

Reinforced
by Kordsa

KordSA Global

2016 H1 / Earnings Presentation

Disclaimer

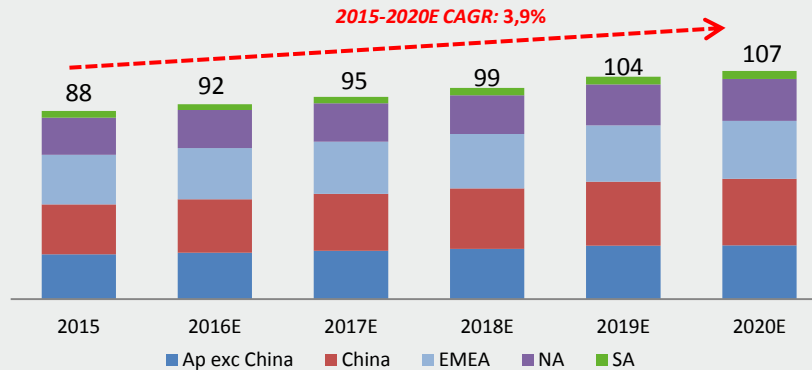


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Market Dynamics

Global Automotive Market

Global LV Assembly – M Units / Year

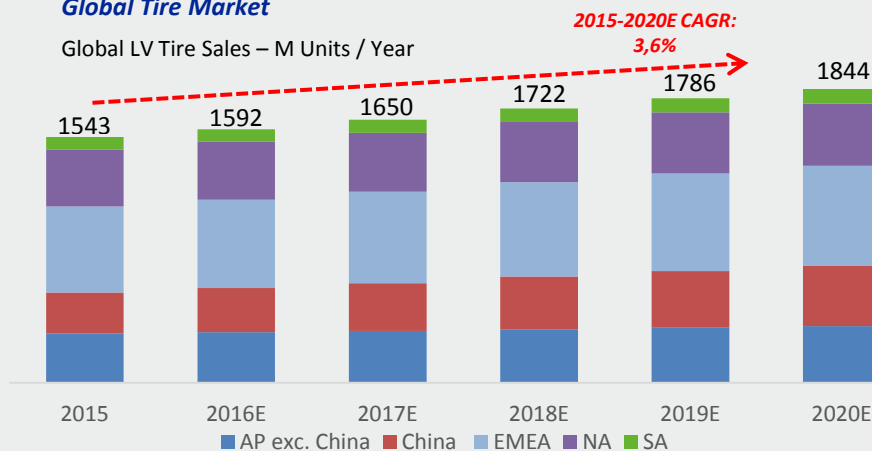


Declines in key developing countries, strong growth in Europe and NA

Source: PWC Autofacts

Global Tire Market

Global LV Tire Sales – M Units / Year



US anti-dumping & anti-subsidy duties on Chinese LV tires have global impact. Chinese tire production is declining.

Source: LMC Tyre Forecast

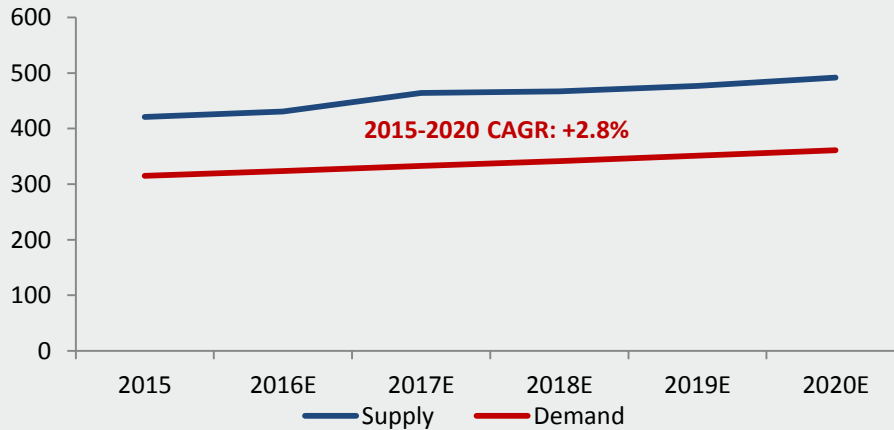
- Brazil and Russia continue on downward slide, while China is profiting from positive YoY comparison, moving it towards 8% growth rate
- LV sales were up through the first half of 2016 in EU (9,4%) and US (1,3%)
- Key trends into the future: strategic partnerships on autonomous vehicle technology and new mobility models

- OE (2%) and replacement market (3%) grew in the first half of 2016
- In OE; H1 markets boosted by Asian imports in mature zones and growth in China and India. No signs of recovery in South America, Russia
- Replacement tire sales in emerging markets are growing slower than expected
- Dynamic demand in Western Europe and in North America driven by imports

Market Dynamics



Tire Reinforcement Market (NY6.6)



