

KORDSA

THE REINFORCER



2018 1H – Earnings Release

August 9, 2018

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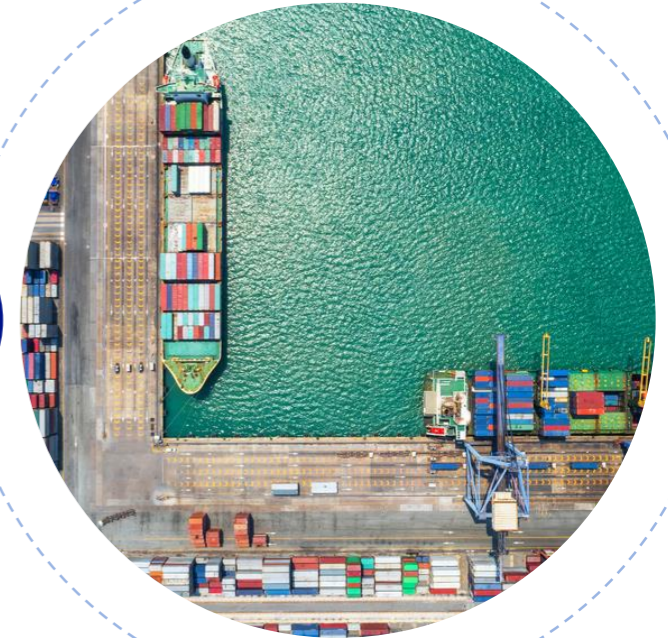
Global Footprint

4 continents
10* facilities

~4,200
employees

2 R&D
Centers

717 patent application
218 patents
174 inventions



WE REINFORCE LIFE

**The acquisition process of Fabric Development Inc and Textile Products Inc was finalized in Jul 16, 2018*

1H 2018 Highlights

TL Financials (MTL)			
	1H 2017	1H 2018	Δ
Sales	1,239	1,538	+ 24.1%
EBITDA*	193	263	+ 35.9%
EBITDA* margin (%)	15.6%	17.1%	+ 1.5 bp

Tire cord fabrics (“TCF”)

- Strong market position,
- Higher volume growth compared to sector,
- Sustainable growth rate on profitable products,
- Benefits from TL and other EM currency depreciation,
- Cost improvements in North America operations after the acquisition of Invista and starting flake production

Composite

- Finalized the acquisition process of FDI & TPI which provide advanced composite materials to the commercial aviation industry,
- After the acquisition of FDI & TPI, becoming the sole supplier for Toray which is the main supplier of Boeing,
- Potential M&A targets are always under consideration,
- Targeting 5 M\$/year revenue from Kordsa’s organic operations in Composite Technologies Centre of Excellence.

Construction

- Completed Kratos Polypropylene production line in Izmit,
- Kratos Macro & Micro Synthetic Fibers are approved and applied in over 50 significant superstructure, industrial and infrastructure reference projects.

1H 2018
Highlights

EBITDA* = Gross Profit – OPEX + Depreciation/Amortization

Confidential

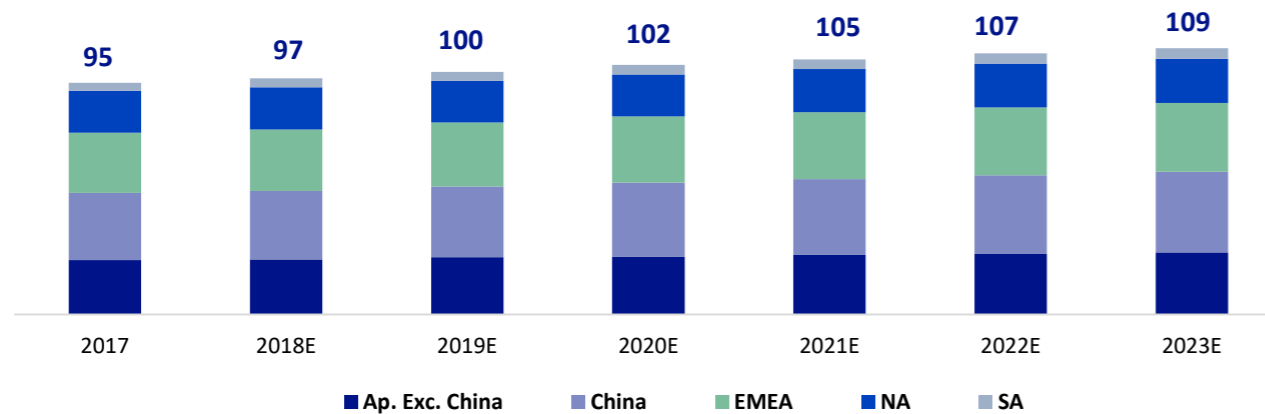
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Market Dynamics

