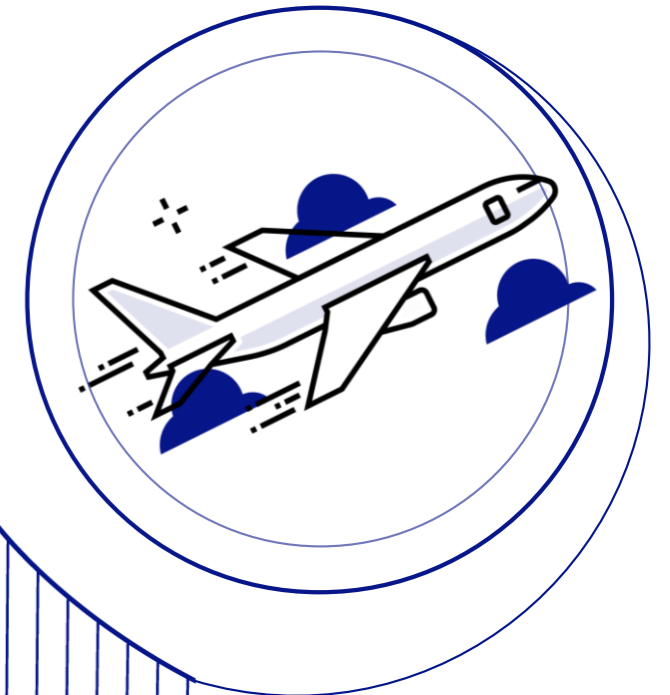


**KORDSA**

THE REINFORCER



## Kordsa Investor Presentation

Mar, 2021

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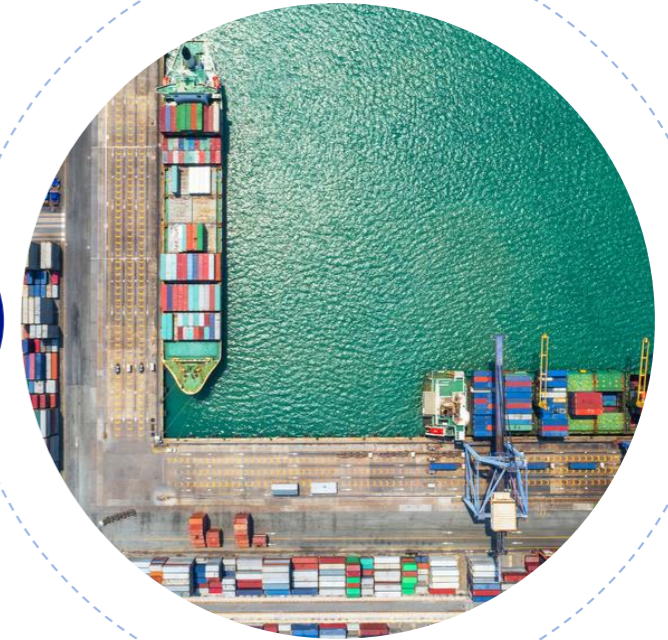
# Global Footprint

**4** continents  
**12** facilities

**~4,500**  
employees

**2** R&D  
Centers

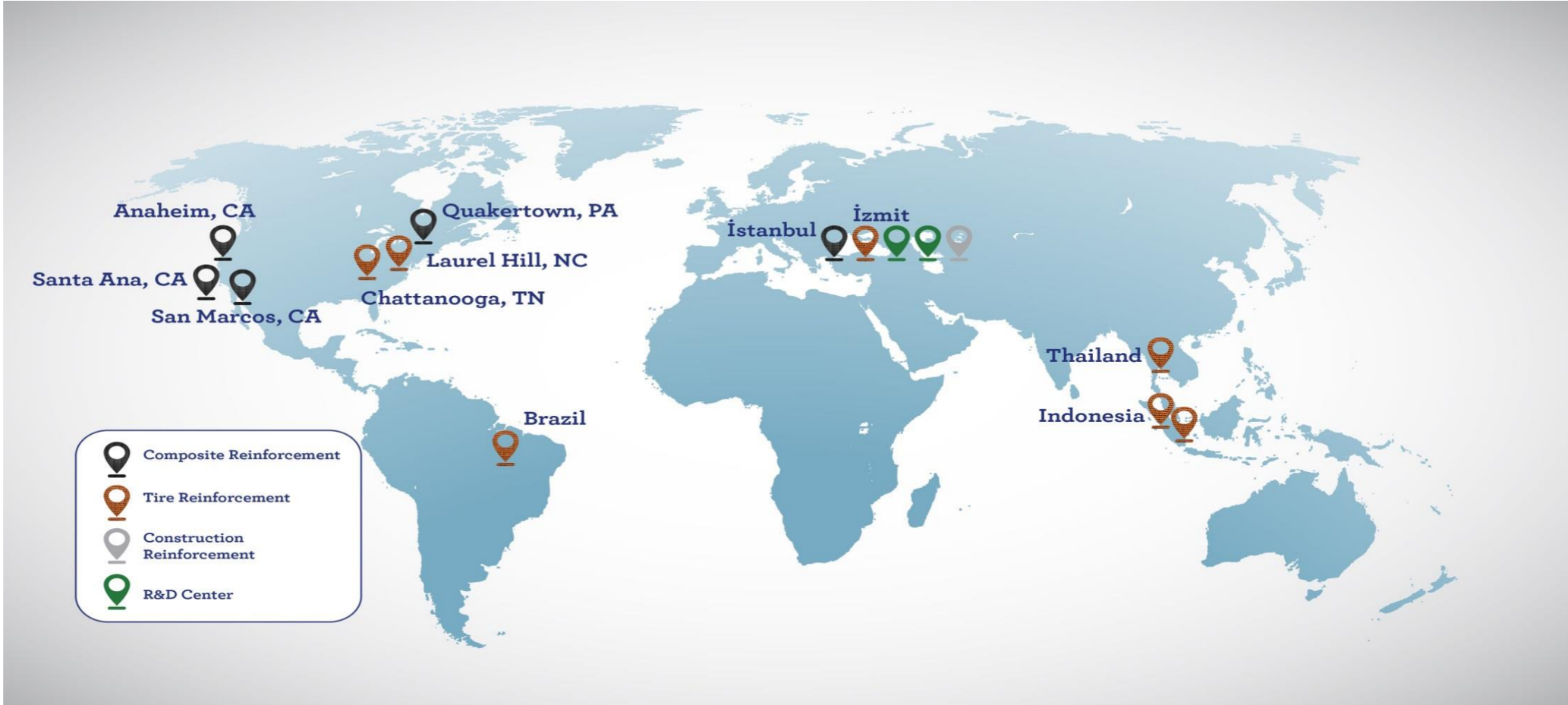
**877** patent applications  
**228** patents



# WE REINFORCE LIFE

# Global Footprint

Regional footprint versus key competitors



Kordsa market position

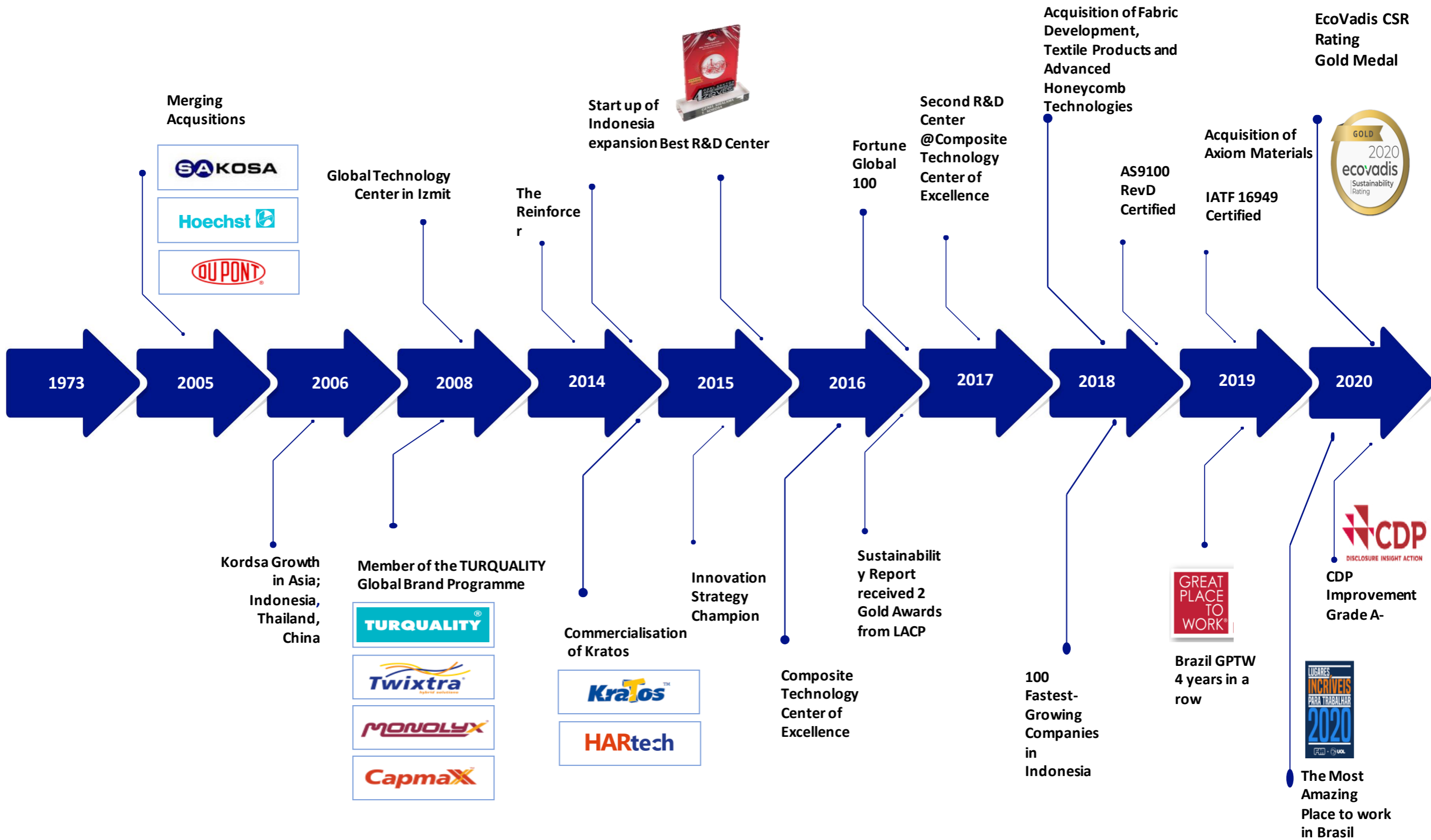
- #1 NY TCF producer
- #1 PET TCF producer

- #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



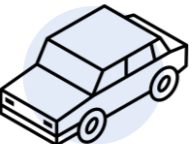
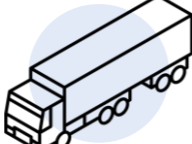


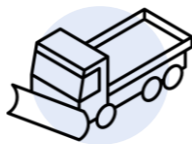



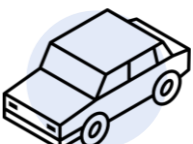

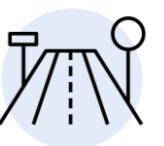




















# Milestones



# Strategy House



# Kordsa in Brief

 <p>Description</p>	<p>Tire cord fabrics (“TCF”)</p>	<p>Next generation fabrics</p>	<p>Composite</p>	<p>Construction</p>
 <p>End markets</p>	   	  	  	 
 <p>Selected end-market participants</p>	  	  	  	        