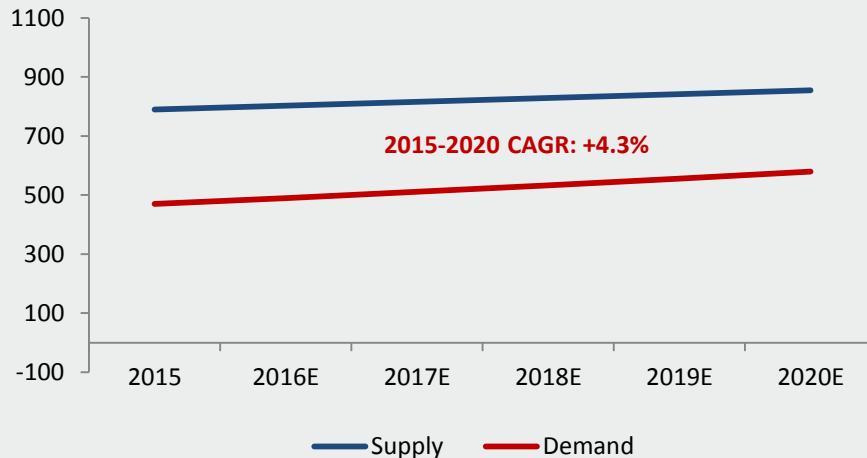
Source: Company Estimates

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

Nylon 6.6

- Cap-ply demand grows as LV tire market grows
- Slower growth in China
- Low demand is expected to continue in mining & large agro tires

Tire Reinforcement Market (PET HMLS)



Source: Company Estimates

Passenger & LV tire driven growth

PET HMLS

- Demand grows parallel to LV production
- Increasing PET HMLS penetration to Agro tires in USA and EU

What we have been doing in H1-2016



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 Global
 - High capacity utilization & growth at large entities

2. Profitable Growth in Tire Industry

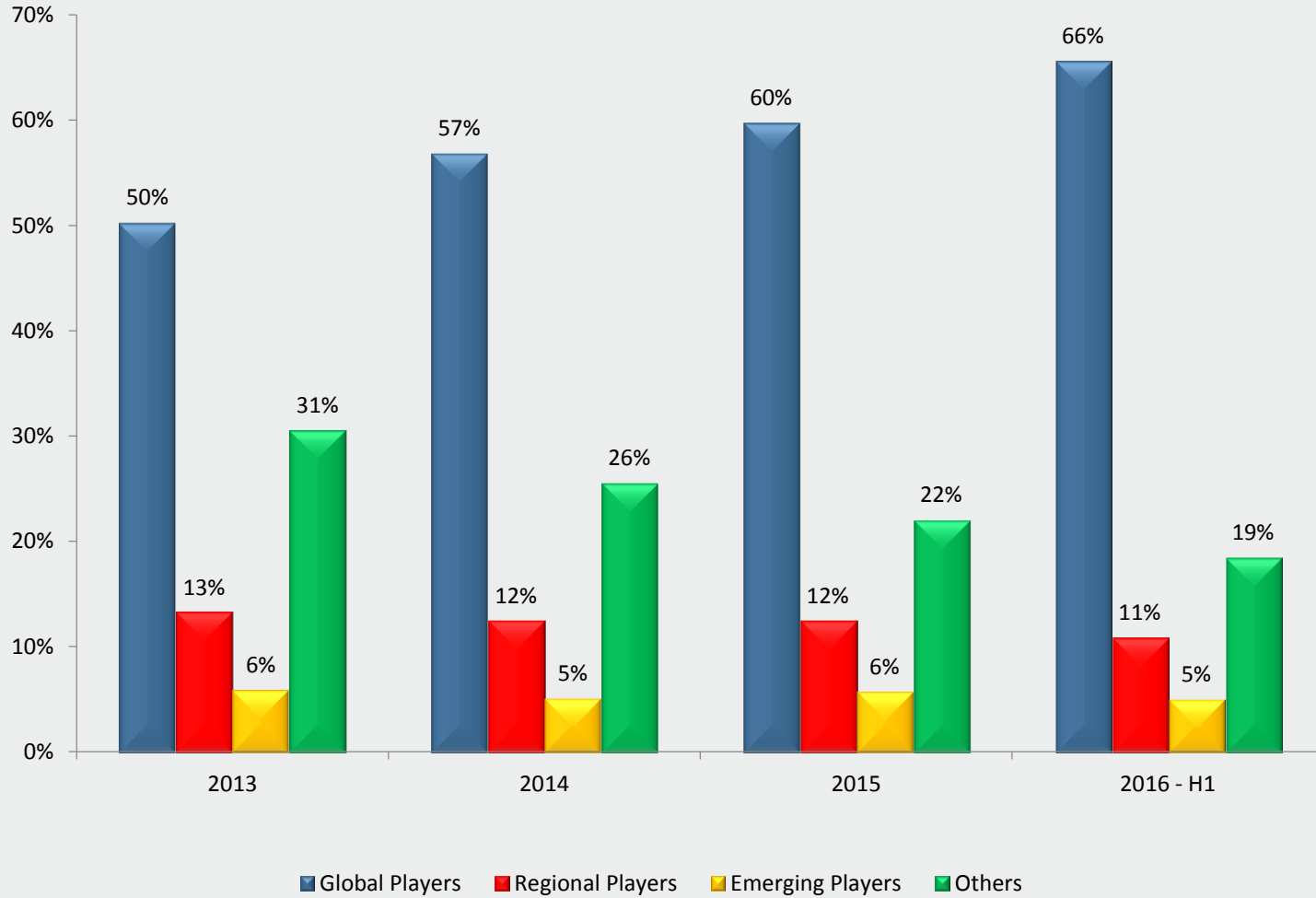
- a. Segmental focus in meeting different customer needs
 - provide better cost of use and value extraction for customer (product development, technical support, service level, commercial flexibility)
- b. Offer more value added products (fabric vs yarn mix)
- c. Increase new product sales including 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