Global Automotive Market

Global LV Assembly – M Units / Year

2017-2023E CAGR: 2,5%



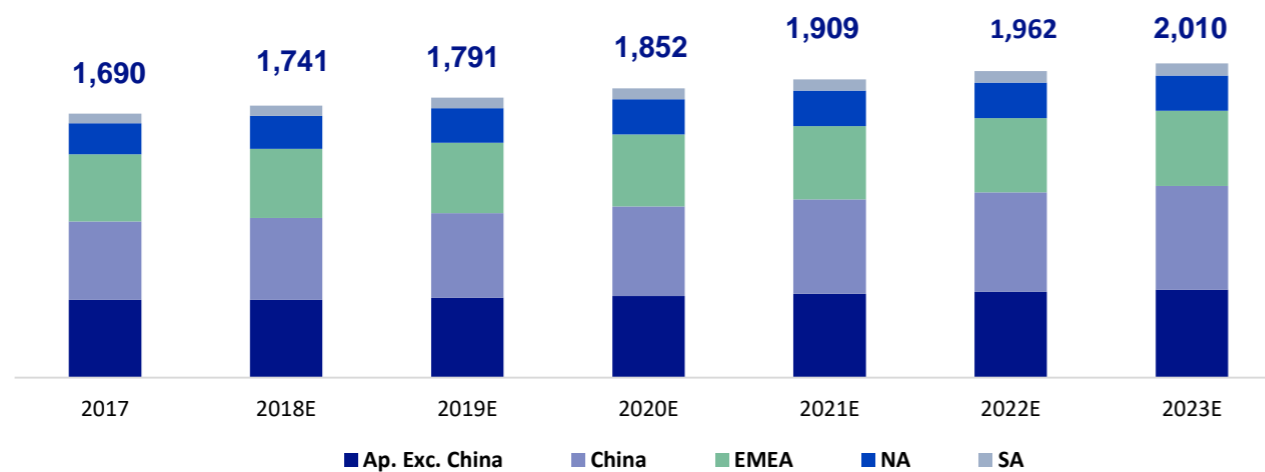
Source: PWC Autofacts

- **AP Exc. China:** +2.5% ASEAN region expected to grow
- **China:** +6.4% Demand expected to grow parallel with GDP increase, effects of tariff wars
- **EMEA:** +4.5% Middle East is expected to continue to grow
- **NA:** -0.5% Decrease in auto production, effects of tariff wars, Crossover segment demand is strong
- **SA:** +5.9% Market is recovering

Global Tire Market

Global LV Tire Production – M Units / Year

2017-2023E CAGR: 2,9%



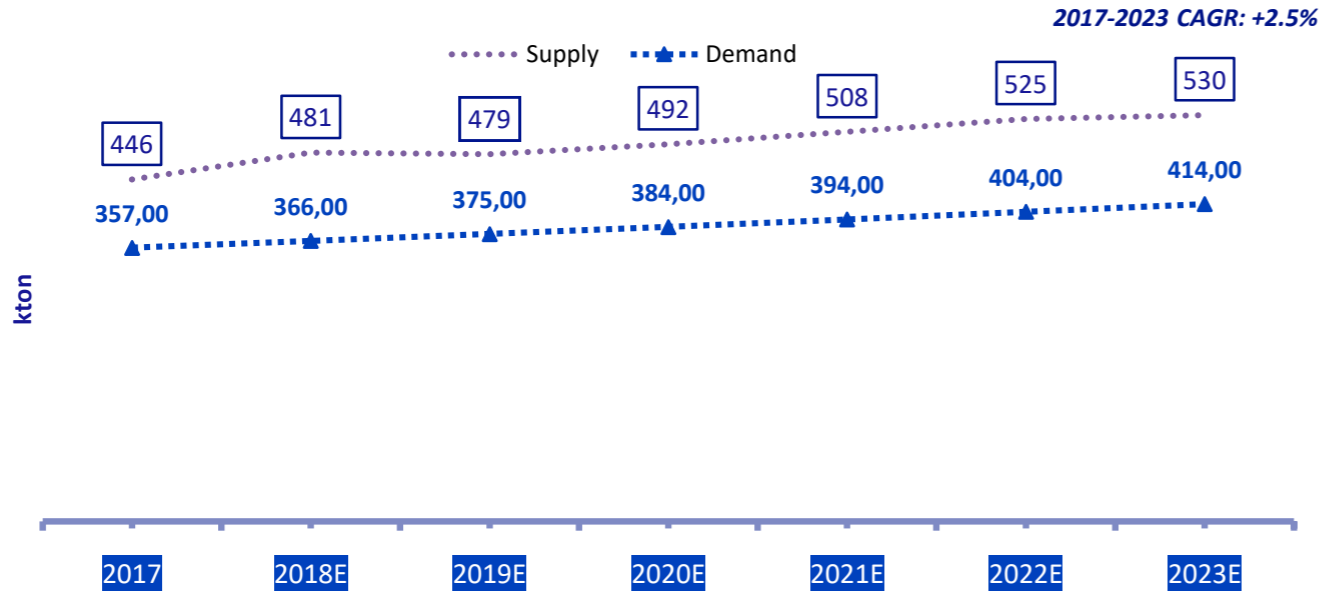
Source: LMC Tyre Forecast

Tire Market is correlated to Automotive Market Growth, expected production numbers compared to last year.

- **AP Exc. China:** +1.4%
- **China:** +2.9% (tariff war effect)
- **EMEA:** +3.3%
- **NA:** +5.9% (mainly replacement effect)
- **SA:** +2.1%

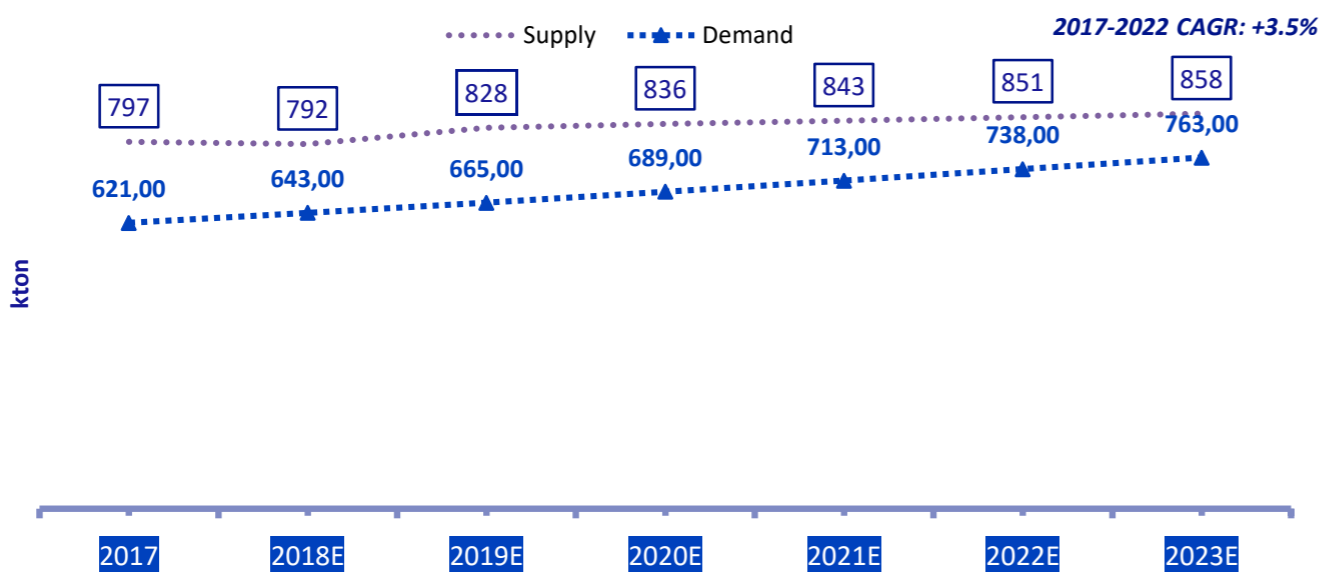
Market Dynamics

Tire Reinforcement Market (NY6.6)