# Kordsa Investment Highlights

1

Market leadership based on longstanding strategic partner status with all global tire players

2

Global footprint with large presence at growing regions

3

Technology leadership at the cutting edge of reinforcement

4

Growth in composite reinforcement market

5

Growth opportunities from new businesses such as thin film and flexible electronics

6

Strong cash generation and dividend payout

7

Experienced management team with proven track record





# Must Win Battles

## 1. Business Excellence

- a. Operational Excellence : Safe and reliable operations, competitive cost
- b. Digital Transformation: Data analytics and Artificial Intelligence, Robotics and Automations, Cybersecurity
- c. Effective Finance & Risk Management
- d. Commercial Excellence

## 2. Growth

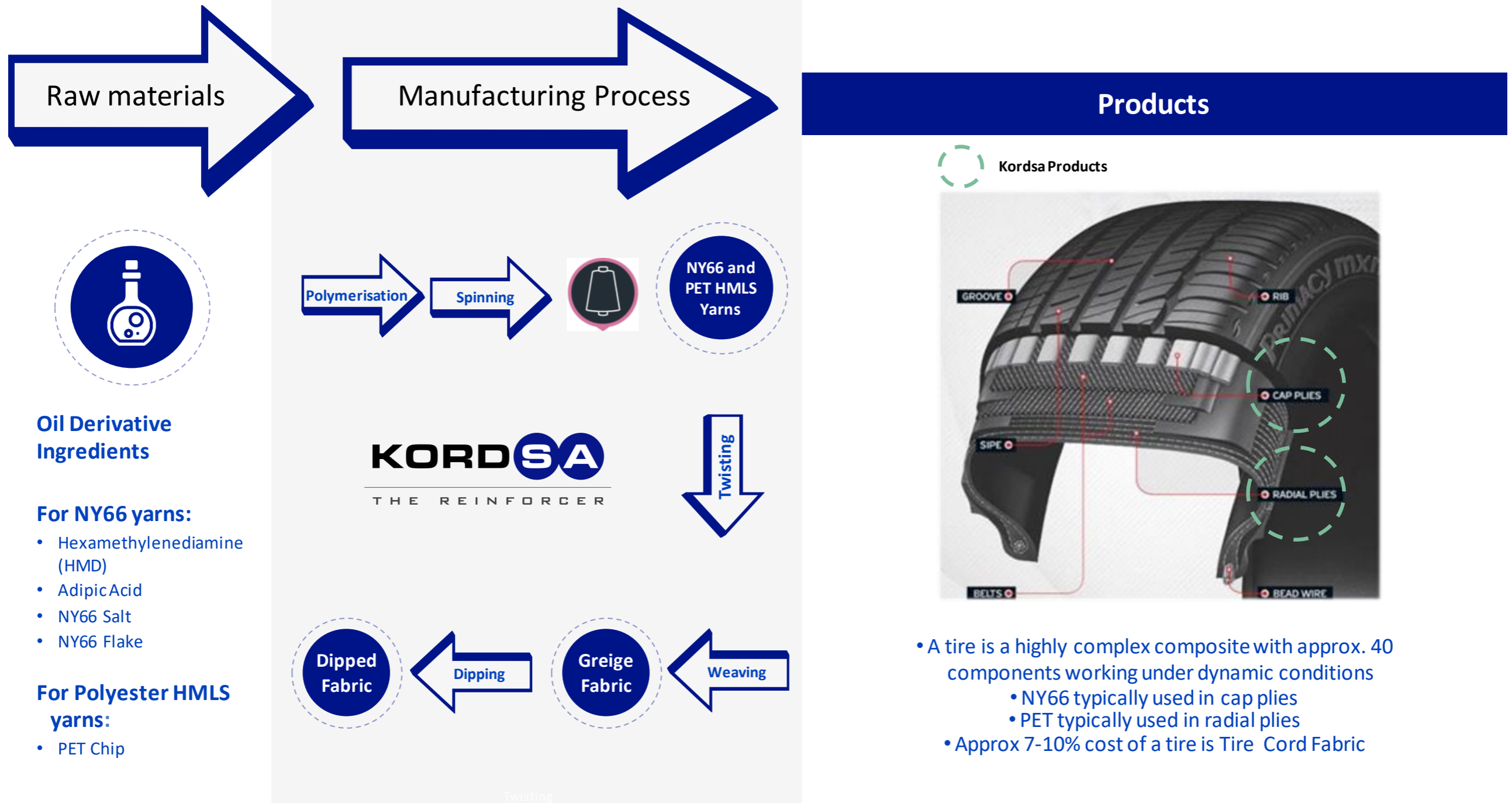
- a. Growth in Tire Industry: Improve approved product base
- b. Growth in Composite Industry: Realization of growth business plan for composites, increase market penetration speed via acquisitions
- c. Growth in New Industries:

## 3. Innovation

- a. Innovation in Material Science
- b. Innovation in Tire Technology
- c. Innovation in Composite Technology
- d. Effective Innovation Management



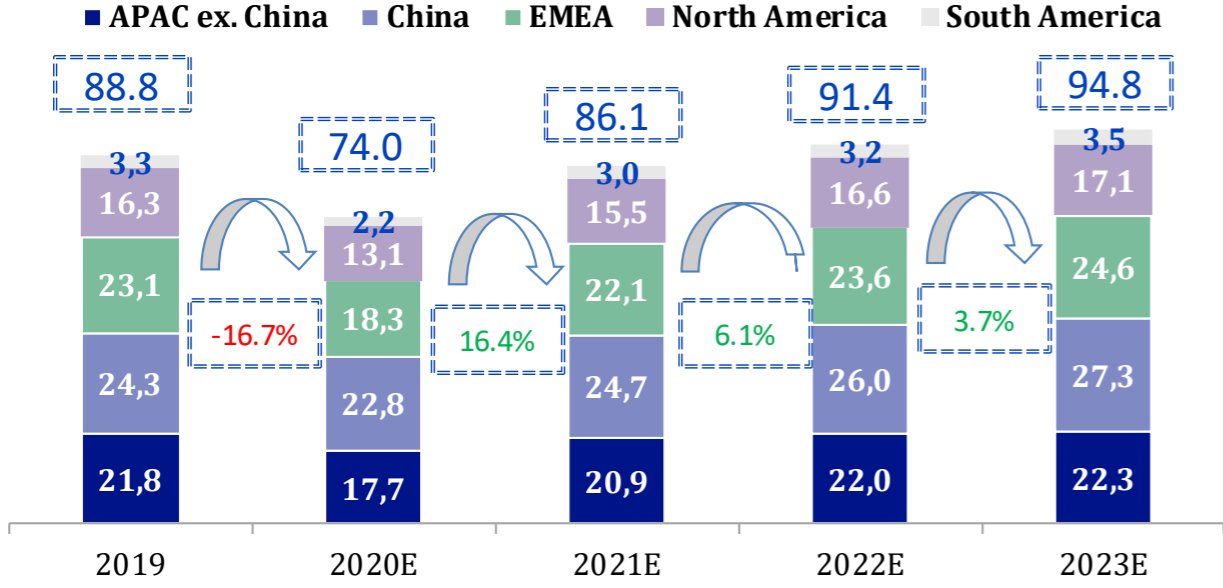
# Overview of The Tire Cord Fabric Value Chain



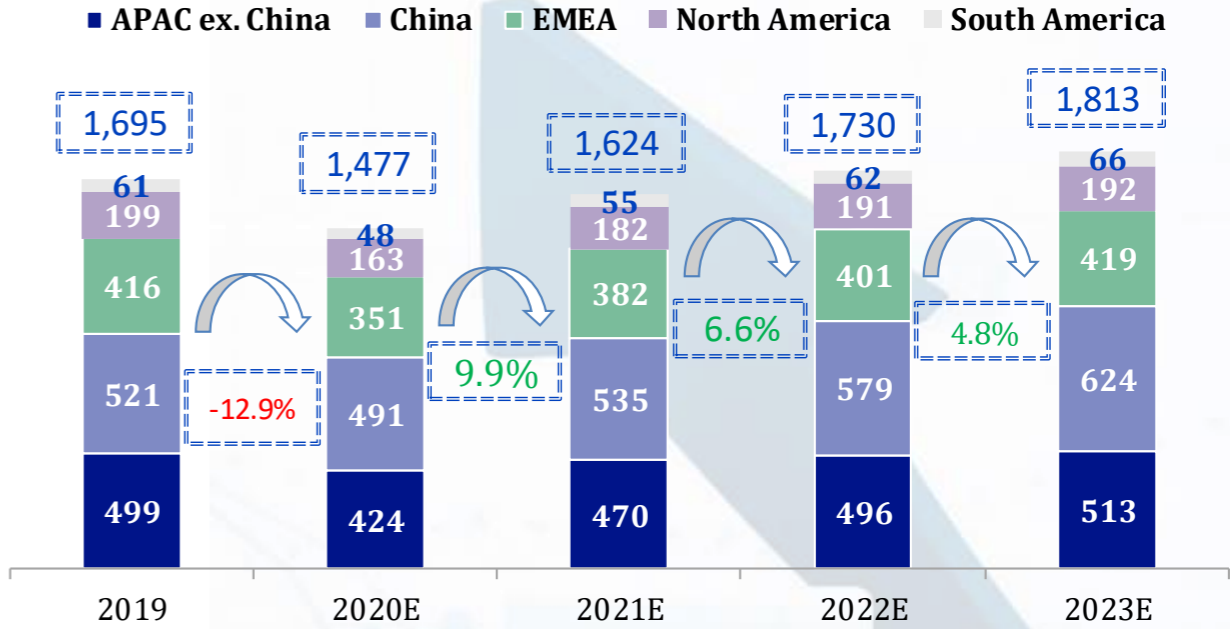
**Kordsa fabrics are developed for specific requirements and are custom made**

# Market Dynamics - Tire

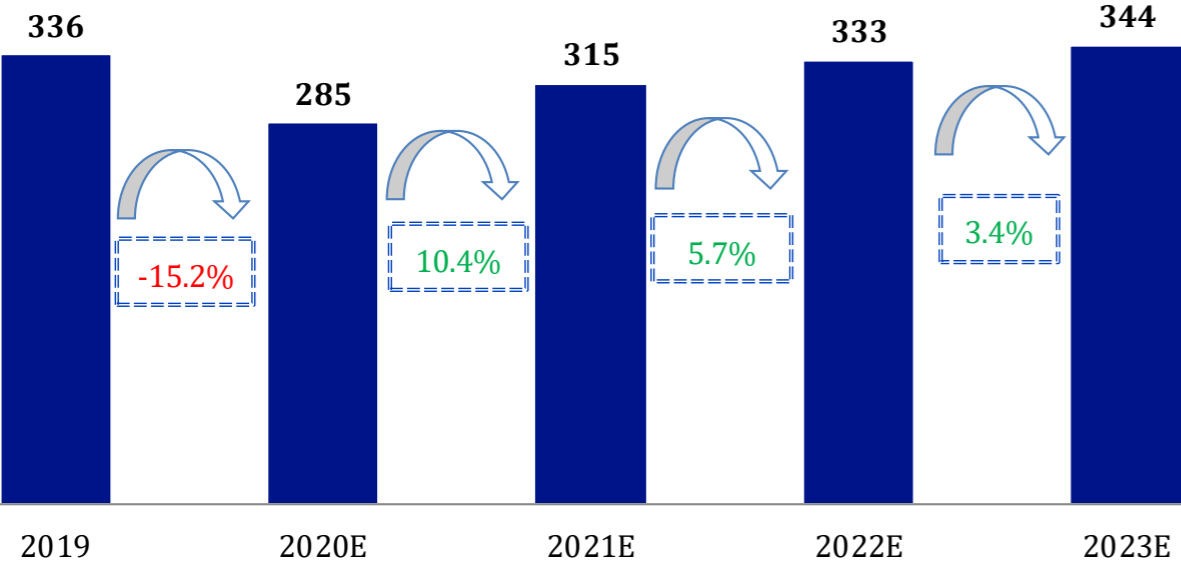
## Global Automotive Market (Munits)



