

KORDSA

THE REINFORCER



2020 – Earnings Release

February 22, 2021

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Covid-19 Actions

SHE

- Immediate crisis management actions implemented with global reach and applied work practices across entities.
- Stopped all international travels by end Feb.
- Work from home implemented for all our workers who are defined as risk group (over age of 60 and chronic disease, pregnant and maternity leaves etc.)
- Physical and mental health support programs offered to employees and families
- Contributed to the efforts of Ministry of Health for PCR tests and disinfectant solutions

Working Capital

- Took measures to balance inventory through partial or full shut downs and undertaking maintenance overhauls.
 - Kordsa Brasil : between 25th March – 8th April
 - Kordsa Turkey : between 1st April – 15th April
 - Thai Indo Kordsa : between 25th April – 7th May
 - Laurel Hill : between 28th April – 11th May
- AR and AP planning with business partners.

Earnings and Cash Flow

- Coordination with customers and suppliers and mutual status update on business continuity and production planning
- Continued on new product development and approvals for both tire reinforcement and composites => invest for future growth
- Strict capex control
- Used labor incentives at Turkey, Brazil and USA

2020 in Brief

I.Quarter
2020

- Market expectation of 2020 was at par with 2019
- Covid impact started to be felt by mid March at all locations
- Shutdown of several tire and composite companies in EU, NA and LATAM due to outbreak
- Asian suppliers started failing in deliveries to EU and Americas
- B737 Max issues negatively affected composite demand

II.Quarter
2020

- WW tire and aircraft parts manufacturing plants closures
- RM prices plunged due to low demand
- Logistic issues increased due to halted operations creating lack of containers.
- Kordsa was obliged to overhaul some plants to balance supply & demand
- Boing announced drops in production rates.
- By end of Q2 Industries in China started operations, shortly reaching 80-90% CUR
- Extremely low prices to gain on whatever demand was left in the market

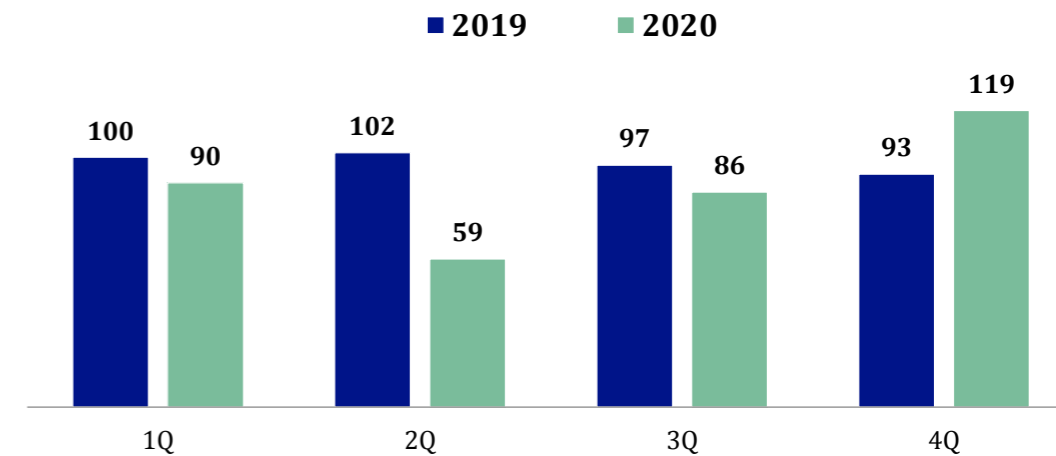
III.Quarter
2020

- Q3 was a quick rebound for APAC, China saw a V-shape recovery
- Rebound for EMEA, come by mid Q3.
- Replenished pipeline of the mobility sector brought several spot opportunities –benefiting local supplier position
- Aerospace was still in distress, Boeing announced further drops in production rates