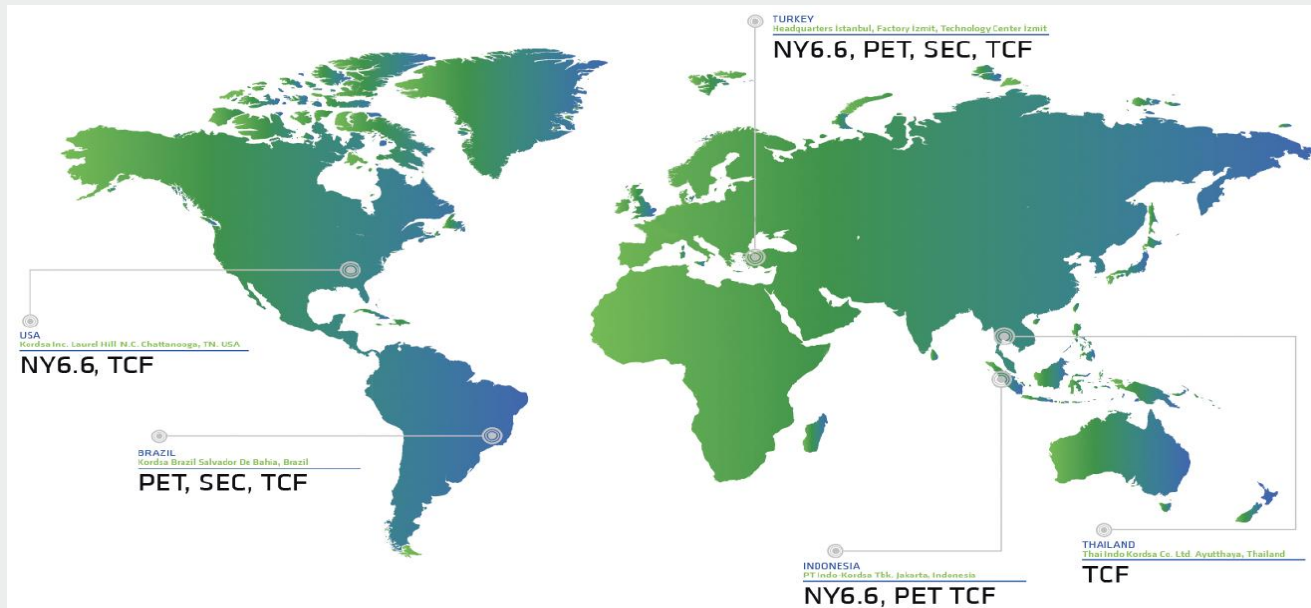
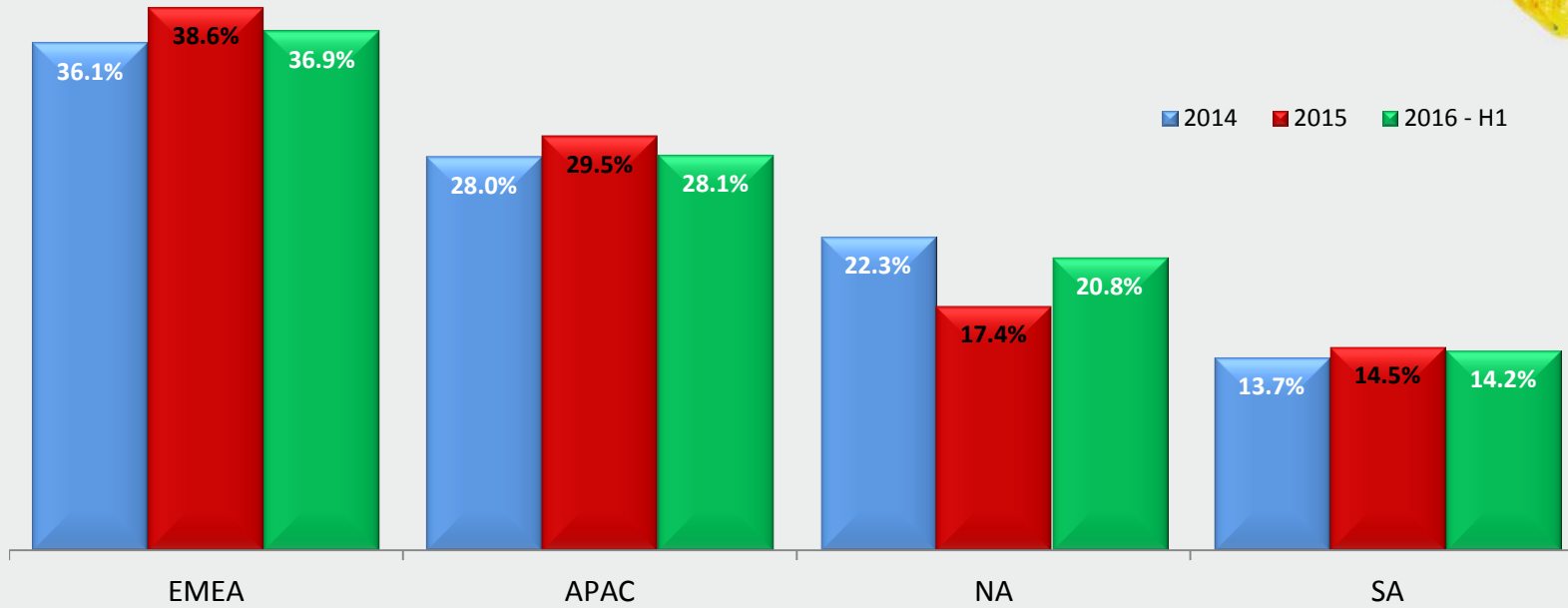
- a. Composites Excellence Center start up => ramp up in 2016 yields in 2017 onwards
- b. Construction Reinforcement Business => new application areas