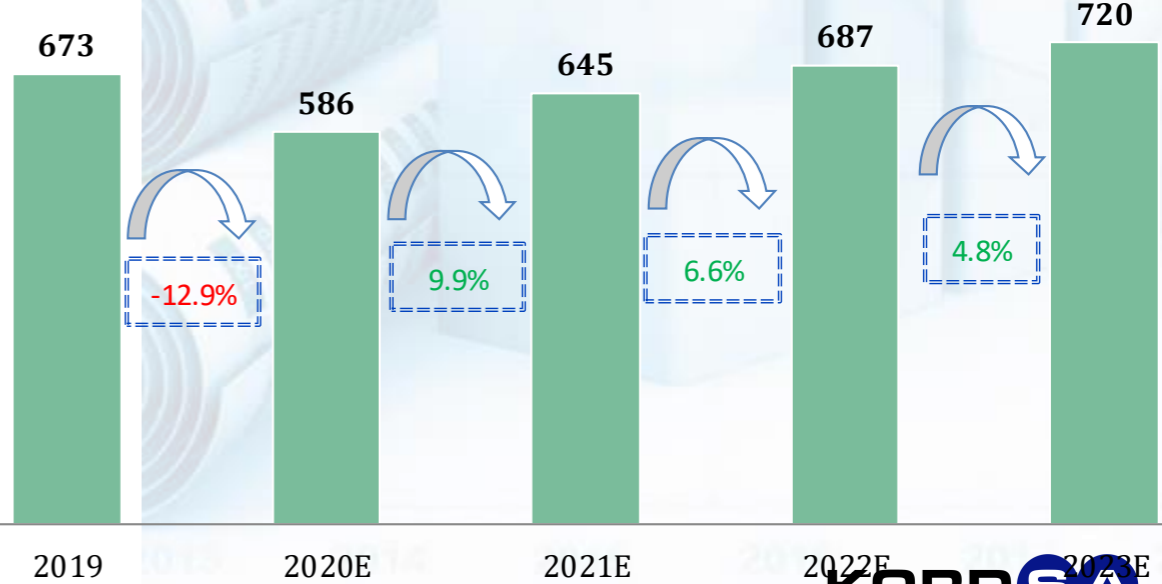
## Global Tire Market (Munits)



## Tire Reinforcement Market (NY6.6-ktons)

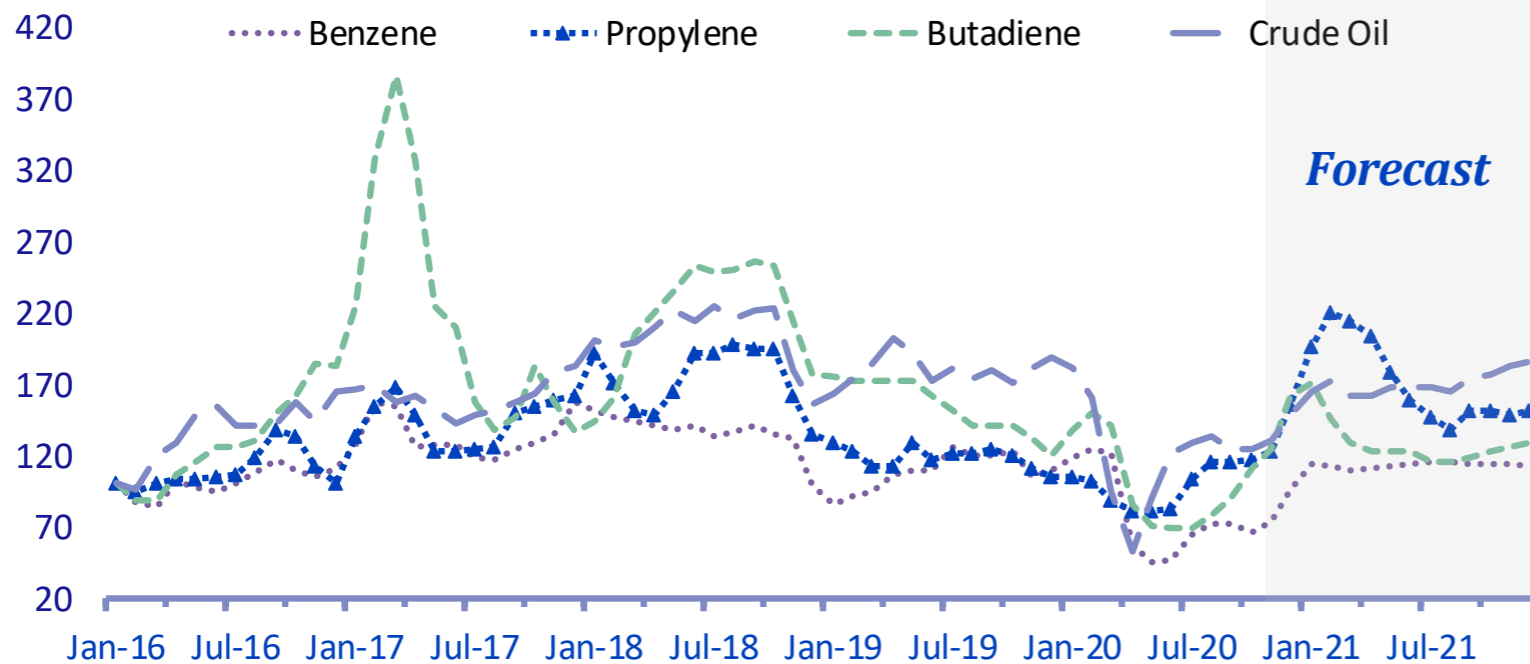


## Tire Reinforcement Market (PET-ktons)



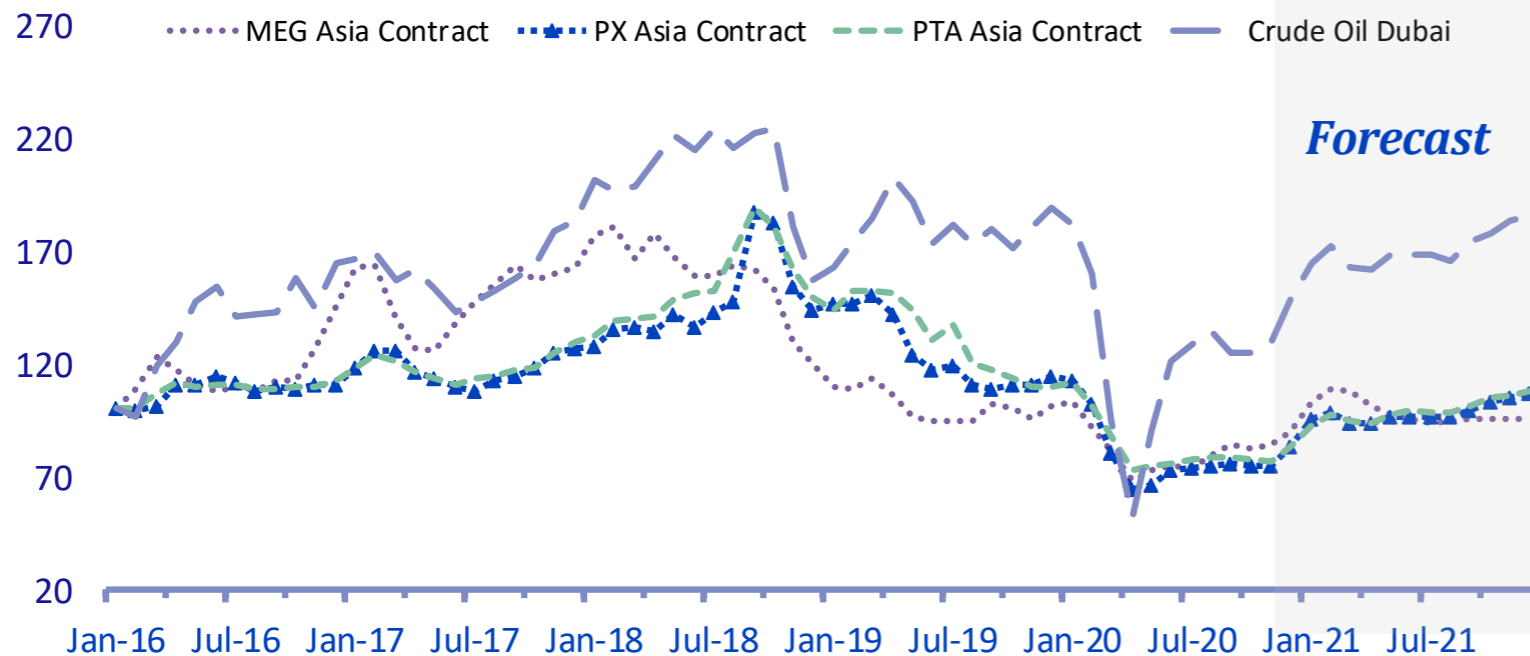
# RM Price Drivers - Tire

## NY Raw Material Trend (Indexed)



- **Propylene:** In general, the recovery of derivatives demand, which is tied more closely to non-durable goods applications or the construction sector, outstripped the others.
- **Butadiene:** Strong pull from the large rubber consumers, especially the tire producers, to restock inventory.

## PET Raw Material Trend (Indexed)



- **PX:** In Asia, Outside mainland China, PX operations were reduced after increasing slightly in December due to rising PX and benzene prices. In China, PTA production levels remain strong.
- **PTA:** Demand has continued a modest downtrend since late November.