Source: Company Estimates

Tire Reinforcement Market (PET)



Source: Company Estimates

Nylon 6.6

- High capacity utilisation rates
- Increasing demand for another market, Engineering Plastics
- Switching to NY6

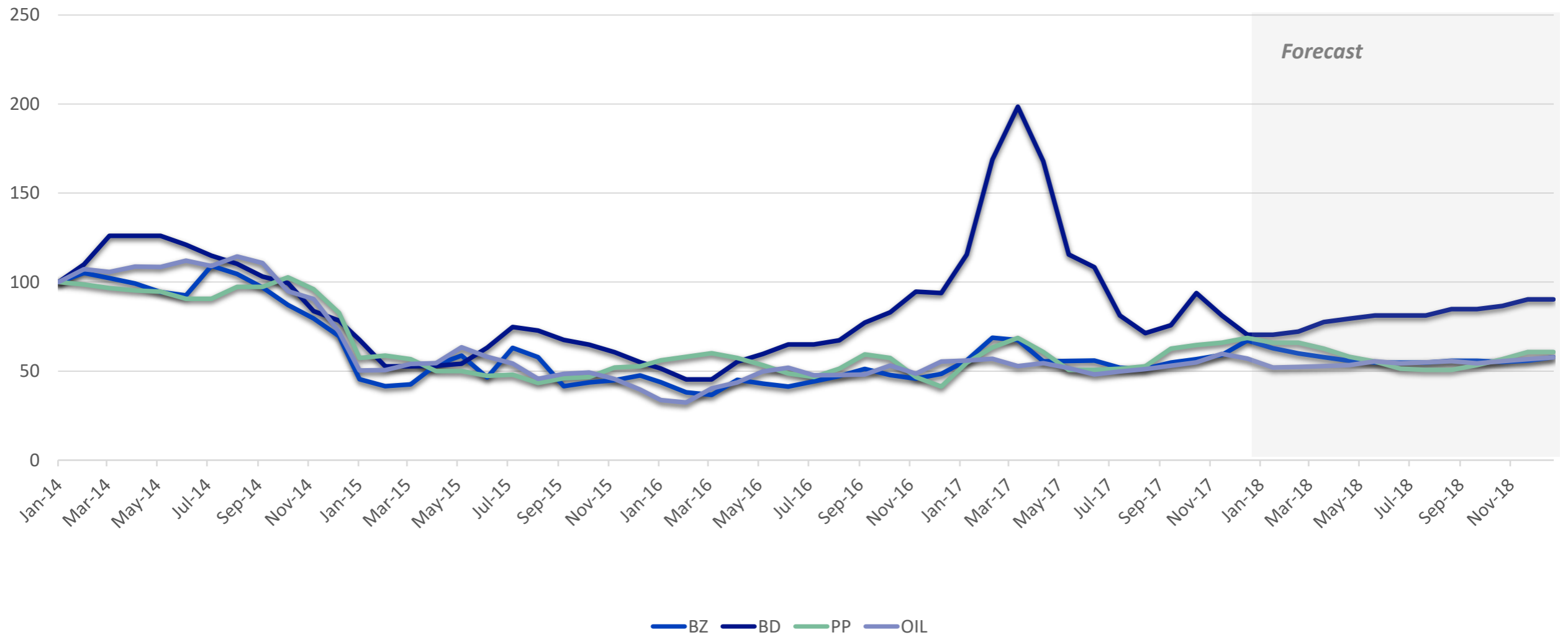
PET HMLS

- Consolidation by Indorama (acquiring PF Kaiping, Glanzstoff, Durafiber)
- Increasing PET usage in Tire

RM Price Drivers

NY Raw Material Trend (Indexed)

NY Raw Material Trend (Indexed)