Focus on tire industry for profitable growth, selectively grow adjacencies

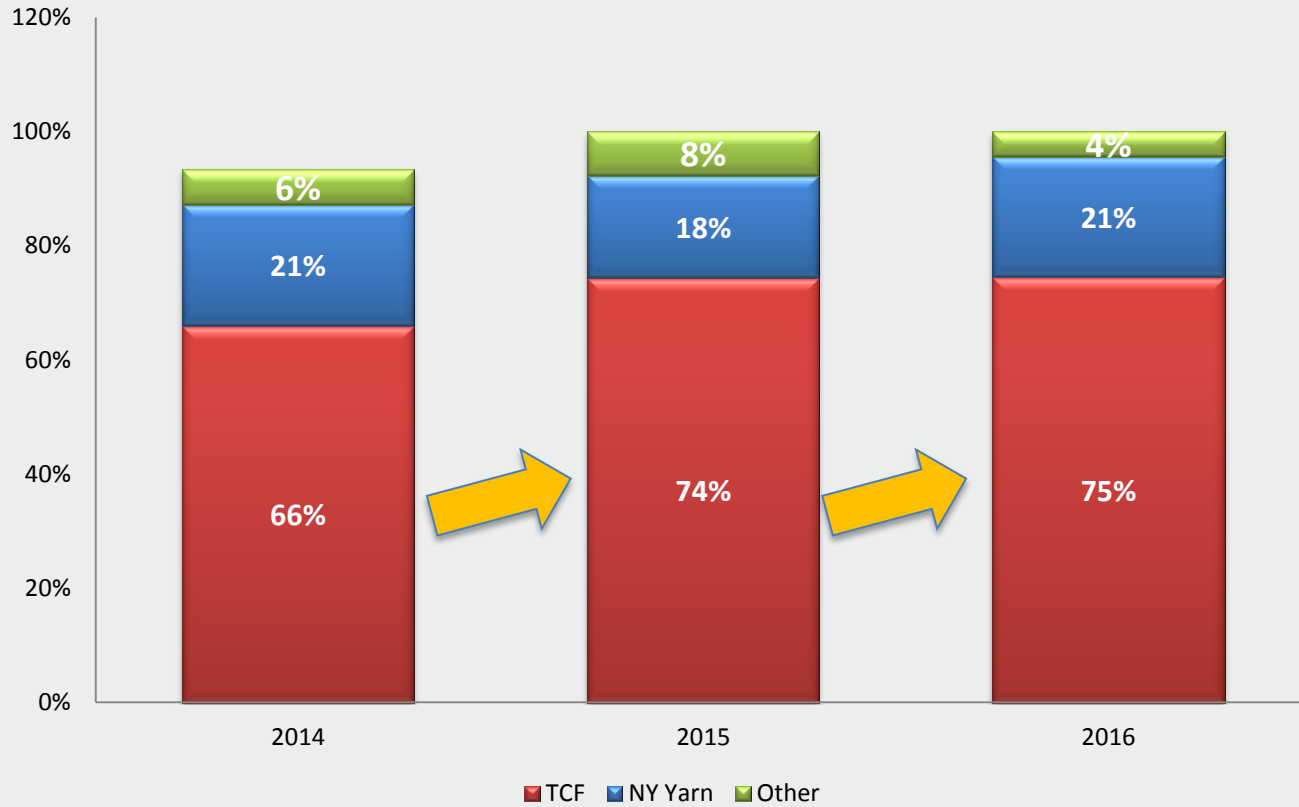
Segmental Progress