Source: IHS

Confidential

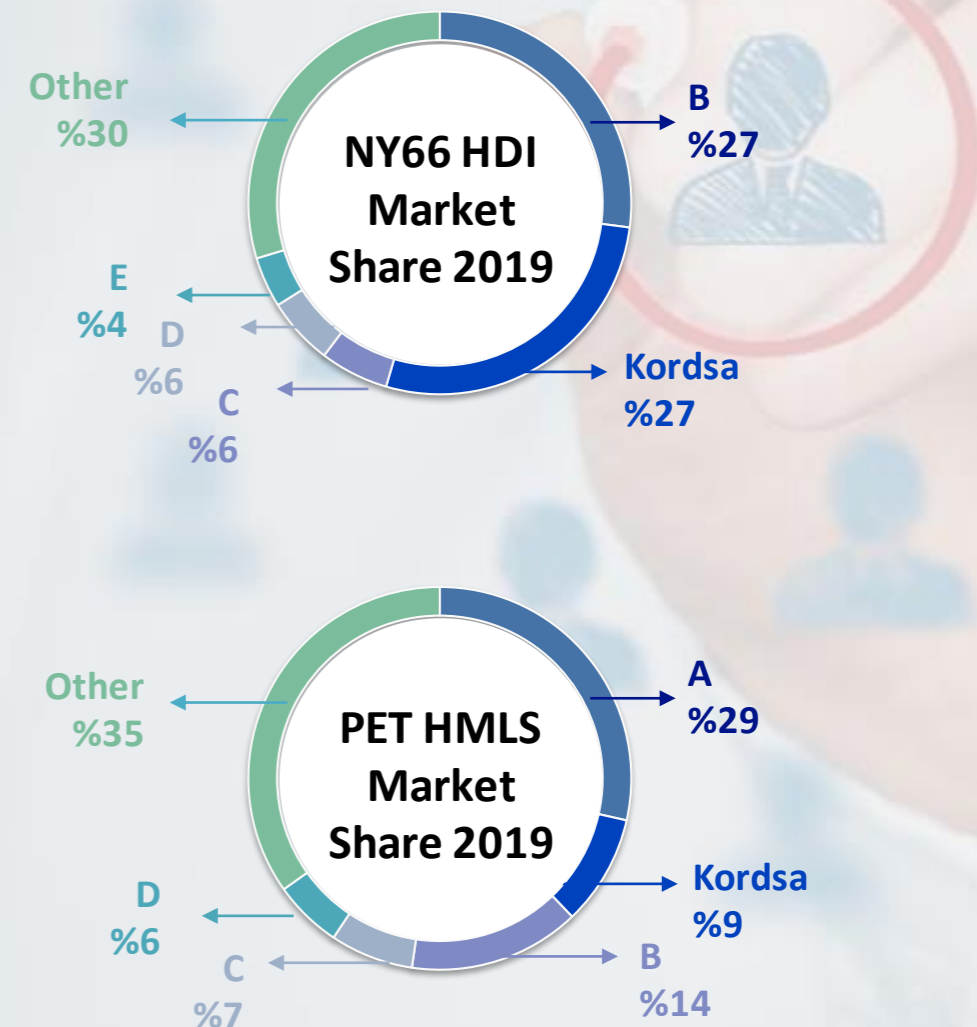
# Market Leadership Based on Longstanding Strategic Partner Status with All Global Tire Players

## Nature of customer relationship as key barrier to entry

	Length of relationship	Typical length of approval period <sup>(a)</sup>	Co-development projects
Global Tire Player 1	Since 1986	~ 5 years	✓
Global Tire Player 2	Since 1995	~ 5 years	✓
Global Tire Player 3	Since 1973	~ 3 years	✓
Global Tire Player 4	Since 1985	~ 2 years	✓
Global Tire Player 5	Since 1973	~ 3 years	✓
Global Tire Player 6	Since 1987	~ 2 years	✓

(a) For a new supplier

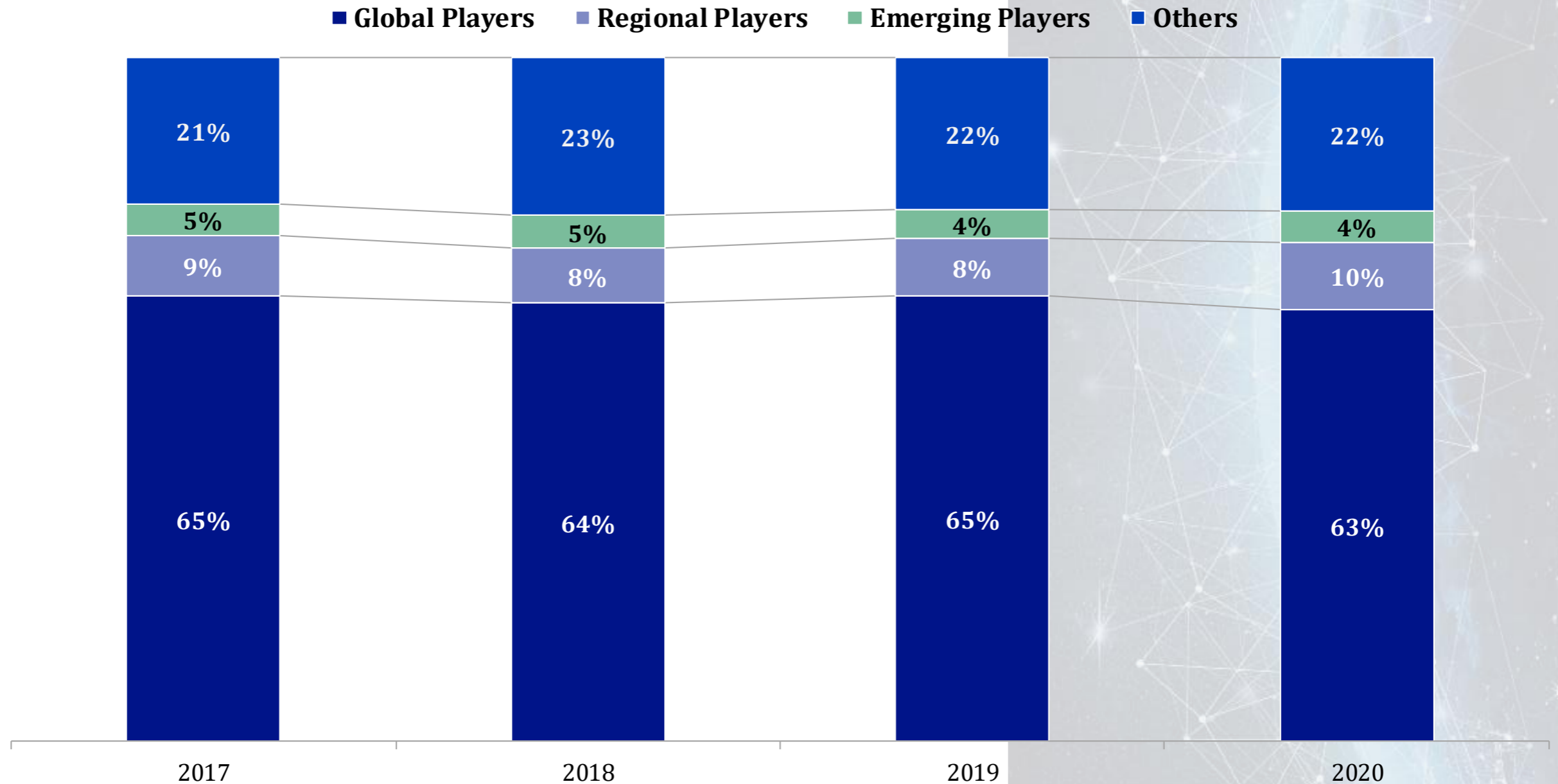
## Leading market shares



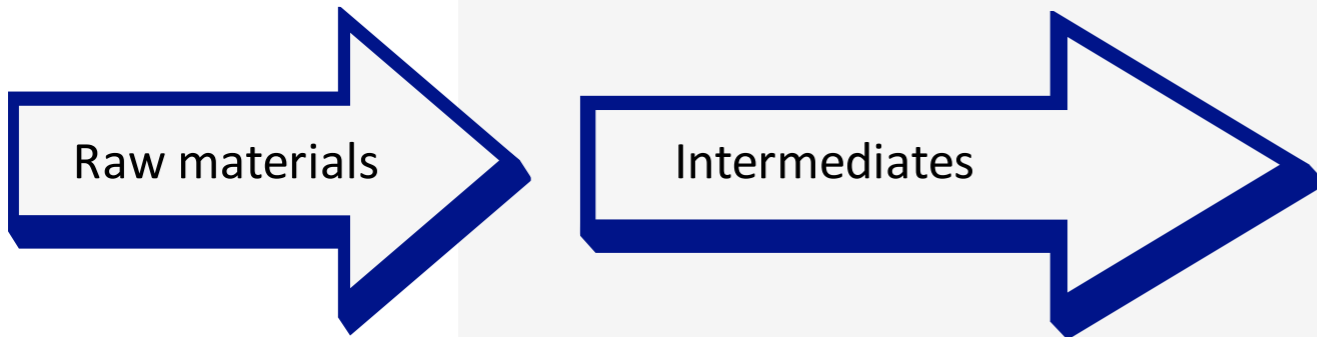
Source: Company Estimate

## Strong barriers to entry for new comers

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



# Overview of The Composites Value Chain



## Composite Parts

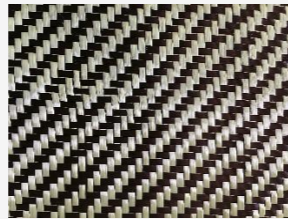
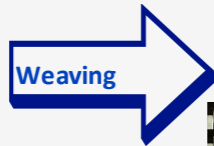
### Precursors & Fibers:

- PAN Precursor
- Carbon Fiber
- Aramide
- Glass Fiber
- ...



### Resins:

- Phenolic
- Epoxy
- Cyanate ester



- Composites use in aerospace & automotive is increasing, due to improved material properties and weight savings over conventional materials
- «Lightweighting» is a major theme, driven by emission regulations as well as fuel-efficiency needs



Twisting

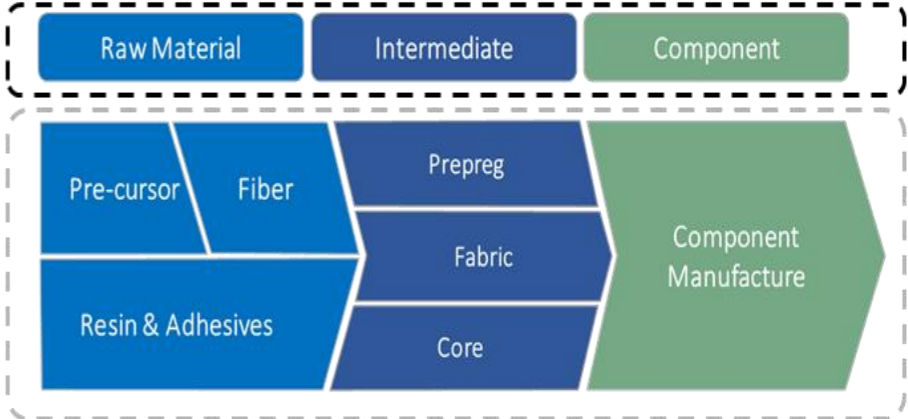
**Kordsa fabrics and prepregs offer cutting edge solutions for aerospace & automotive markets**

