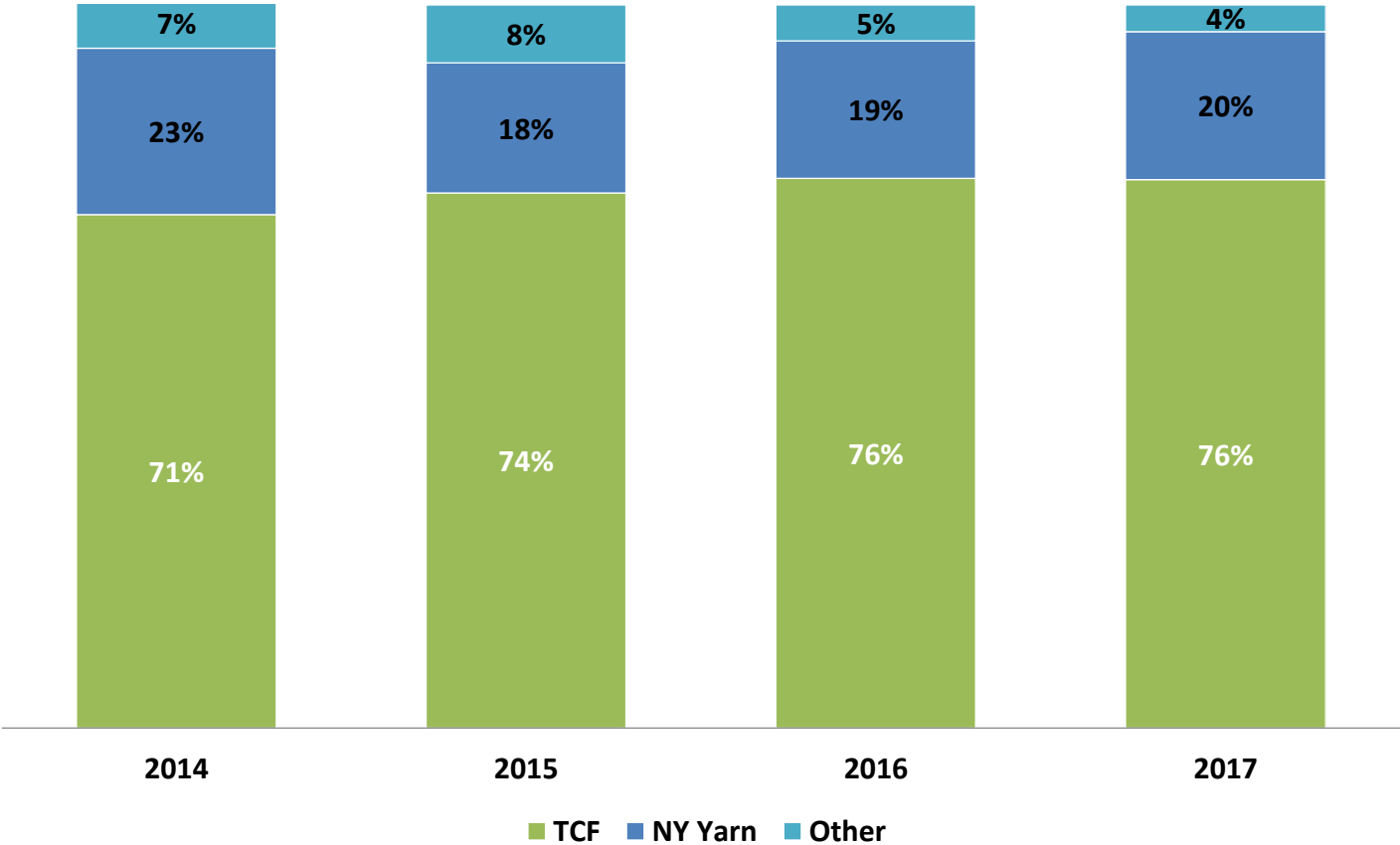




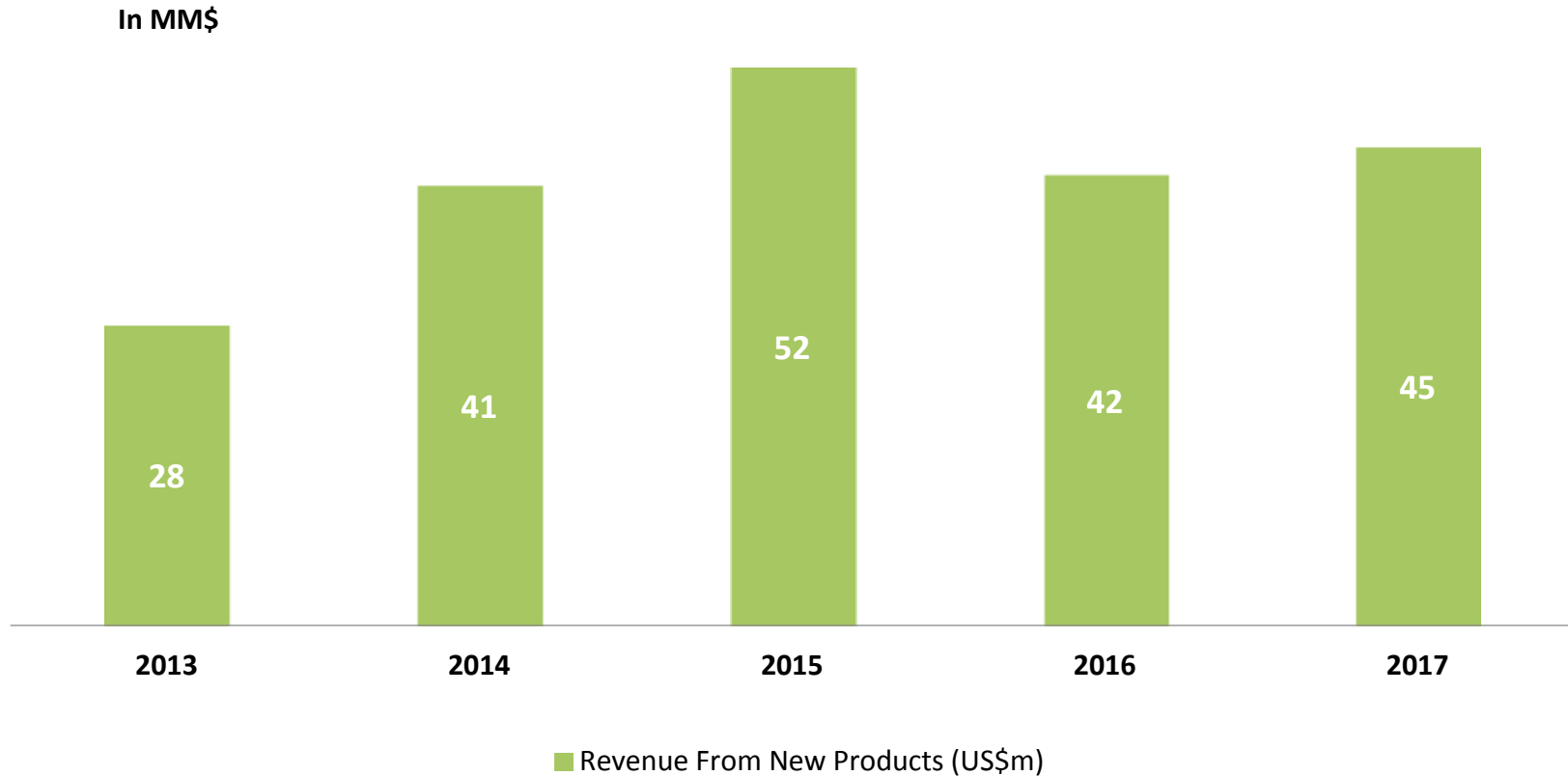
# Regional Revenue Split Progress



# 2017 Revenue Split Progress by Products



# Strong Focus on R&D



- Incl. Replacement products and incremental new products
- Once “new product life cycle” is completed in 7 years, it is transferred to “regular sales” portfolio

# 2017 - Key Financials

(million TL)	Dec 31, 2016	Dec 31, 2017	Change
Net Sales	1.908	2.485	30%
Gross Profit	397	449	13%
Gross Profit %	20,8%	18,1%	-3 pts
Opex %	9,2%	8,6%	-1 pts
Operating Profit	240	278	16%
Operating Profit %	12,6%	11,2%	-1 pts
EBITDA	288	350	21%
EBITDA %	15,1%	14,1%	-1 pts
Net Income	178	212	19%
Effective Tax Rate	16,3%	14,7%	-2 pts
Net Income %	9,3%	8,5%	-1 pts
EPS (TL / 1.000 shares)	7,36	8,49	15,4%