Regional Revenue Split Progress



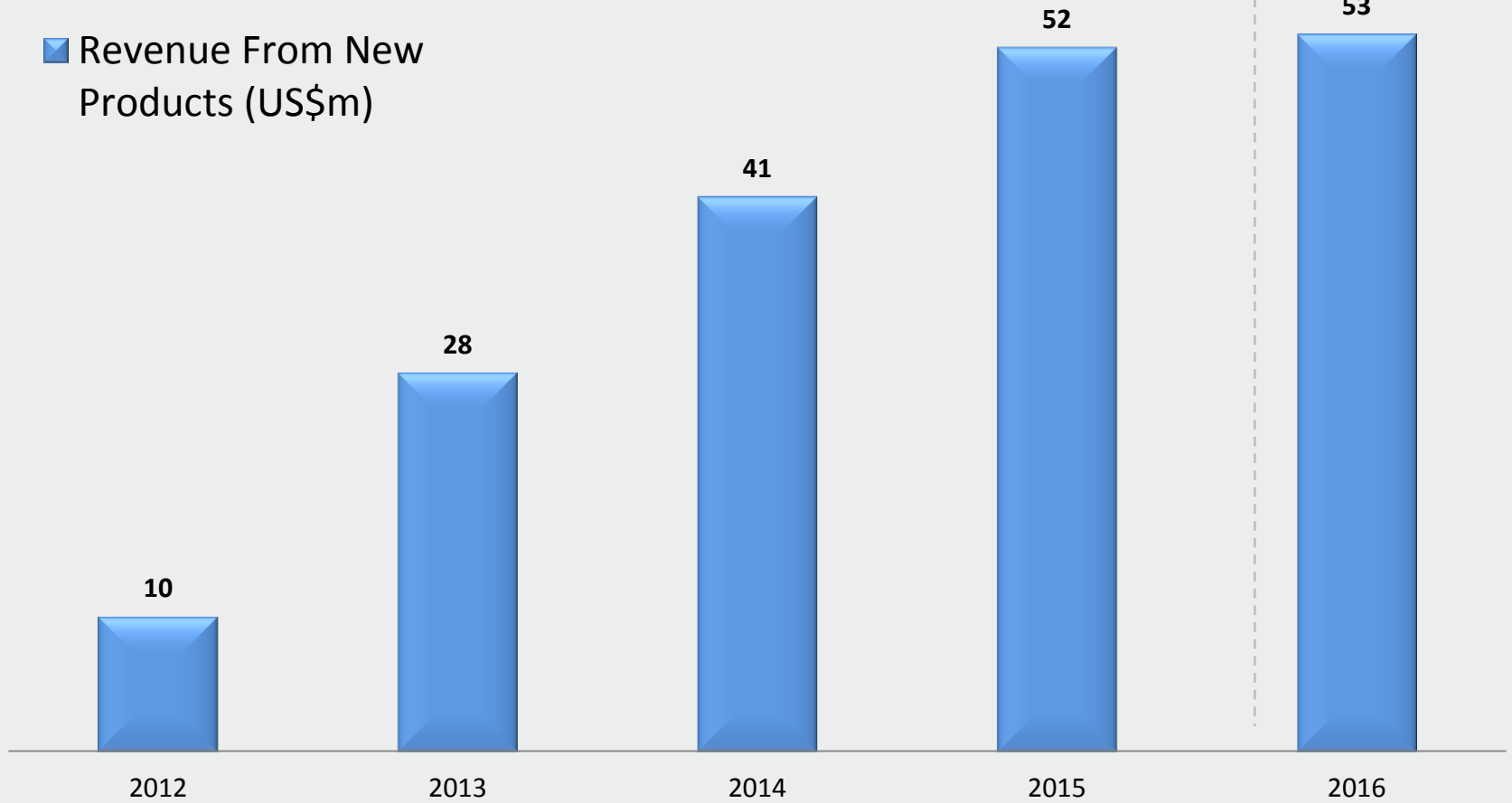
2016 Revenue Split Progress



Strong Focus on R&D



■ Revenue From New Products (US\$m)