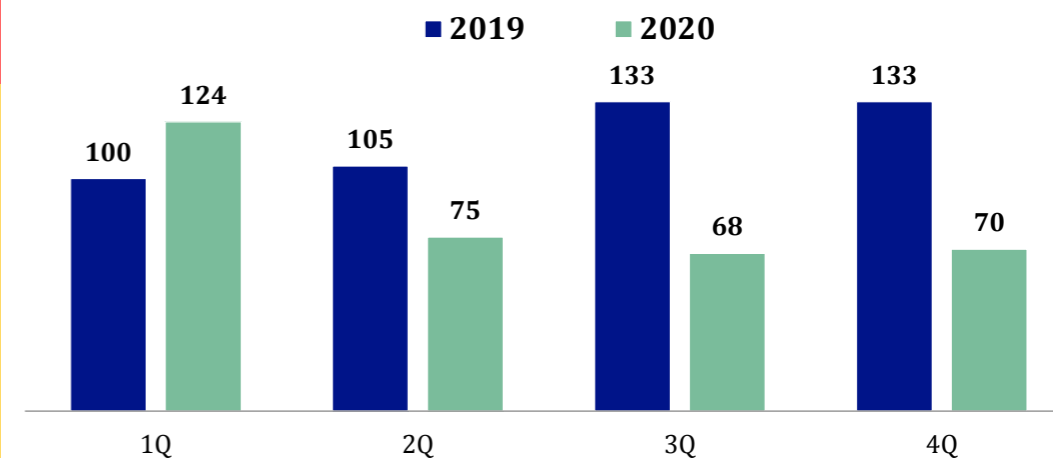
IV.Quarter
2020

- Record high demand was recorded for TCF.
- Global supply chain problems persisted at the back of vessel and container availability. Freight costs sky rocketed.
- Kordsa's strategic supplier position was enhanced due to its swift response to increasing demand and local supplier position.
- By end Q4 all Kordsa Plants were up and running at full capacity except for composite units

Tire Segment - Revenue Distribution



Composite Segment - Revenue Distribution



2020 Highlights

	TL Financials (MTL)			USD Financials (MUSD)		
	2019	2020	Δ	2019	2020	Δ
Sales	5,137	4,536	-12%	906	647	-29%
Tire Segment	4,205	3,792	-10%	741	541	-27%
Composite Segment	760	674	-11%	134	96	-28%
Construction Segment	14	31	119%	3	4	77%
Other	158	39	-75%	28	6	-80%
EBITDA*	747	574	-23%	132	82	-38%
EBITDA* Margin (%)	14.5%	12.7%	-1.9 bp	14.5%	12.7%	-1.9 bp



Tire cord fabrics ("TCF")

- Based on 3rd party market research reports, 13% reduction is expected wrt 2019 in tire markets. This percentage is 16% without China.
- Strong recovery in Q4'2020 and continued into 2021
- Container shortages created sales opportunities for local suppliers

Composite

- Based on 3rd party market research reports, above 40% reduction in aerospace industry shall be recorded in 2020 compared to 2019
- 2020 revenue was 96 M\$
- Passenger numbers are expected to plummet to 1.8 billion (60.5% down from the 4.5 billion passengers in 2019).

Construction

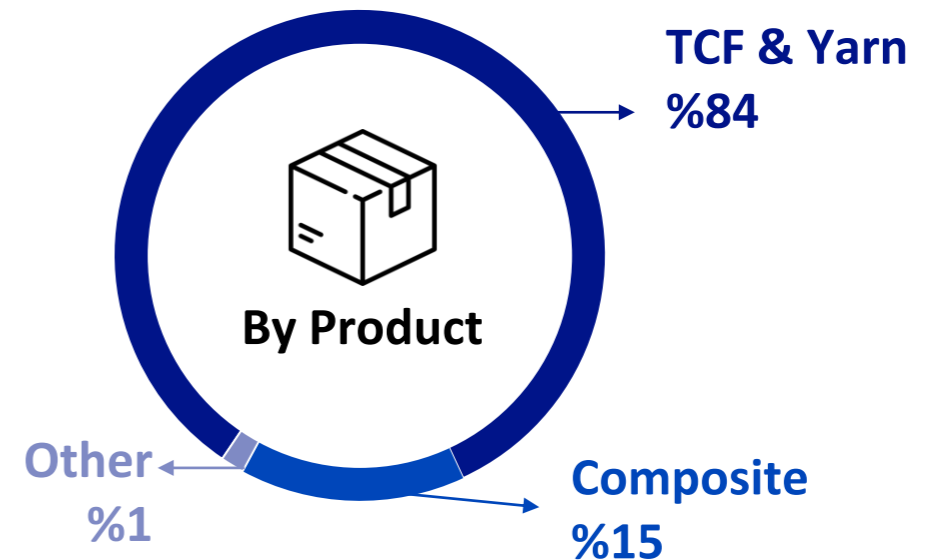
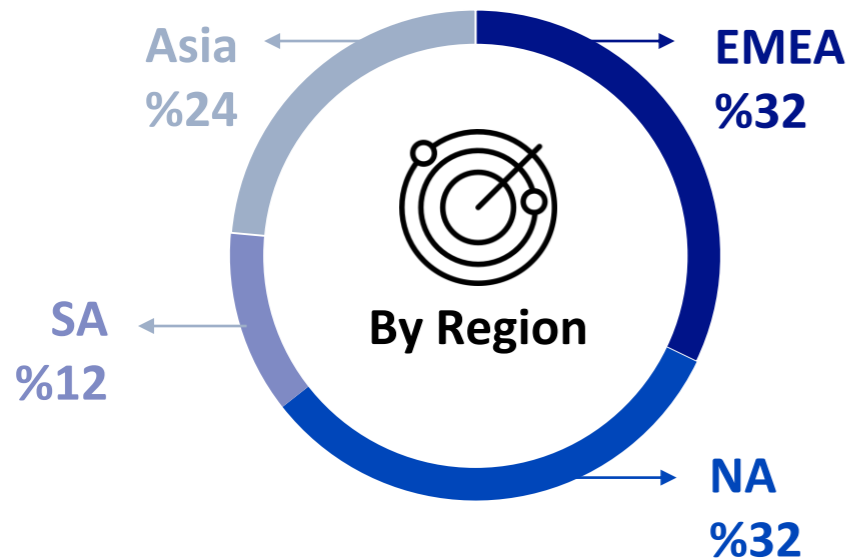
- 2020 revenue is 4.5 M\$ generated from Turkey and Brasil markets
- Recovery started in Turkey
- Increase on export activities