Source: Company Estimates

BZ: Benzene

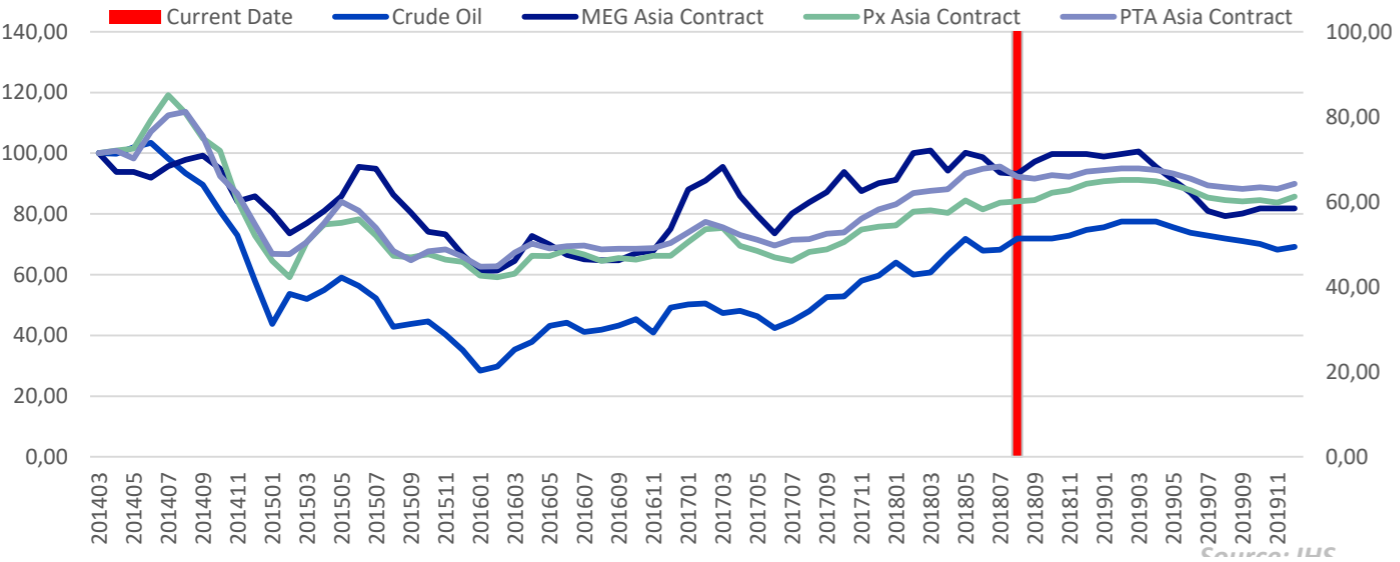
BD: Butadiene

PP: Propylene

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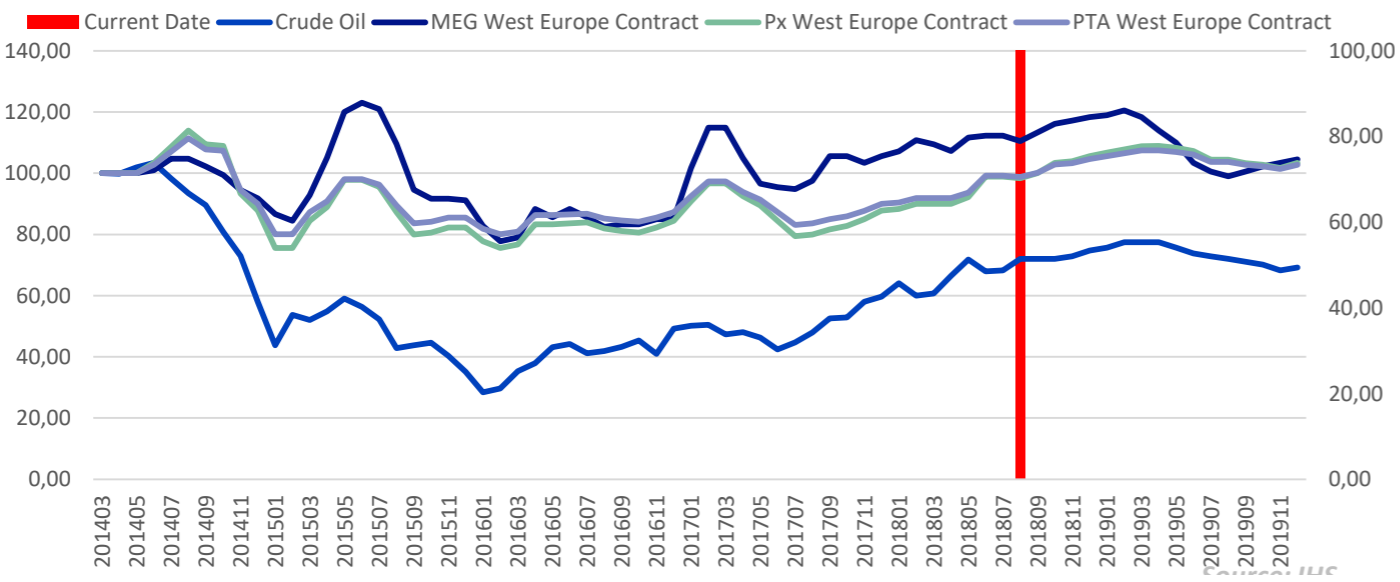
RM Price Drivers

PET Feedstock Asia



Source: IHS Markit

PET Feedstock West Europe



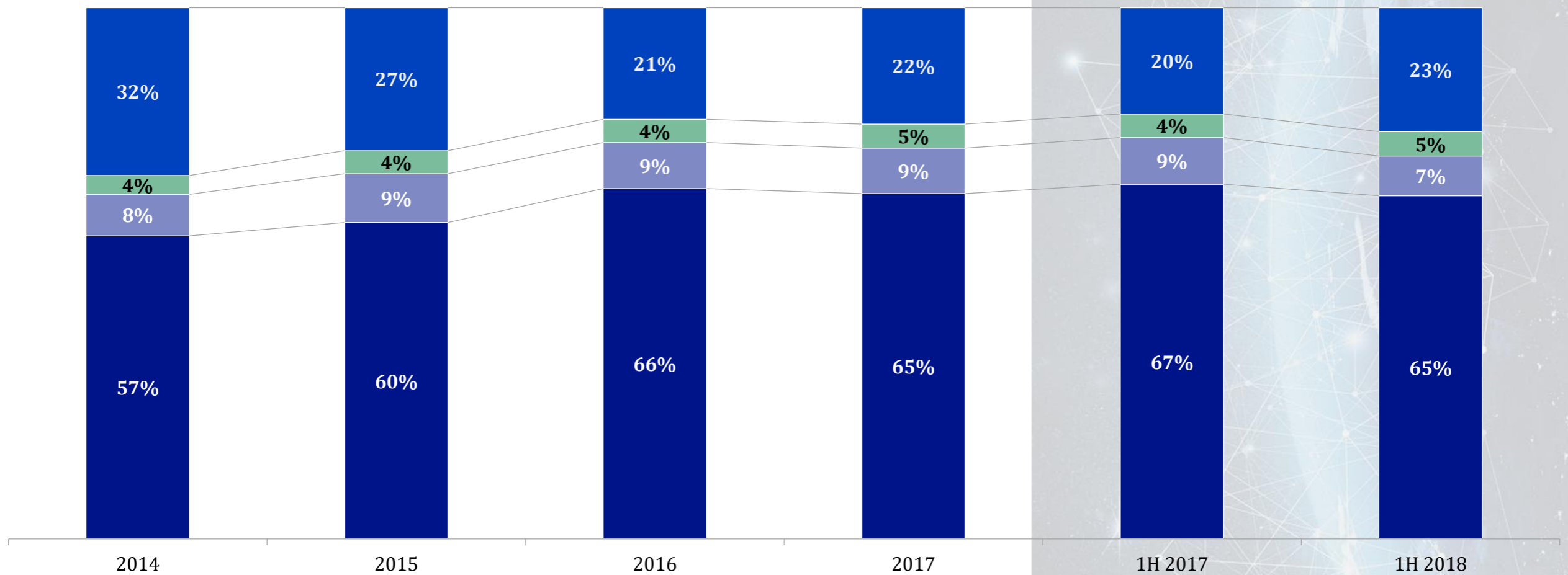
Source: IHS Markit

- Crude oil WTI (based on IHS) price is the major driver for PET price,
- MEG prices decrease in 2019 due to new capacity becoming online,
- 2020 and onwards still not clear from crude oil side due to IMO regulations, OPEC supplies, USA sanctions, etc,
- PTE & MEG are expected to remain tight in 2018.