# Overview of The Composites Value Chain

## Composite Footprint



## Composite Value Chain



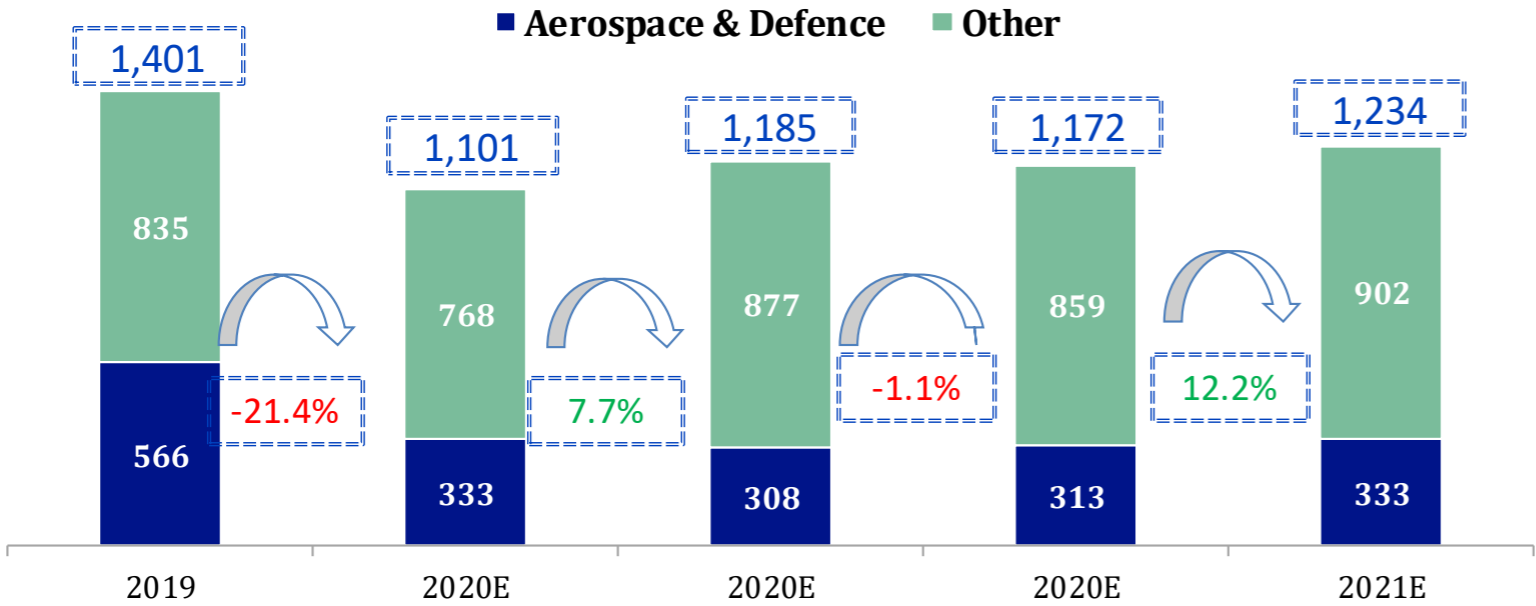
- Composite use in aerospace & automotive is increasing, due to improved material properties and weight savings over conventional materials.
- Total composite investment accounts aprox. 310M USD
- Potential M&A targets are always under consideration.
- Specialization areas:
  - Fabric Development Inc and Textile Products Inc: Fabric Production
  - Axiom Materials Inc.: Prepreg Production
  - Advanced Honeycomb Technologies: Core Production

*\* 2019 Full year performance of entities regardless of joining time to Kordsa*

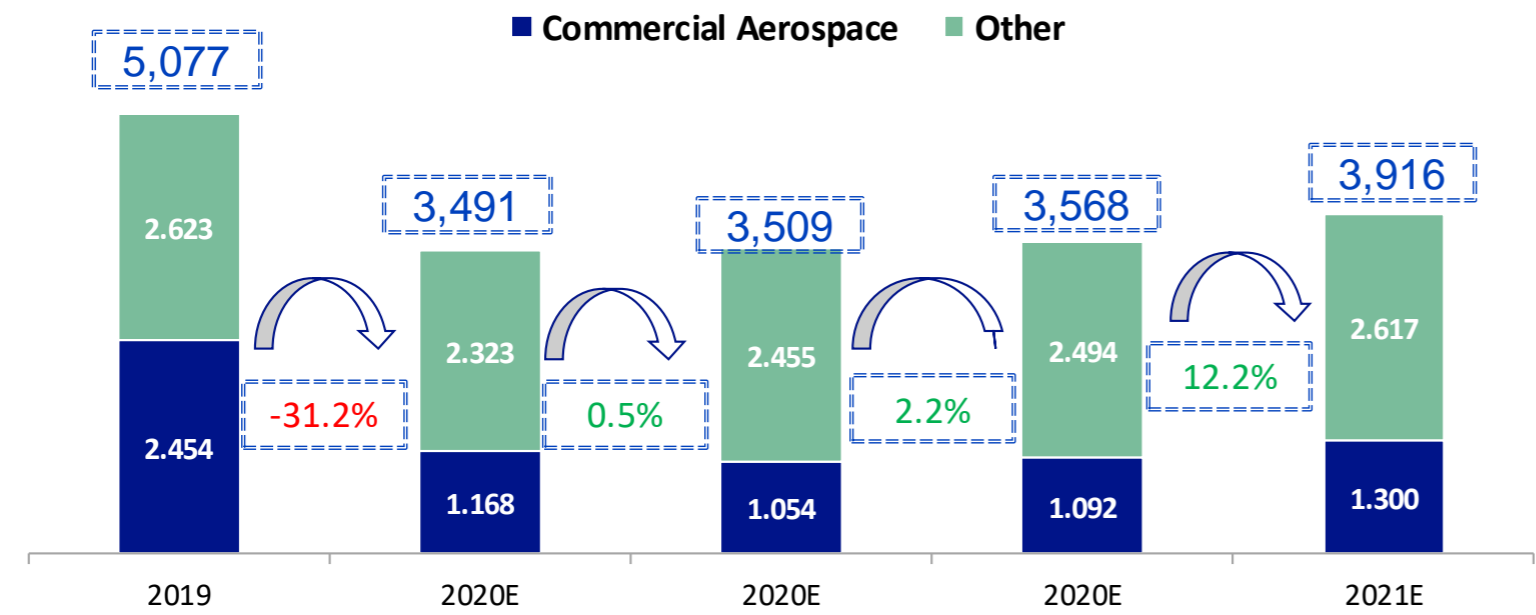


# Market Dynamics – Composite

## Market Size (\$M) – Global Carbon Fiber



## Market Size (\$M) – Prepreg



### Aerospace Industry

- Passenger numbers are expected to plummet to 1.8 billion (60.5% down on the 4.5 billion passengers in 2019). This is roughly equivalent to passenger numbers in 2003
- Passenger revenues are expected to fall to \$191 billion, less than a third of the \$612 billion earned in 2019
- For our main project, customer lowered its production forecasts
  - From 14 shipsets/month to 12 in 4Q'19
  - From 12 shipsets/month to 10 in 1Q'20
  - From 10 shipsets/month to 6 in 2Q'20
  - From 6 shipsets/month to 5 in 4Q'20

# Overview of The Construction Reinforcement Value Chain



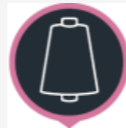
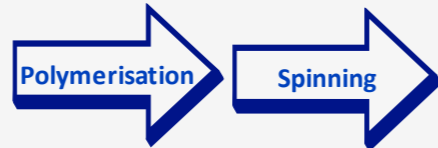
Oil Derivative Ingredients

For NY66 Fibers:

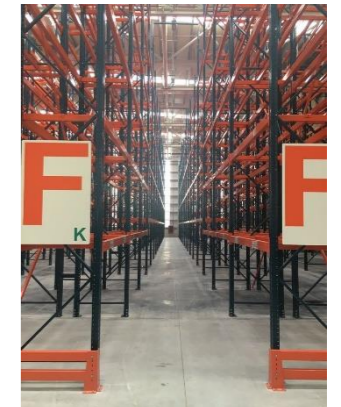
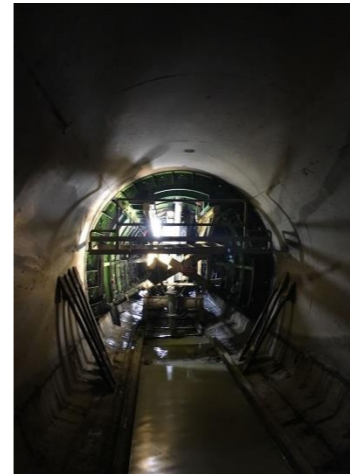
- Hexamethylenediamine (HMD)
- Adipic Acid
- NY66 Salt
- NY66 Flake

For PP Fibers:

- Polypropylene Chips



## Reinforced Concrete Structures



**Major applications:**

- Tunneling
- Shotcrete
- Slab on ground concretes

- Screed concrete
- Concrete roads

**Kordsa's Kratos Fiber Reinforcement are applied in Superstructure & Infrastructure Solutions**

# Growth Opportunities: Construction

## Application Areas



- Railway Systems and Slab Track Concretes
- Tunnel Linings and Shotcrete Applications
- Dams and Hydroelectric Power Plants
- Concrete Roads, Highway Pavements and Bridges
- Slab-on-ground Applications



## Current Status

- The polypropylene monofilament macro synthetic reinforcement line invested in Turkey started production in June 2018.
- KraTos Macro and Micro synthetic fiber reinforcements have become the solution partner of many superstructure and infrastructure projects.
- The equipment and test competencies of the concrete laboratory in the R&D Center in Izmit were increased.
- While increasing its market share in Turkey, KraTos came with a significant market player in Brazil and Israel.
- Studies on the USA, Indonesia and Thailand markets continue.

## Reference Projects

- Gayrettepe-New Airport Metro
- TCDD Yerköy-Sivas High Speed Railway Line
- Eti Bakır Siirt Mine
- Artvin Yusufeli Dam
- 3rd Bosphorus Bridge Toll Booths and Electronic Pass Areas
- Kocaeli City Hospital
- Tekirdağ City Hospital
- Kocaeli Light Railway Systems
- Samsun Light Railway Systems
- Trabzon DSİ Pressurized Water Line Tunnel
- Aselsan Konya Campus

# Update on 2020 Results

## Key Financials

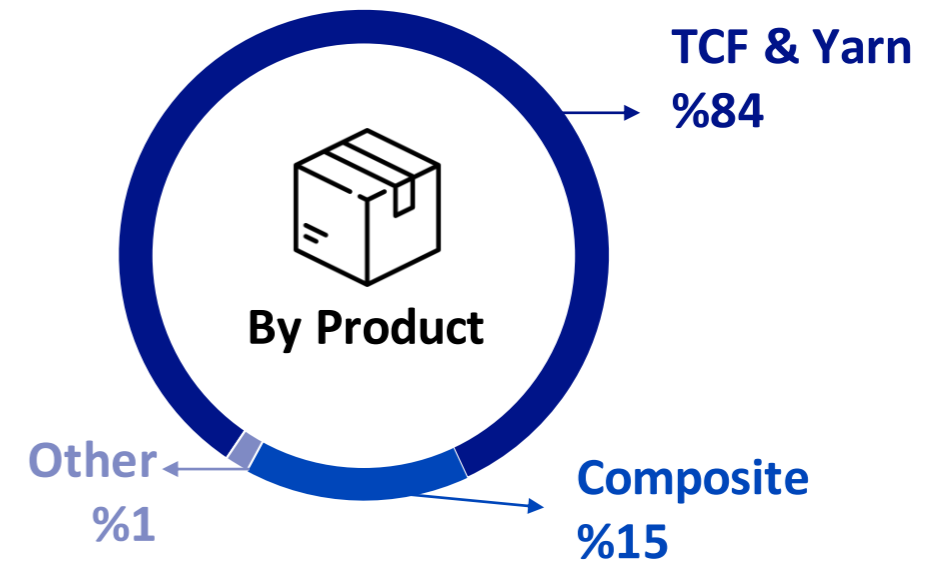
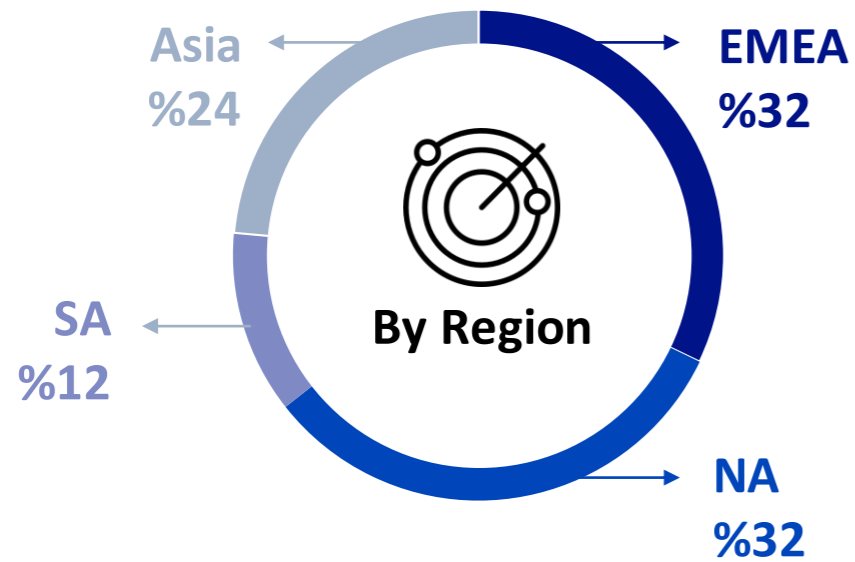
	TL Financials (M TL)		
	2019	2020	Δ
Sales	5,137	4,536	-11.7%
Gross Profit	987	803	-18.6%
Gross Margin (%)	19.2%	17.7%	-1 pts'
OPEX (%)	8.7%	11.3%	2 pts'
Operating Profit	619	384	-38.0%
Operating Profit Margin (%)	12.1%	8.5%	-4 pts'
EBITDA*	747	574	-23.2%
EBITDA* Margin (%)	14.5%	12.7%	-2 pts'
Net Income**	378	150	-60.3%
Effective Tax Rate (%)	18.5%	12.5%	-6 pts'
Net Income (%)	7.4%	3.3%	-4 pts'
EPS (TL/1,000 shares)	1.75	0.79	-55.0%