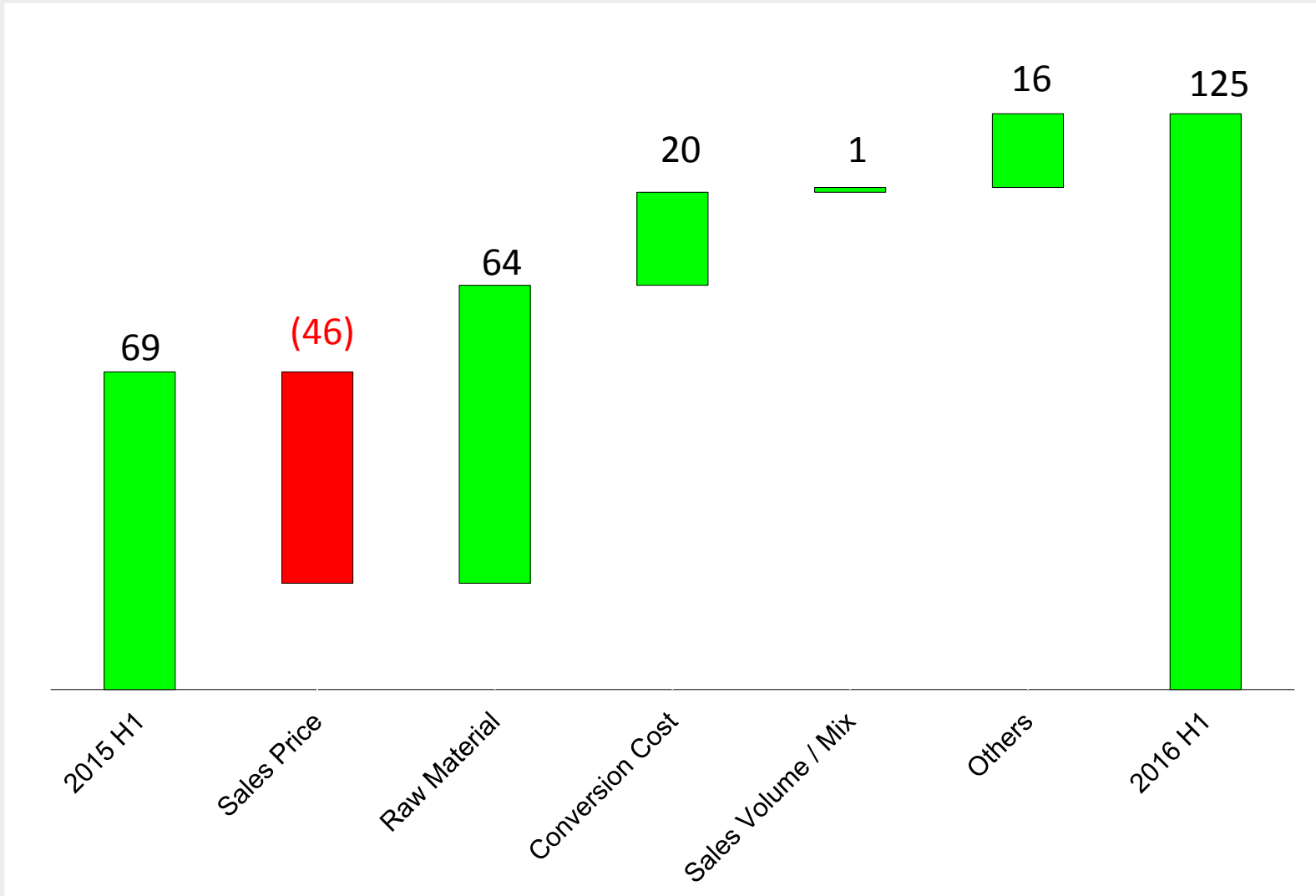
2016 H1

Key Financials



In MMTL	2015 H1	2016 H1	Change
Net Sales	828	960	16%
Gross Profit	134	200	49%
<i>Gross Profit %</i>	16%	21%	+5 pts
Operating Profit	69	125	81%
<i>Operating Profit %</i>	8%	13%	+5 pts
EBITDA	101	154	52%
<i>EBITDA %</i>	12.2%	16.0%	+4 pts
Net Income	48	101	111%

Operating Profit Evolution 2015 H1 vs 2016 H1 (MTL)



2016 H1

Balance Sheet – selected items

In MMTL	Dec 31, 2015	Jun 30, 2016	Change
Cash and Cash Equivalents	18	40	(22)
Account Receivable	297	355	(58)
Other Current Assets	109	102	7
Inventories	425	468	(43)
Accounts Payable	(172)	(243)	71
Oth. Curr. Liab. (Excl. Borrowings)	(50)	(73)	23
<i>WCAP Turnover</i>	3.2	3.5	
Total Debt	554	551	4
Net Debt	537	510	26
<i>Short Term</i>	342	351	(8)
<i>Long Term</i>	194	160	34