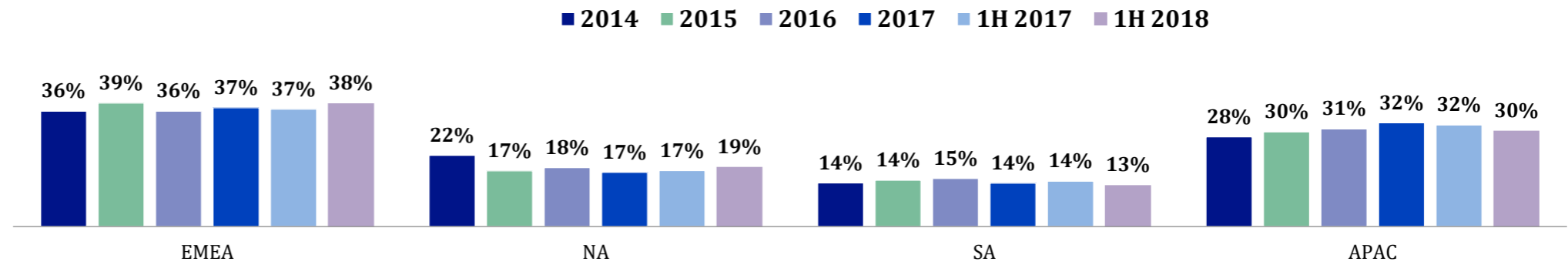
- Crude oil price is the major driver for PET price,
- Europe PET chip feedstock prices tend to follow Asian market prices,
- PTA in Europe has also been affected by BP Geel & PK Orlen's recent FMs in 2018

Capitalize on Global Footprint and Entrenched Supplier Status with All Key Tire Manufacturers - Segmental Progress

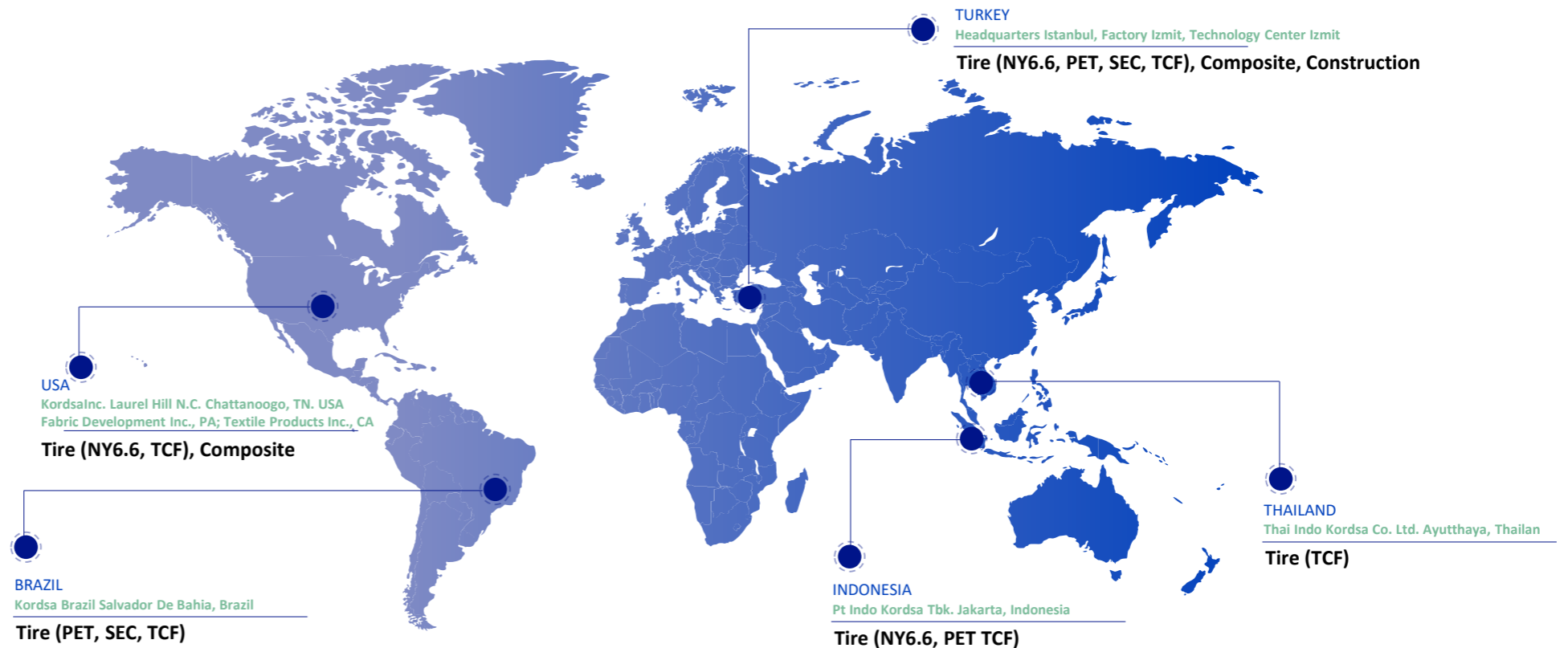
■ Global Players ■ Regional Players ■ Emerging Players ■ Others