EBITDA* = Gross Profit – OPEX + Depreciation/Amortization

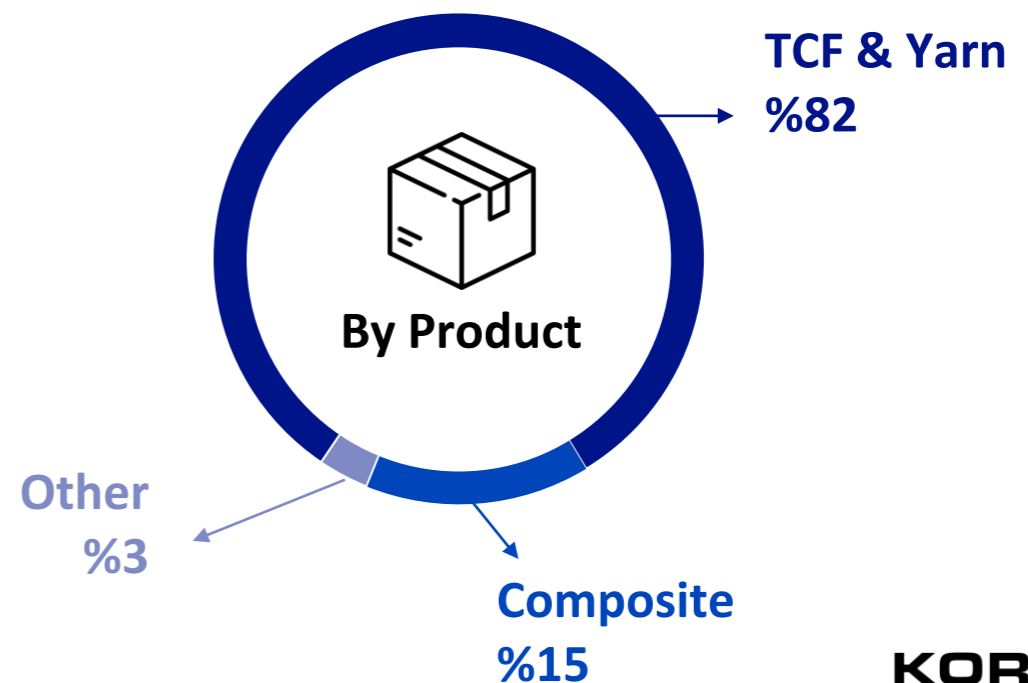
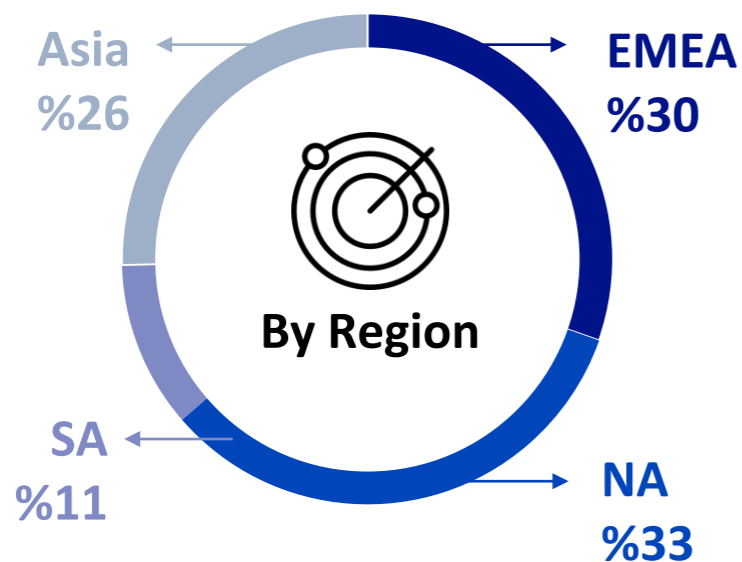
External