2016 H1

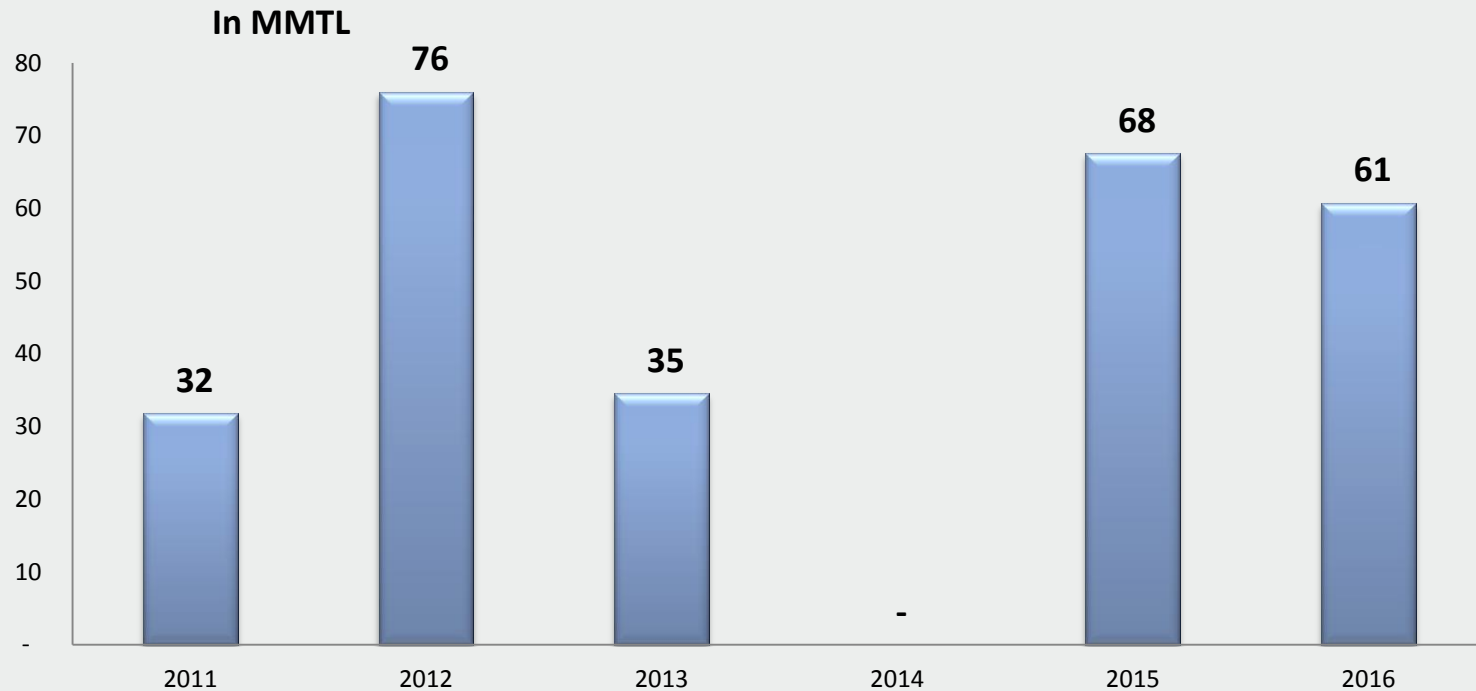
Free Cash Flow



In MMTL	June 30, 2015	June 30, 2016	Change
EBIT*(1-t)	58	109	51
Depreciation and Amortization	40	39	1
Change in Working Capital	(65)	(15)	50
Cash Used in Investing Activities	(25)	(72)	(47)
Free Cash Flow**	9	62	53

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

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.

Guidance



	<u>Jun'2016</u>
Revenue Growth (TRL)	%10 - %15
Ebitda Growth (TRL)	%20-%30
Raw Material	
<i>NY</i> ----->	Highly correlated with Butadiene, Benzene, Propylene
<i>Pet</i> ----->	Highly correlated with PTA, MEG
Recurring Creep Capex	23 M\$