Global Footprint



Regional footprint versus key competitors



Kordsa market position

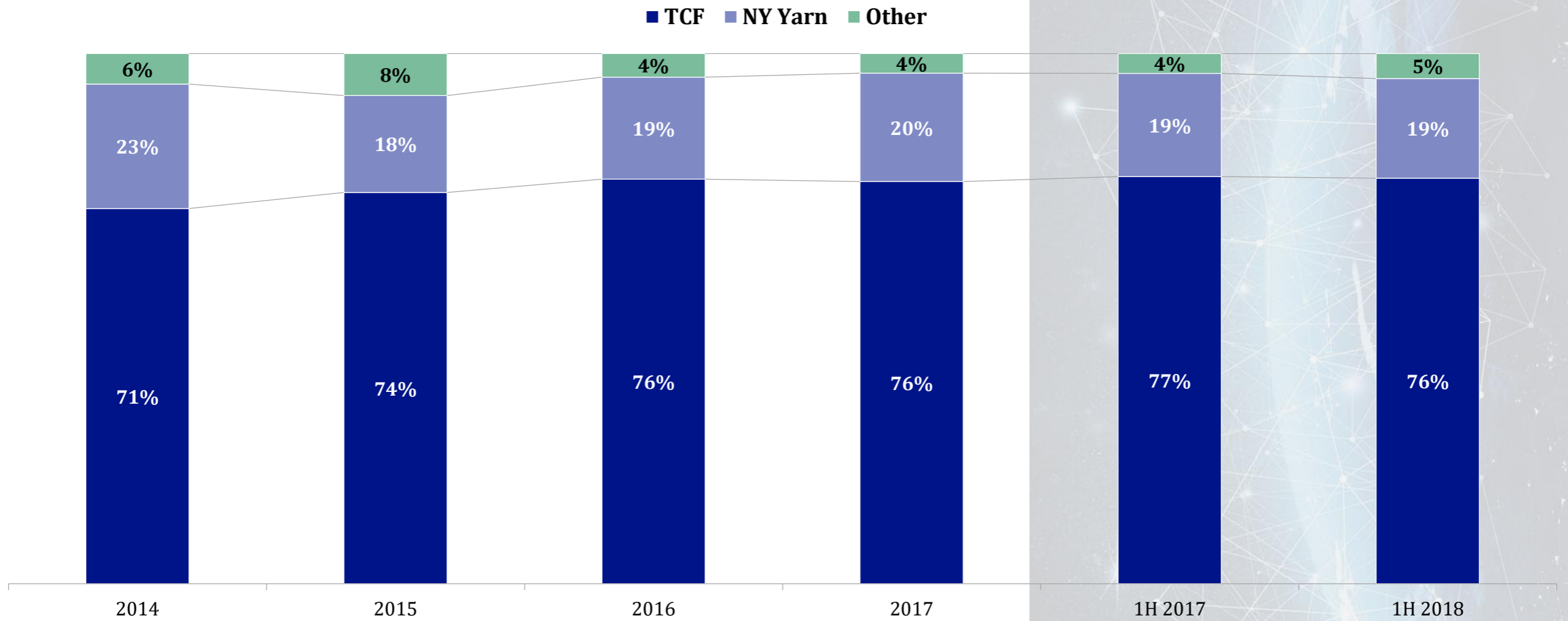
- #1 NY TCF producer
- #1 PET TCF producer

- #1 NY TCF producer in the US

- The only PET yarn, TCF and SEC producer in LATAM

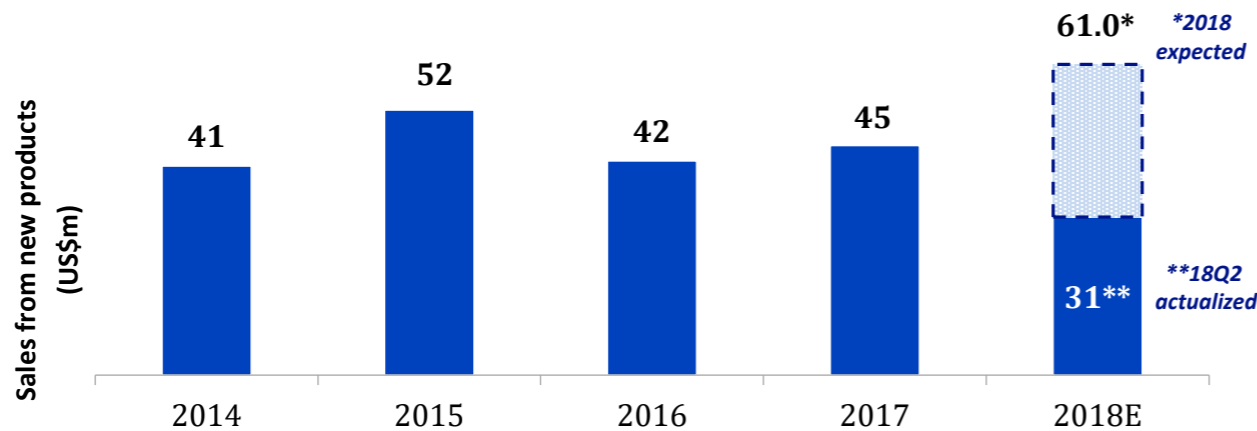
- #2 NY TCF producer
- #2 PET TCF producer

2018 1H Revenue Split Progress by Products



Technology Leadership at The Cutting Edge of Reinforcement

Strong focus on R&D



Cutting edge new products



✓ Rolling resistance improvements through higher modulus for high performance tires



✓ Protection layer for truck & bus tires; reduces tire weight

T802

✓ 7% higher tenacity and better fatigue performance for aircraft tires (bias)

4G PET

✓ 10% higher dimensional stability for better tire performance (improved labeling)

Selected collaborations(a)



(a) includes both, universities as well as individual academics from the names institutions

Leadership in Innovation and Technology”



- Best performed R&D center award of the year 2014 in all industries.
- R&D Center ranked best in textile category for the last 6 years by the Turkish Ministry of Science, Industry and Technology



- Innovation Strategy Champion Turkish Exporters Assembly/InovaLeague



- Among the national top 6 institutions of R&D patent registration in Turkey.