Segment Reporting

Dec'20 Revenue Split

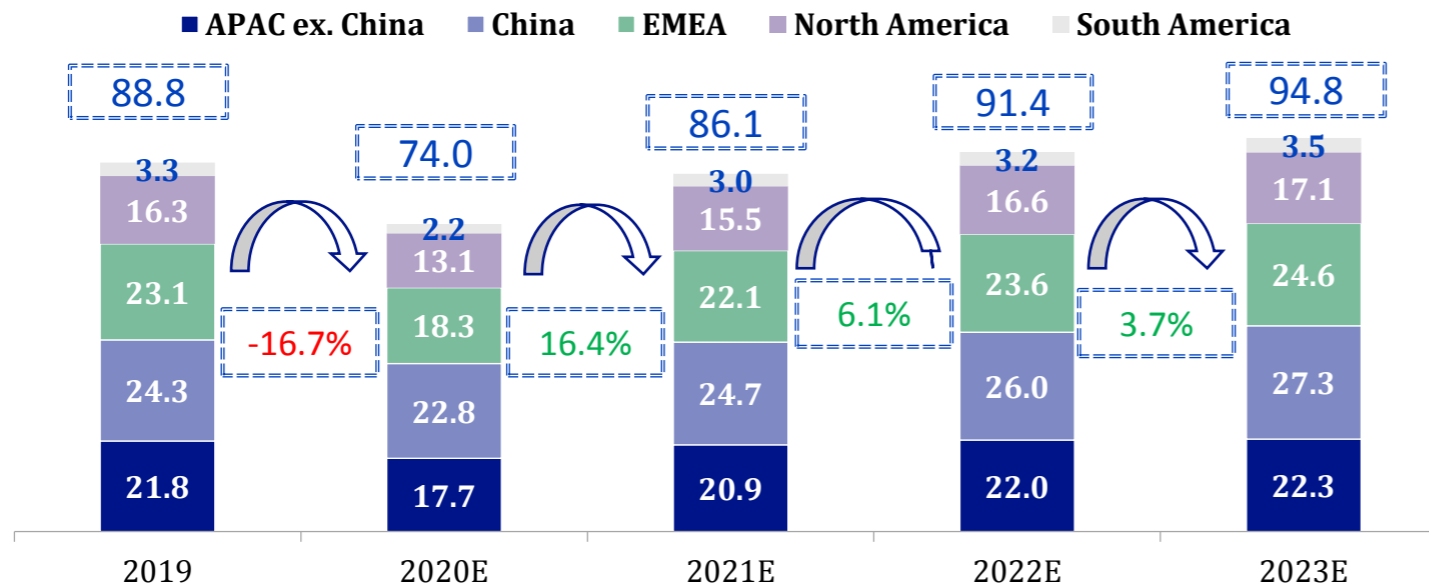


Dec'19 Revenue Split

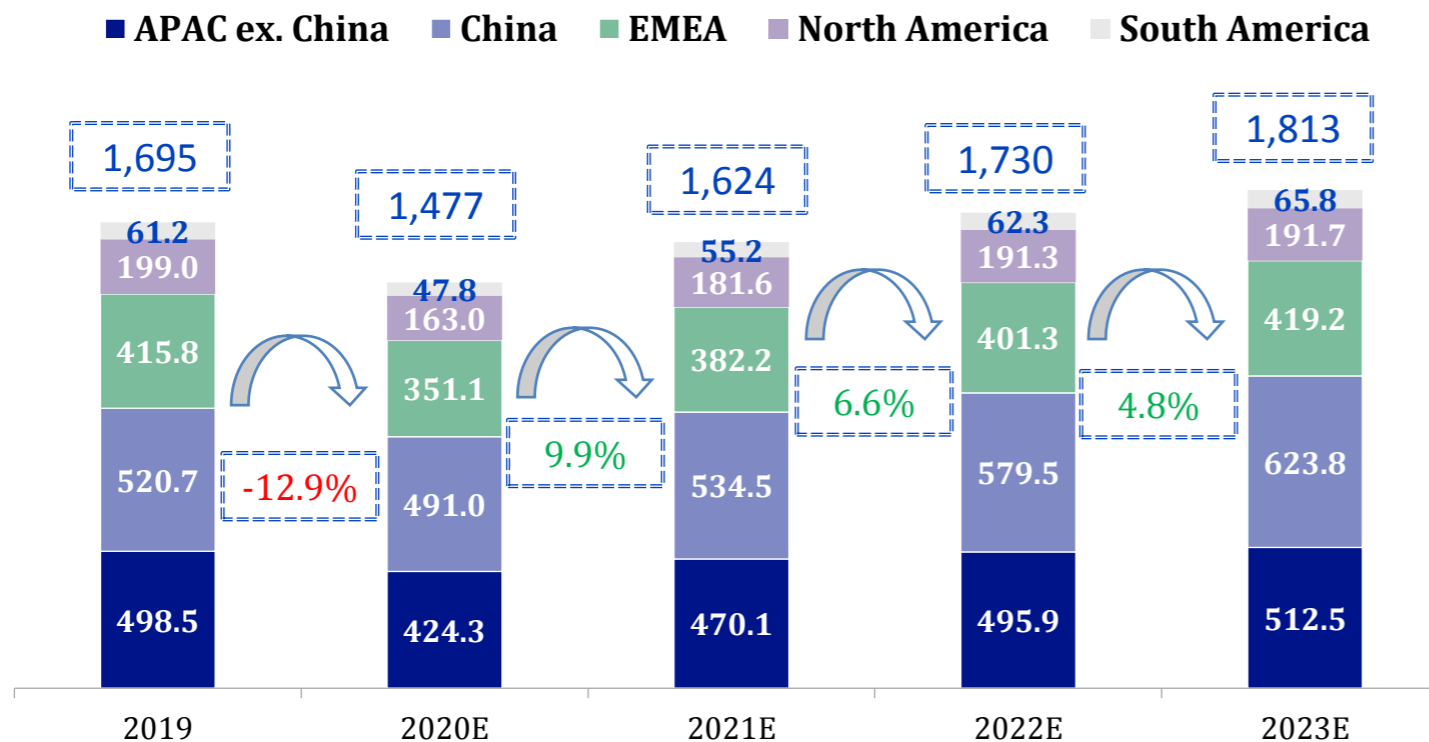


Market Dynamics – Tire Cord Fabric

Global Light Vehicle Market (Munits)



Global Light Vehicle Tire Market (Munits)