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

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

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

# 2017 – Key Balance Sheet Items

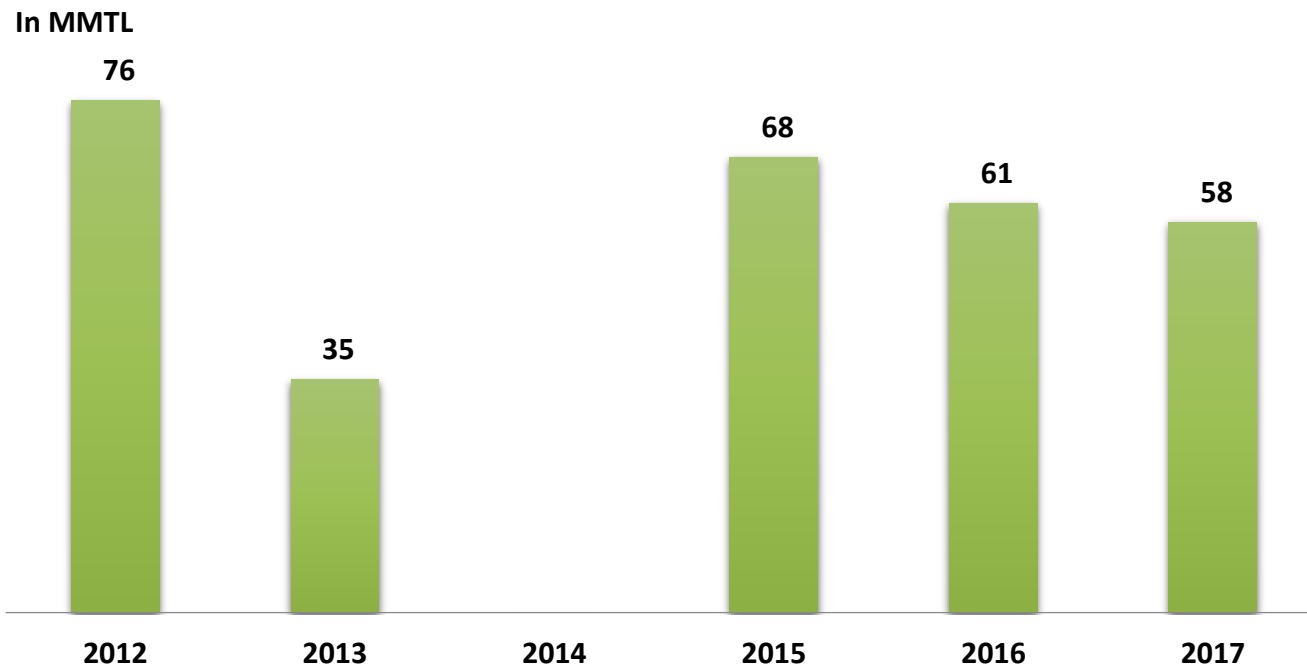
(million TL)	Dec 31, 2016	Dec 31, 2017	Change
Cash and Cash Equivalents	39	16	23
Account Receivable	372	483	(111)
Other Current Assets	75	102	(26)
Inventories	537	585	(48)
PPE & Intangible & Investment Property	1.402	1.556	(155)
Accounts Payable	(284)	(314)	30
Oth. Curr. Liabilities (Excl. Borrowings)	(71)	(79)	8
<b>Total Debt</b>	<b>535</b>	<b>632</b>	<b>(97)</b>
<i>Short Term Debt</i>	<i>374</i>	<i>531</i>	<i>(157)</i>
<i>Long Term Debt</i>	<i>161</i>	<i>101</i>	<i>60</i>
<b>Net Debt (Cash &amp; Cash Equivalents excluded)</b>	<b>496</b>	<b>617</b>	<b>(120)</b>
WCAP Turnover	3,5	3,4	
Net Debt / EBITDA	1,7	1,3	
ROA	7,6%	7,6%	
ROE	13,7%	13,7%	