Update on 1H 2018 Results

Key Financials			
(in TL million, unless otherwise stated)	1H 2017	1H 2018	Δ
Sales	1,239	1,538	24%
Gross profit	242	328	35%
Gross profit margin (%)	19.6%	21.3%	1 pts'
OPEX (%)	8.1%	8.2%	0 pts'
Operating Profit	151.7	243.6	61%
Operating Profit Margin (%)	12.2%	15.8%	4 pts'
EBITDA (b)	193.1	263.0	36%
EBITDA Margin (%)	15.6%	17.1%	1 pts'
Net income (a)	88.1	135.7	54%
Effective Tax Rate (%)	15.5%	18.1%	2 pts'
Net Income (%)	7.1%	8.8%	2 pts'
EPS (TL/1,000 shares)	4.53	6.98	54%

(a) IFRS, after minorities

(b) EBITDA Calculation: Gross Margin-OPEX+Dept & Amort

Kordsa continues to perform well based on its value strategy

Update on 1H 2018 Results

Key Balance Sheet Items

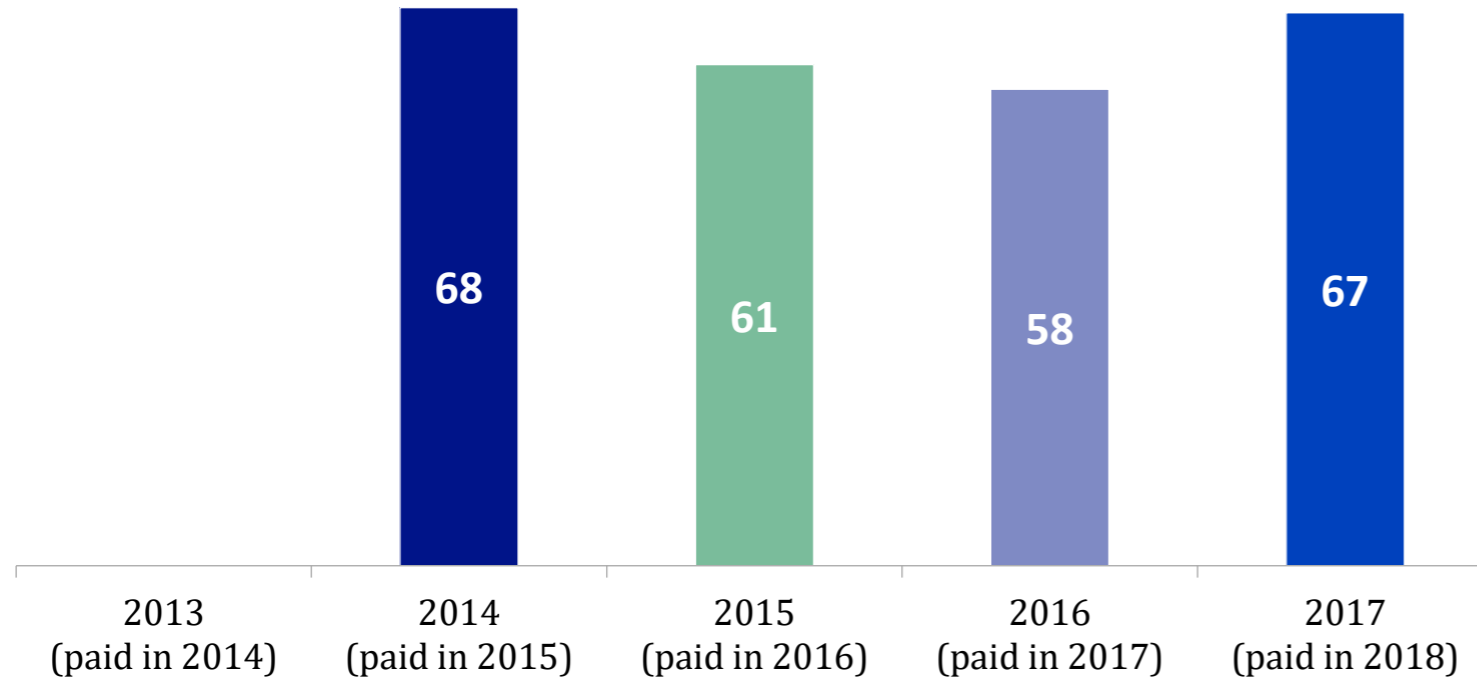
(in TL million, unless otherwise stated)	2017	1H 2018	Δ
Cash and Cash Equivalents	16	34	18
Account Receivables	483	613	129
Inventories	585	957	371
Other Current Assets	113	139	26
PPE & Intangible & Investment Property	1,556	1,820	263
Account Payables	314	458	144
Other Current Liabilities (excl. Borrowings)	84	117	33
Total Debt	632	938	306
<i>Short Term Debt</i>	531	824	293
<i>Long Term Debt</i>	101	114	13
Net Debt (Cash & Cash Equivalents excluded)	617	904	288
WCAP Turnover	3.38	2.95	
Net Debt / EBITDA	1.82	2.21	
ROA	4.3%	4.9%	
ROE	7.7%	9.0%	

Update on 1H 2018 Results

Free Cash Flow			
(in TL million, unless otherwise stated)	1H 2017	1H 2018	Δ
EBIT * (1-t)	135	202	67
Depreciation & Amortization	50	62	11
Change in Working Capital	-153	-347	-195
Cash Used in Investing Activities	-61	-94	-33
Free Cash Flow*	-28	-178	-150

** 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)*

Dividend Distribution (MTL)