- Global Light Vehicle & Passenger Car production is expected to decline 16.7% in 2020, China down is 6.3%

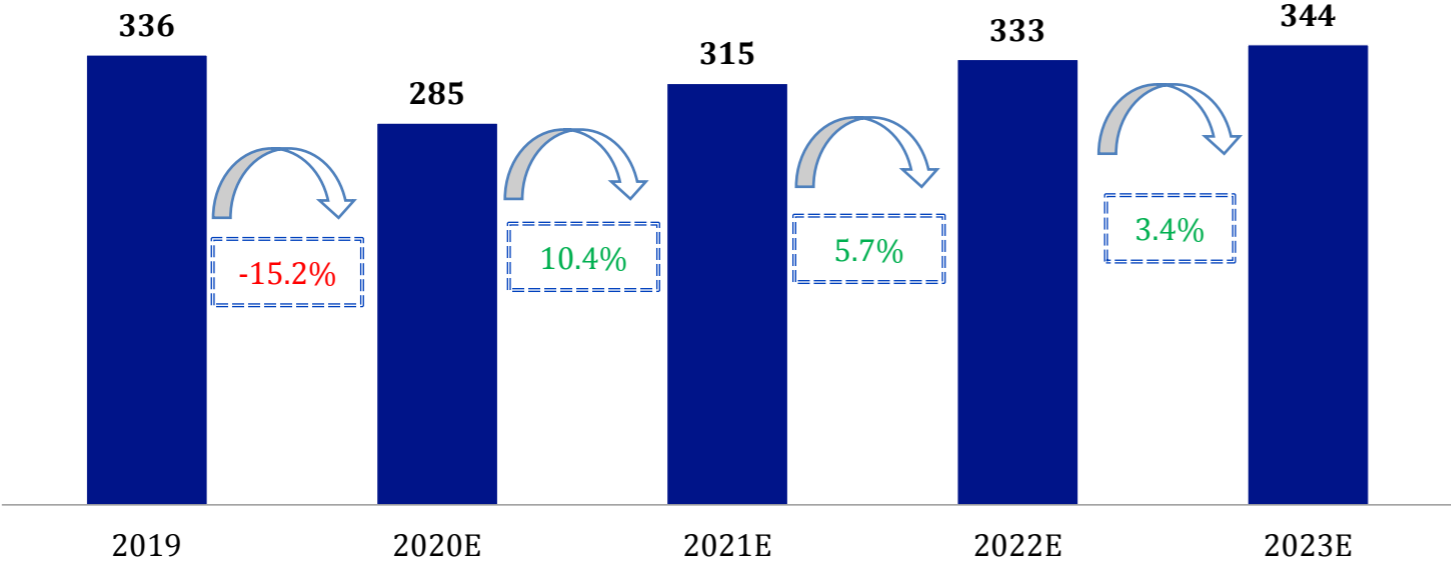
- Passenger and LV Car production is expected to recover in 2021 with the rate of 16.3%