	USD Financials (M\$)		
	2019	2020	Δ
Sales	906	647	-28.6%
Gross Profit	174	115	-34.2%
Gross Margin (%)	19.2%	17.7%	-1 pts'
OPEX (%)	8.7%	11.3%	2 pts'
Operating Profit	109	55	-49.8%
Operating Profit Margin (%)	12.1%	8.5%	-4 pts'
EBITDA*	132	82	-37.9%
EBITDA* Margin (%)	14.5%	12.7%	-2 pts'
Net Income**	67	21	-67.9%
Effective Tax Rate (%)	18.5%	12.5%	-6 pts'
Net Income (%)	7.4%	3.3%	-4 pts'
EPS (TL/1,000 shares)	0.31	0.11	-63.6%

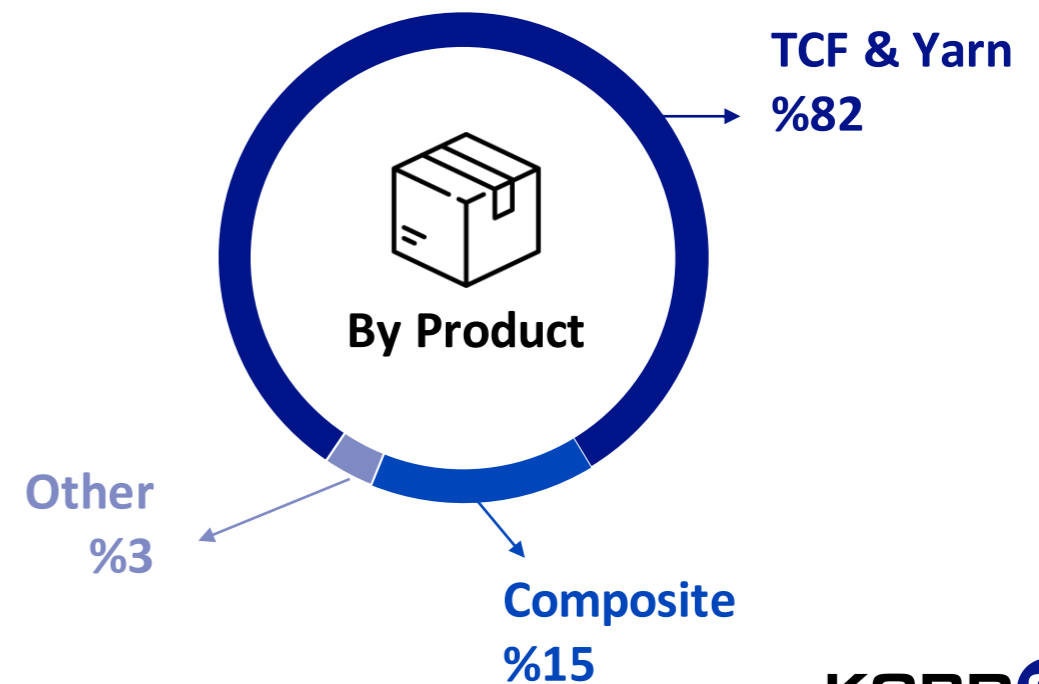
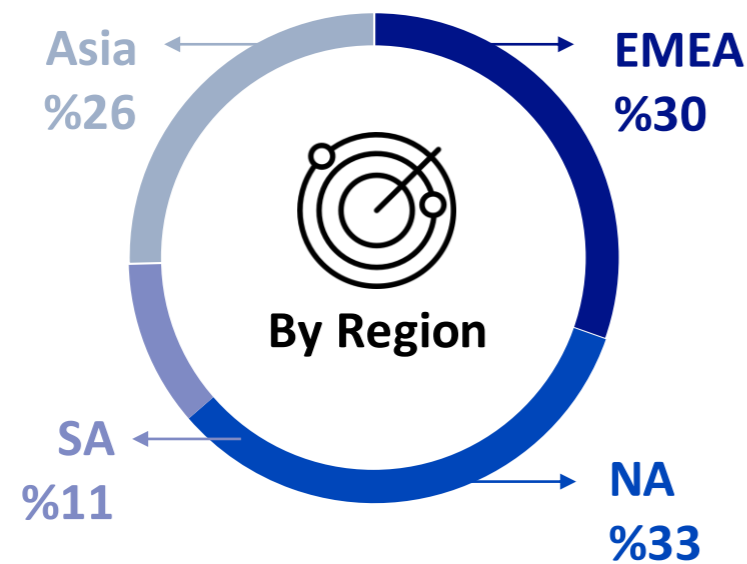
\* EBITDA Calculation: Gross Margin-OPEX+Dept & Amort

# Segment Reporting

## Dec'20 Revenue Split



## Dec'19 Revenue Split

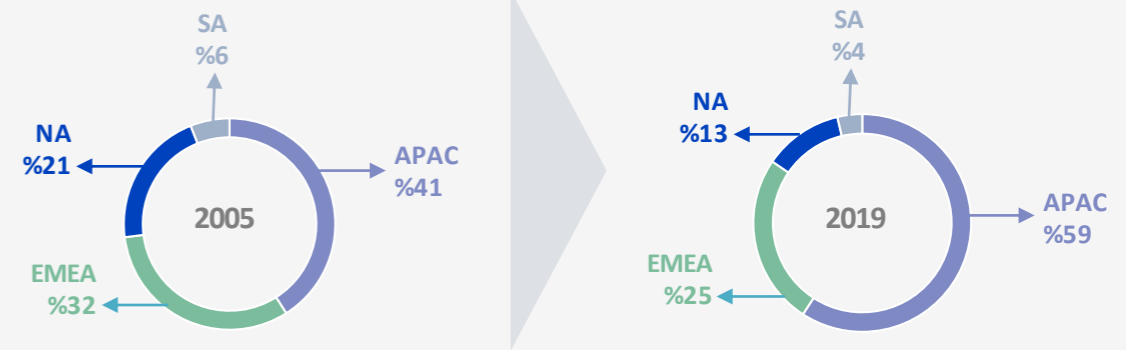


# Well – Positioned to Enable Volume Growth

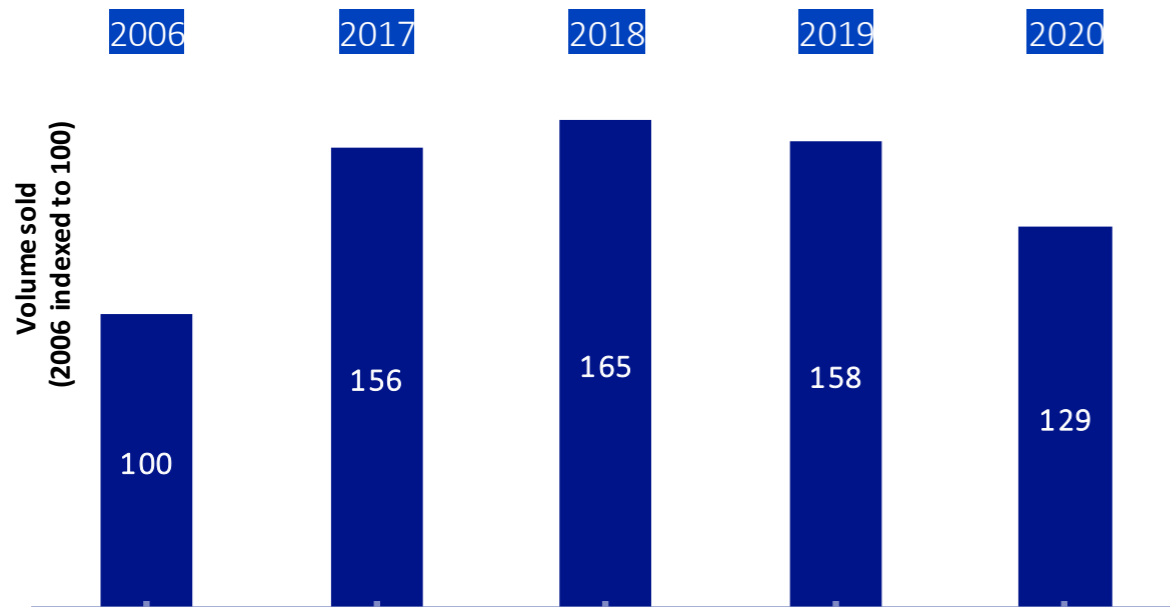
## Comments

- Fabric form contributes the highest value add
- Disciplined approach to optimizing footprint
- 2015 investment in Indonesia has increased polyester tire cord fabric capacity by 18 ktons
- Enables regional growth in technology-advantaged PET segment with global and emerging customers
- Further investment in PET HMLS for new generation yarns
  - In TR for 6-6.5 ktons – completed in 1H 2019.
  - In Indo for 6,5 ktons – completed in Jan-2018.