Source: IHS Markit

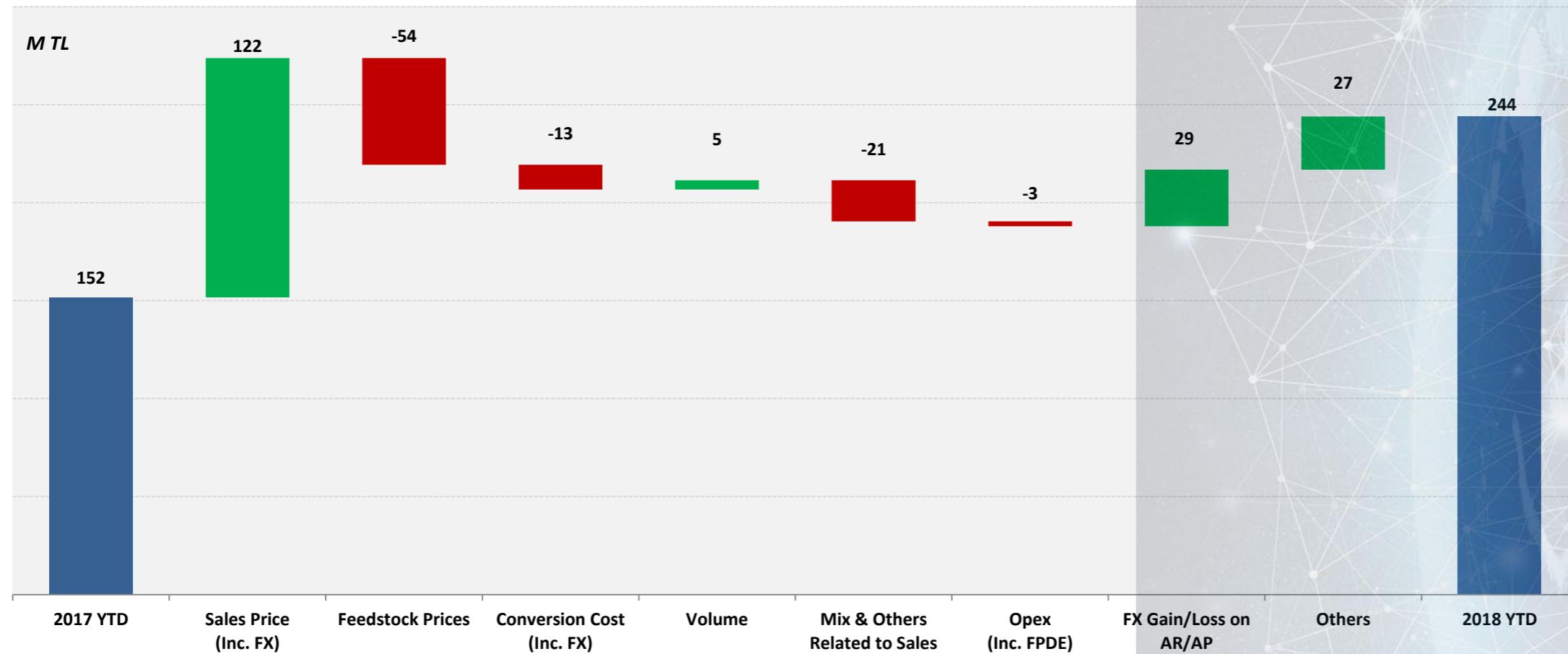
Distribution of all the distributable profits

- which is lower of Kordsa Turkey solo tax books (VUK) or Kordsa consolidated TFRS (IFRS) net income,
- in the form of cash and/or bonus shares subject to General Assembly approval.

The distribution decision is agreed taking into consideration the sizeable fixed asset purchases, acquisitions, covenants of current liabilities and the Company's mid and long term strategies, national and global economic conditions.

Kordsa does not apply payment of advance dividends

Operating Profit Bridge - MTL



Kordsa's Guidance

Revenue
Growth
(TRY)

25%-35%

30%-40% with FDI & TPI figures

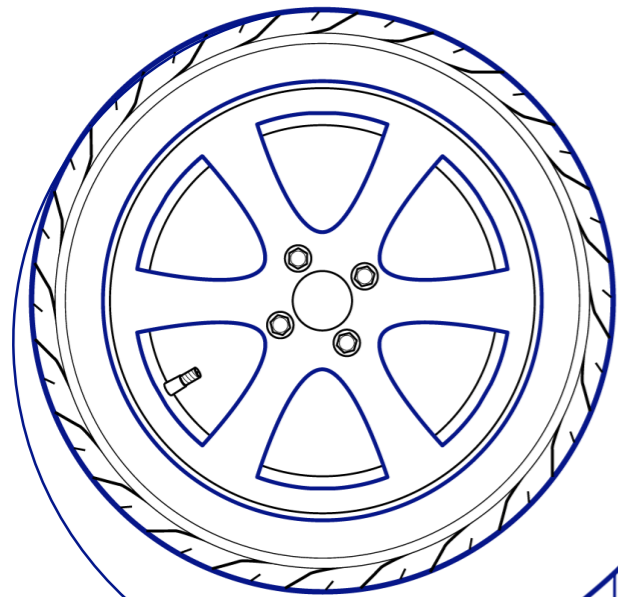
EBITDA
Growth
(TRY)

30%-40%

35%-45% with FDI & TPI figures

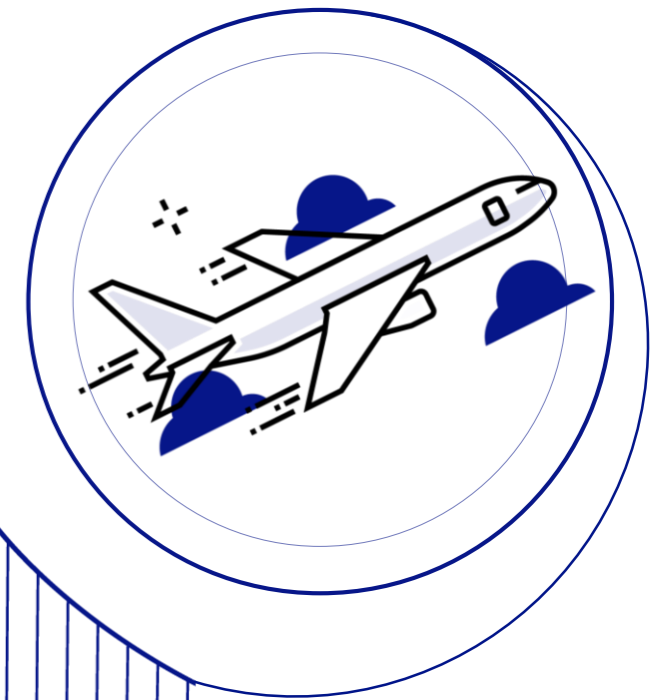
Reoccurring
Creep Capex

23 million USD



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Appendix

2014 – 2018 Financial Trend (MTL)