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

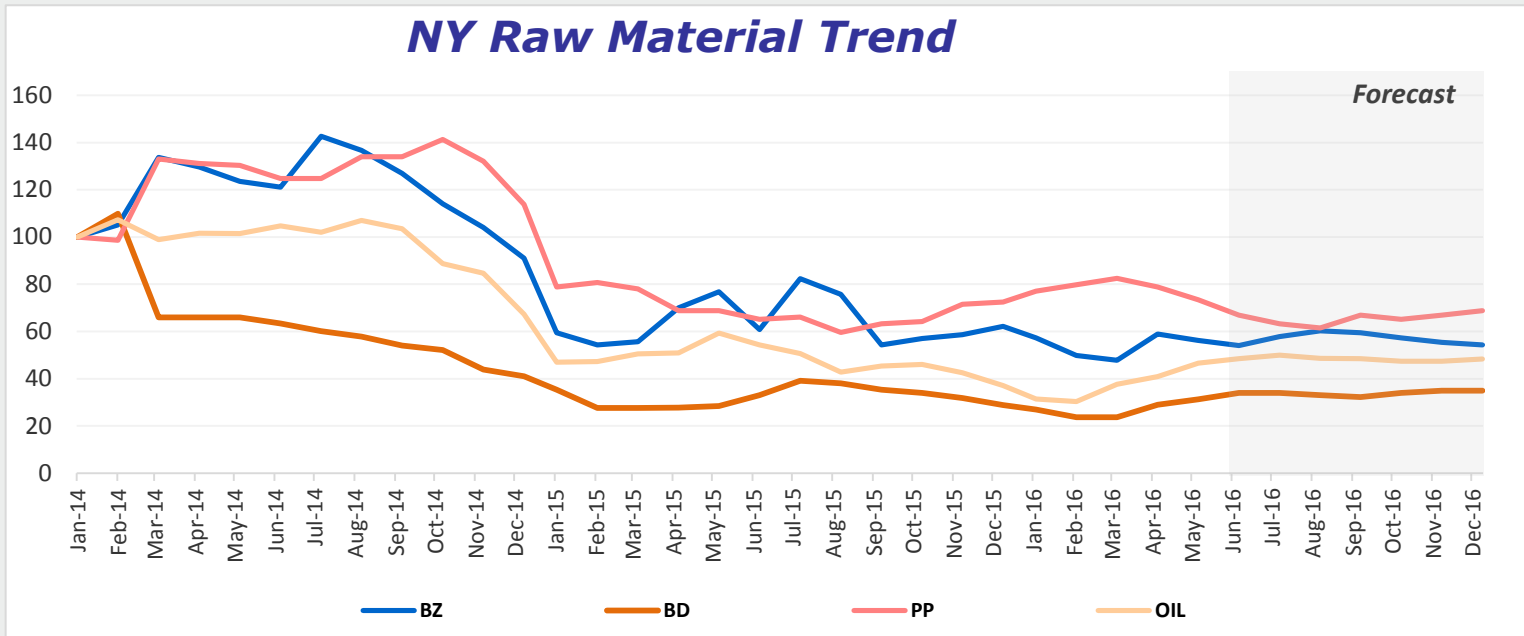
[A] : FX Gain/Loss on trade Rec. & Pay.*

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



APPENDIX

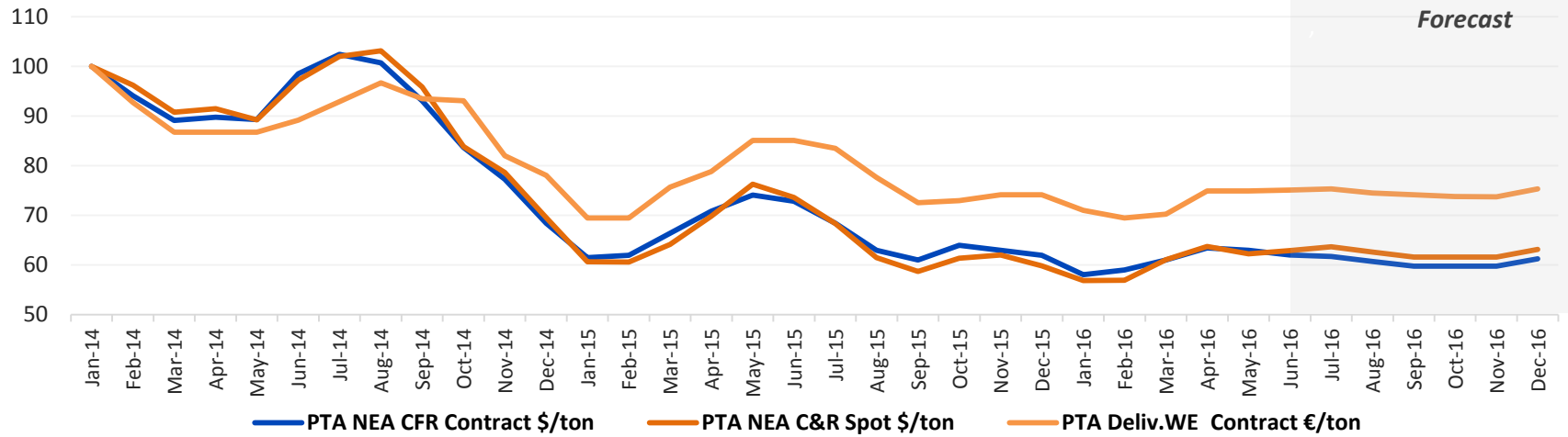
RM Price Drivers



RM Price Drivers



Polyester Raw Material Trend, PTA



Polyester Raw Material Trend, MEG