## Light Vehicle Tire manufacturing market evolution

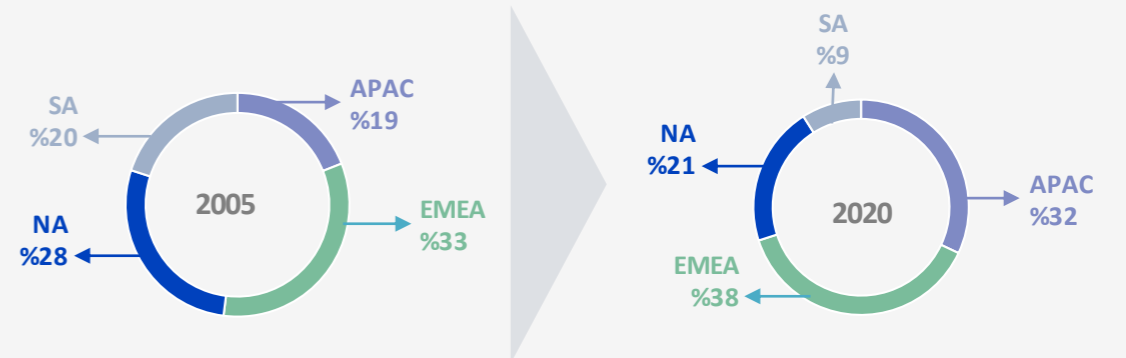


## Kordsa volume development(a)



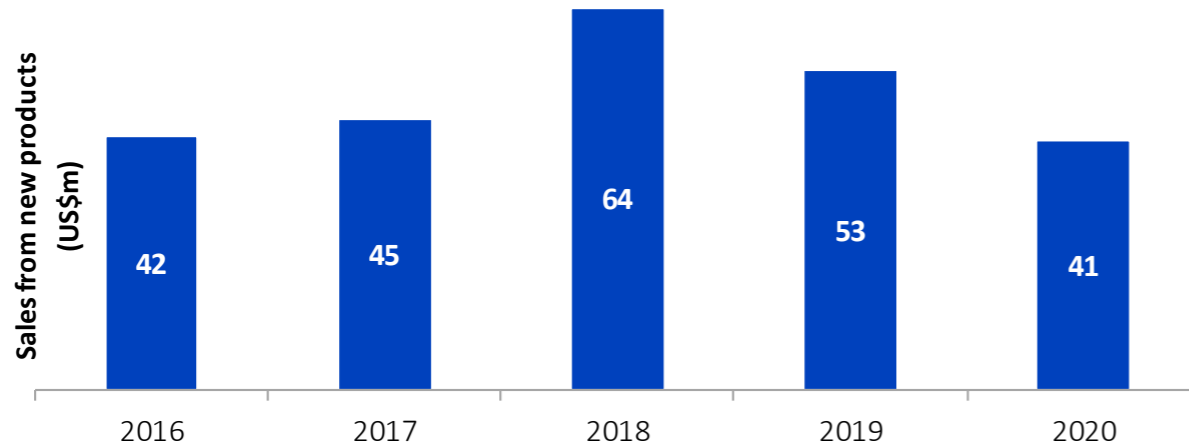
(a) Volume development adjusted for divested volumes

## Kordsa regional capacity development



# Technology Leadership at The Cutting Edge of Reinforcement

## Strong focus on R&D



## Selected collaborations (a)



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

## 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)

## Leadership in Innovation and Technology



- The Carbon Disclosure Project has raised Kordsa's score from C- to B in 2019 as a result of the efforts that were carried out to manage risks and opportunities related to climate change.



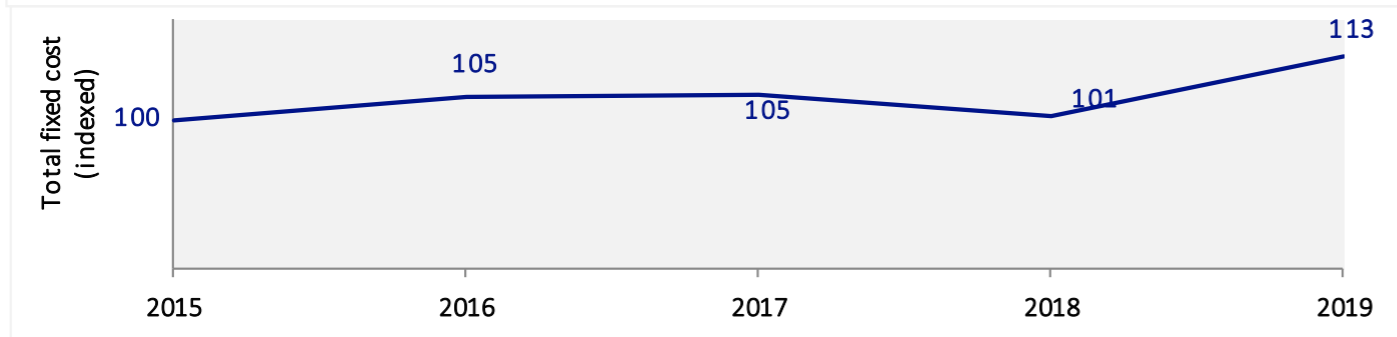
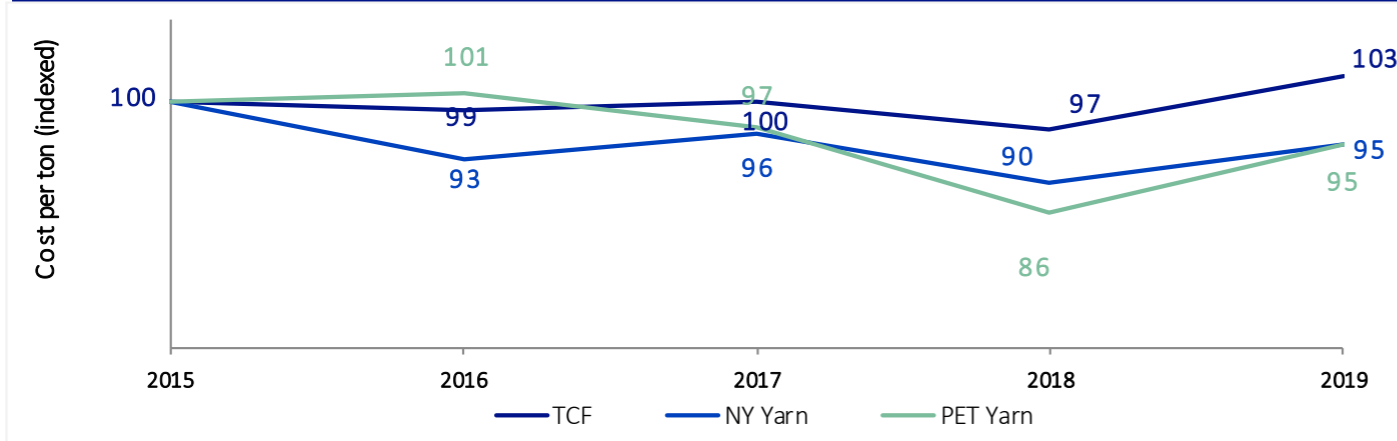
- Kordsa participated in the International Concrete Fair – World of Concrete (WOC) 2020, one of the world's most prestigious fairs in the field of concrete



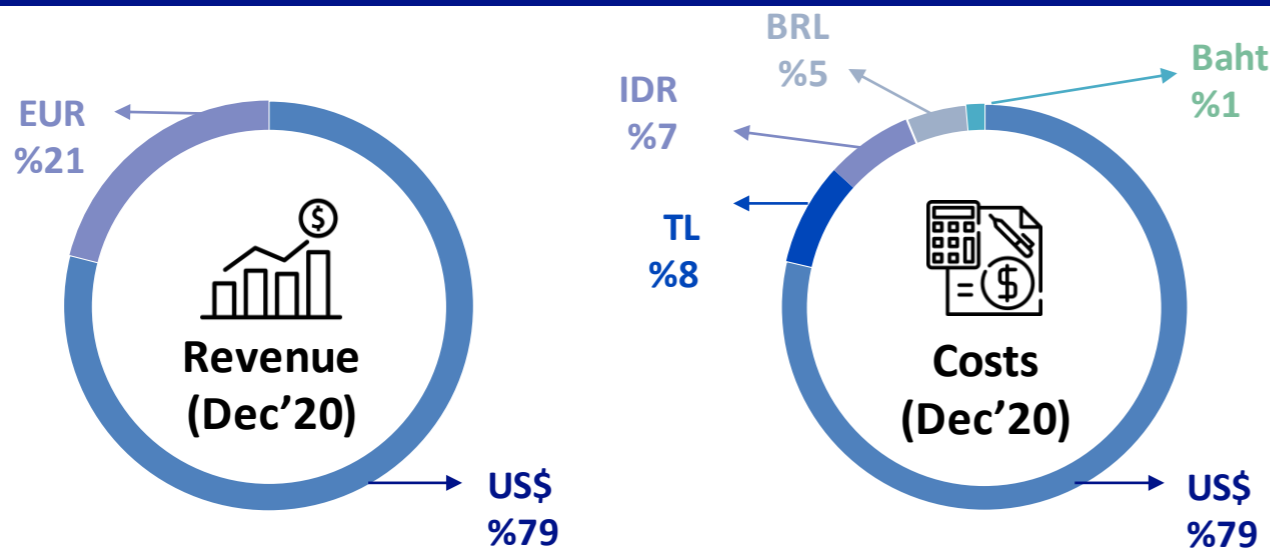
- Kordsa was included as 50th place to 100 most valuable companies in Turkey by Brand Finance as

# Well-Positioned for Strong Cash Generation and Dividends

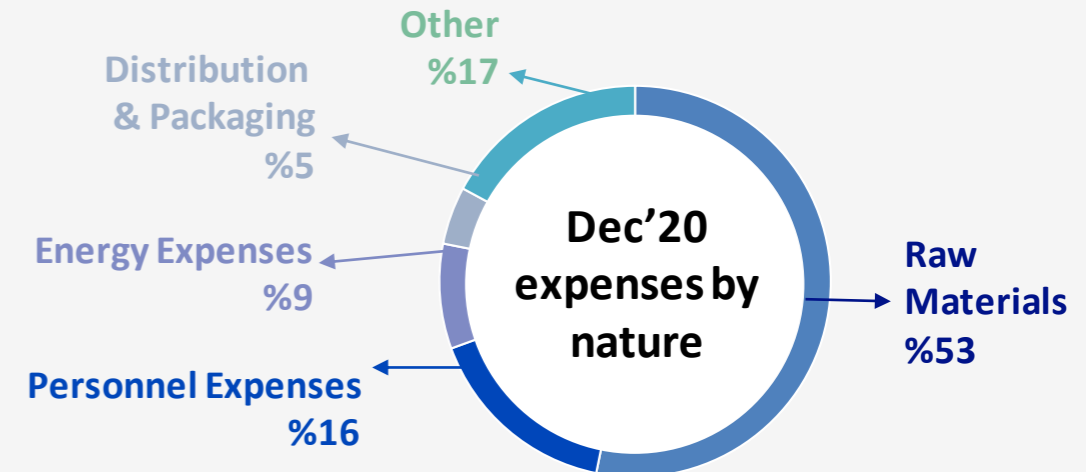
## Cost development (US\$)



## FX exposure



- Demonstrates value-based pricing model
- Ability to pass through raw material price volatility: (Revenue – raw material costs) tracked as a KPI by sales team
- Conversion costs as a key metric for management KPIs (main components are personnel expenses and energy costs)

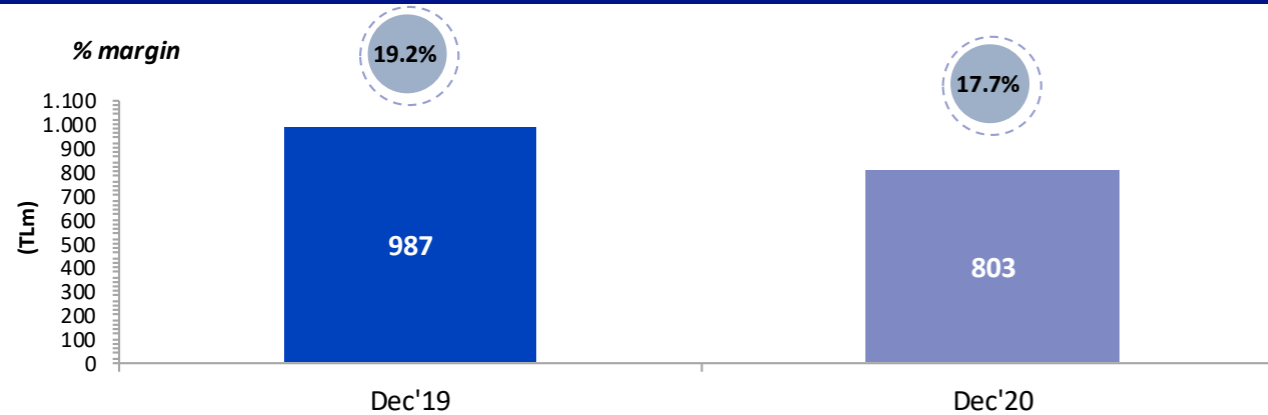


- Hard currency revenues
- FX exposure on costs => EM footprint on local costs + hard currency priced raw materials
- Benefit from US\$ appreciation vs. TL, IDR and BRL