# 2017 - Free Cash Flow

(million TL)	Dec 31, 2016	Dec, 31 2017	Change
EBIT*(1-t)	204	237	33
Depreciation and Amortization	79	103	(24)
Change in Working Capital	(84)	(114)	(30)
Cash Used in Investing Activities	(134)	(180)	(47)
<b>Free Cash Flow*</b>	<b>66</b>	<b>45</b>	<b>(21)</b>

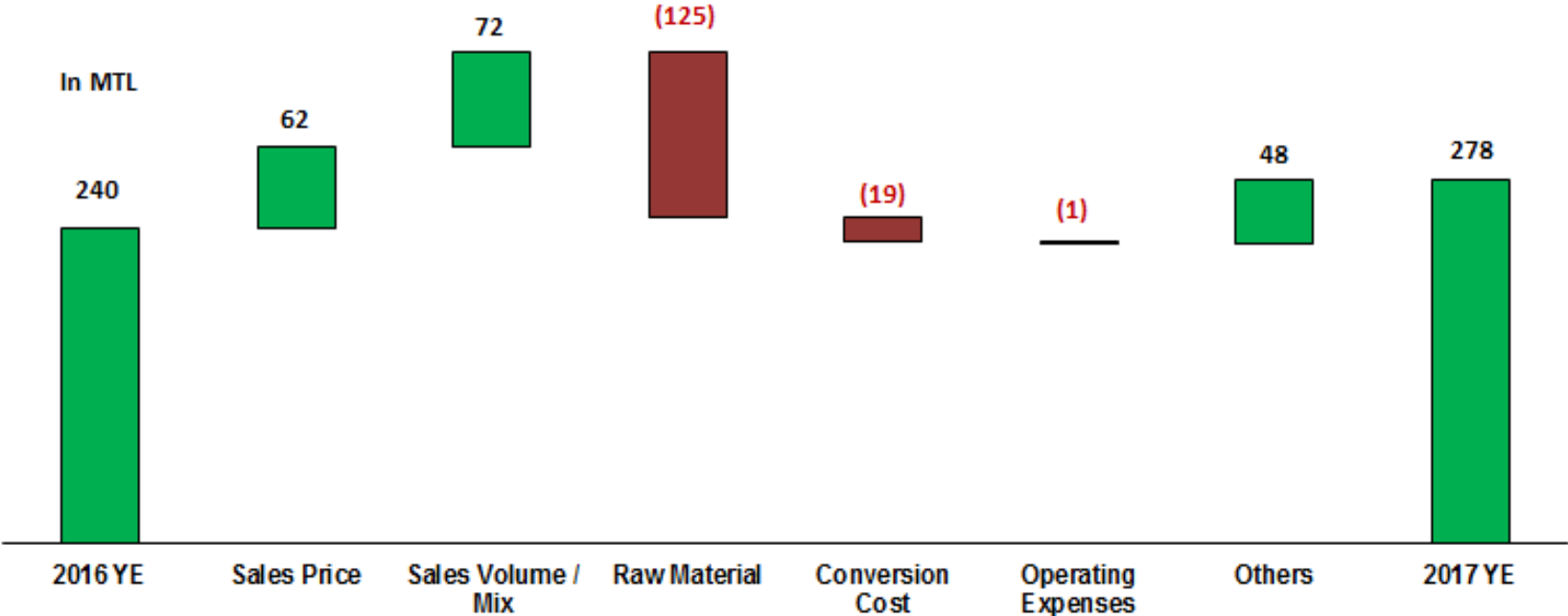
*\* FCF: EBIT(1-Tax Rate) + Depreciation & Amortization - Change in Net Working Capital - Capital Expenditure. It can also be calculated by taking operating cash flow and subtracting capital expenditures. - FCF (operational cash flow- capex)*

# 2017 - 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.

# 2017 - Operating Profit Bridge - MTL





# Guidance

	<u>2017 Expectations</u> <u>as of Mar'2017</u>	<u>2017 YE</u> <u>Actual</u>
Revenue Growth (TRL)	%25 - %35	30%
Ebitda Growth (TRL)	%20-%30	21%
Raw Material		
<p><i>NY</i> -----&gt;</p> <p><i>Pet</i> -----&gt;</p>	<p>Highly correlated with Butadiene, Benzene, Propylene</p> <p>Highly correlated with PTA, MEG</p>	
Recurring Creep Capex	23 M\$	

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

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

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

# APPENDIX

# 2013 – 2017 Trend