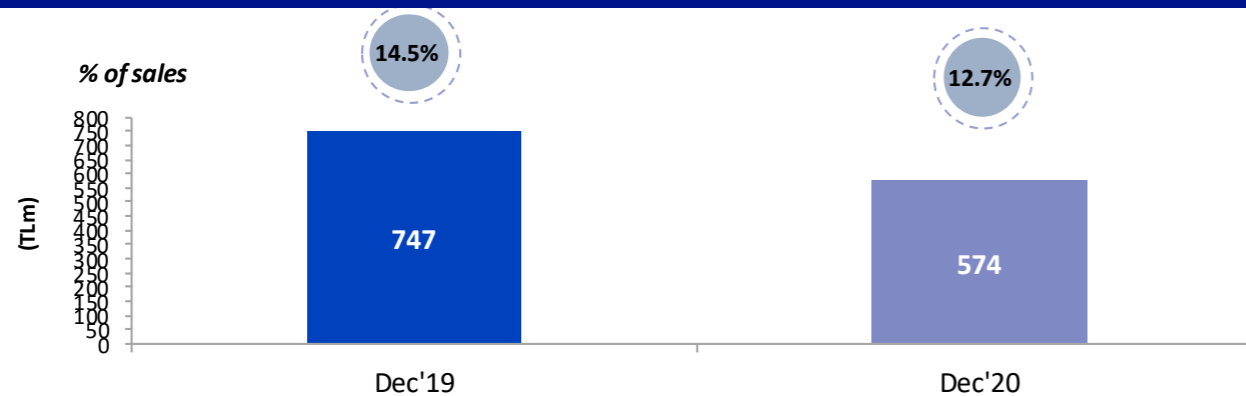


# Well-Positioned for Strong Cash Generation and Dividends

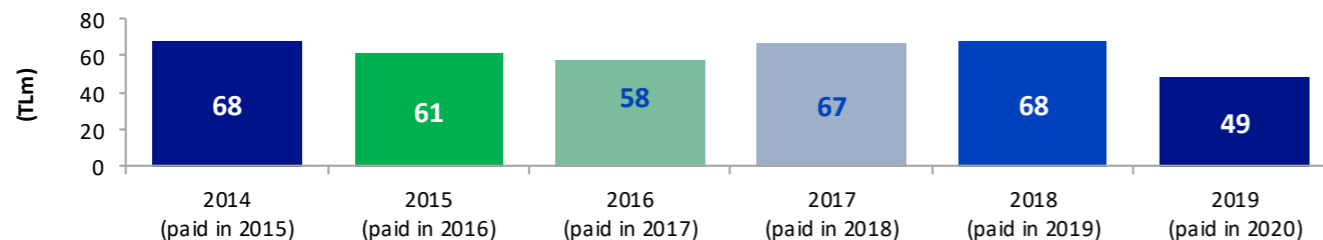
## Gross profit



## EBITDA\*



## Dividend distribution



## Comments

- **Price is a function of**
  - Value Proposal of Product including services offered
  - Product type (nylon vs polyester or fabric vs yarn)
  - Raw Material Price Movement (formula based pricing with adjustment on raw material indexes)
  
- **10 yrs avg EBITDA margin 12,0%**
- **Target is progressive improvement in EBITDA margins over the medium term**
  - Focus on value
  - Improved Total and per kg Fixed Cost
  - Successful selling, general and administrative (“SG&A”) cost reduction initiatives across all business units
  - Positive contribution of new products and adjacent businesses

EBITDA\* = Gross Profit – OPEX + Depreciation/Amortization

# Sustainability Focust



- Improve CDP Climate Change score by two levels every year  
2017: D 2018: C- 2019: B 2020: A-
- We improved CDP Water Security score by one level every year.  
2017: C 2018: B- 2019: B 2020: A-



- We participate in the Ecovadis CSR Rating for environmental, social and governance issues.  
2018: 67 2019: 70

## Sustainability Targets



EXPLANATION OF TARGET	INCREASE USE OF RENEWABLE ENERGY	REDUCTION OF EMISSIONS	REDUCTION OF WATER CONSUMPTION	REDUCTION OF WASTE	INCREASE NUMBER OF TEACHERS ATTENDING ÖRAV TRAINING
2021 TARGET	5%	2.5%	6% (Turkey) 2% (All Sites)	6% Total	250
2025 TARGET	In progress	17.5%	50%	50% (Hazardous)	In progress

### 1. Certification



#### AS9100

AHT has received AS9100 certification which is the internationally recognized quality management system for the aviation, space and defence.

### 2. Brand



#### Brand Finance

Kordsa was included by Brand Finance for 2020 in the list at the 50th place among 100 companies that were included in the list after evaluating their marketing and financial results

### 3. Sustainability



#### GOLD RATING

Kordsa has been awarded the Gold Rating for sustainability by Ecovadis, an international provider of business sustainability ratings. The rating reflects Kordsa's commitment to achieving sustainability

### 4. Sustainability



#### CDP Programme

Based on the evaluation of Carbon Disclosure Program (CDP) Climate Change and Water Security Programs, Kordsa increased both its climate change and water security report scores from B to A- in the 2020 reporting period

# Kordsa's Financial Policy

## EBITDA margins

Kordsa is targeting progressive improvement in EBITDA margins over the medium term

## Dividend policy

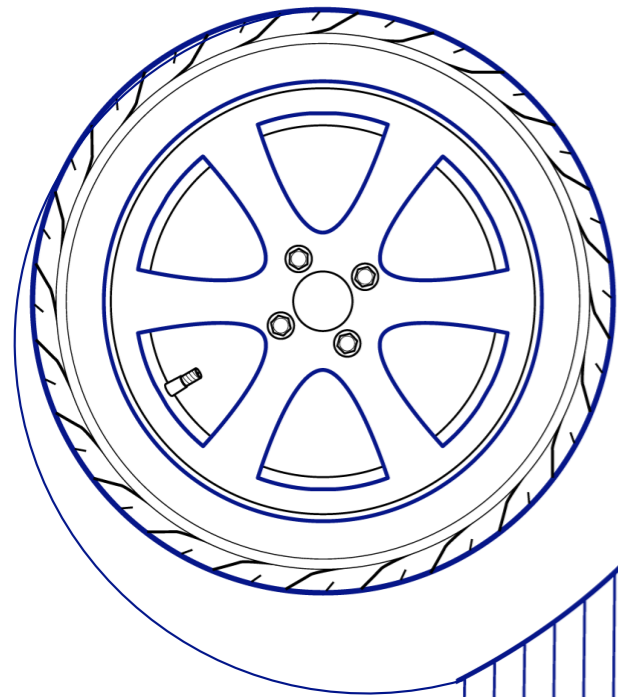
Distribution of all the distributable profits

- which is lower of the Kordsa Turkey local GAAP (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 sizable fixed asset purchases, acquisitions, covenants of current liabilities and the Company's mid and long term strategies, national and global economic conditions

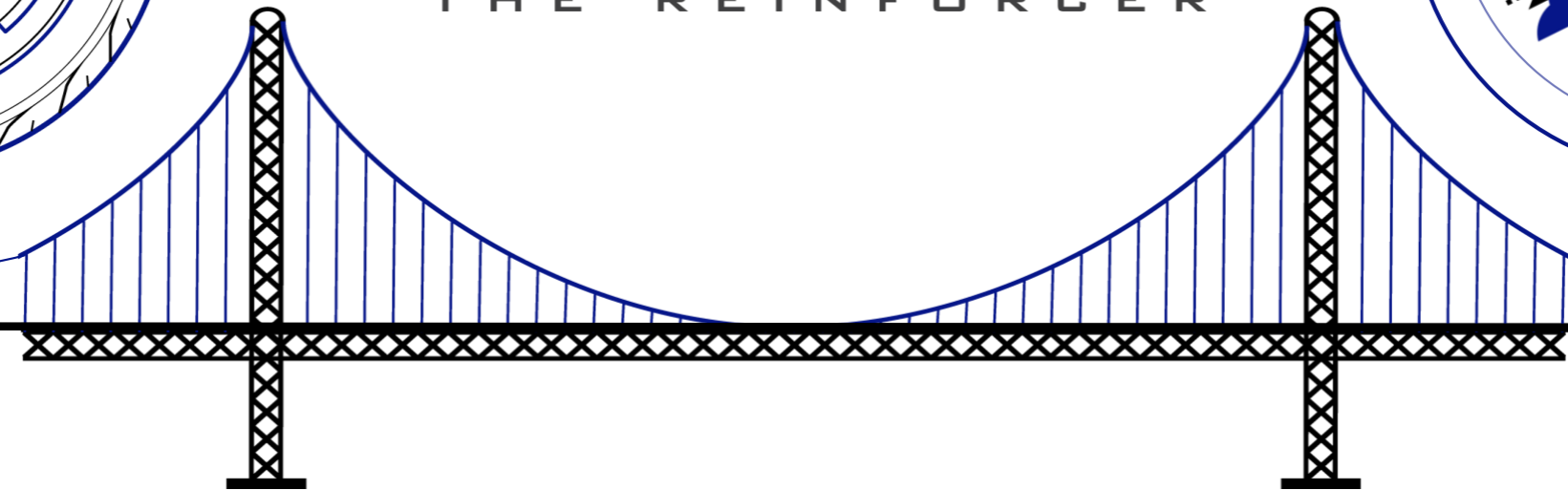
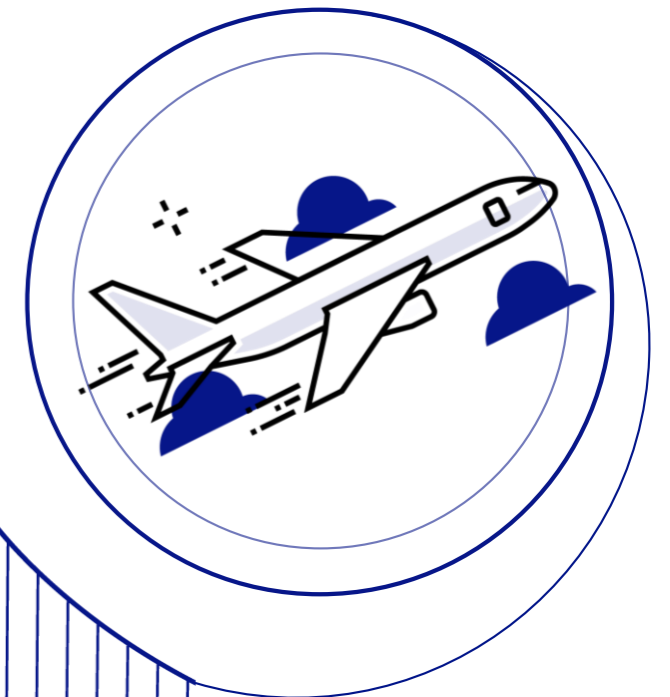
## Reoccurring Creep Capex

USD 23 million



**KORDSA**

THE REINFORCER



## We Reinforce Life

Reinforcing 2 out of every 3 aircraft tires and 1 out of every 3 automobile tires produced in the world



**KORDSA**

THE REINFORCER

# Appendix

# 4Q 2020 Highlights (FX Rates)