- Global tire production is expected to decline 12.9% in 2020. Excluding China, the expected decline is 16%

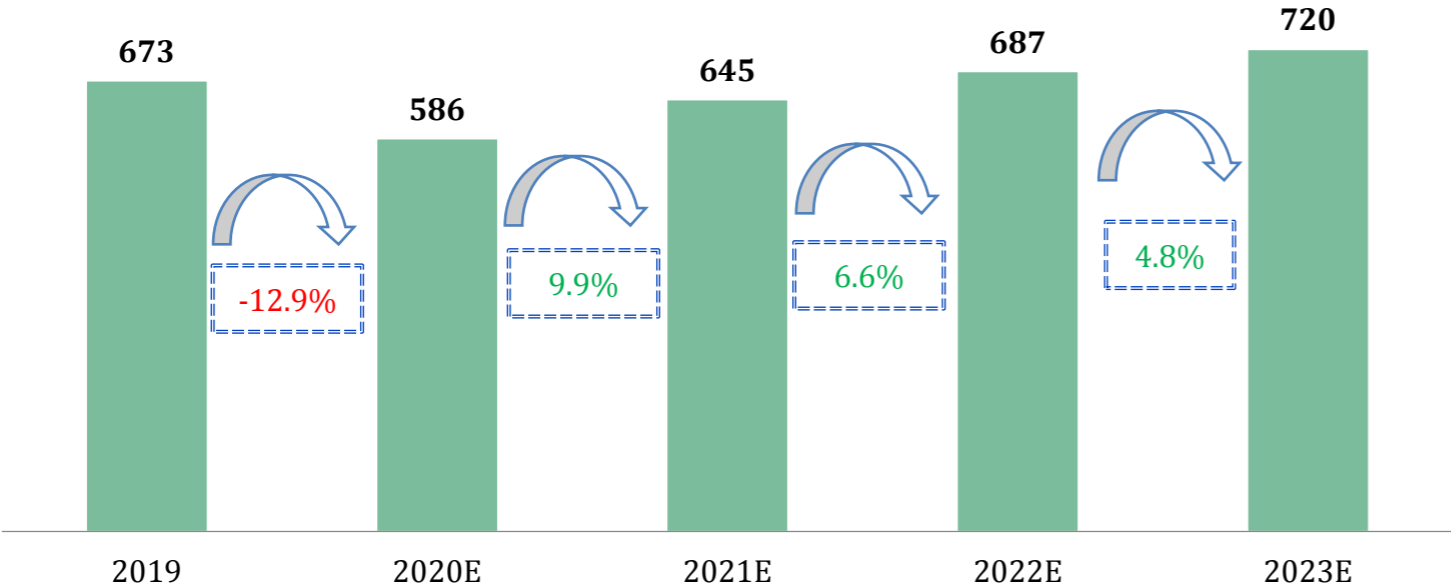
- Lower mileage due to lockdowns and the closure of garages saw sharp reductions in LV replacement tire sales. As economies have reopened, replacement tire sales improved, but the recovery is not as strong as OE because miles driven are still below pre-Covid levels.

Market Dynamics – Tire Cord Fabric

Tire Reinforcement Market (NY6.6)



Tire Reinforcement Market (PET)



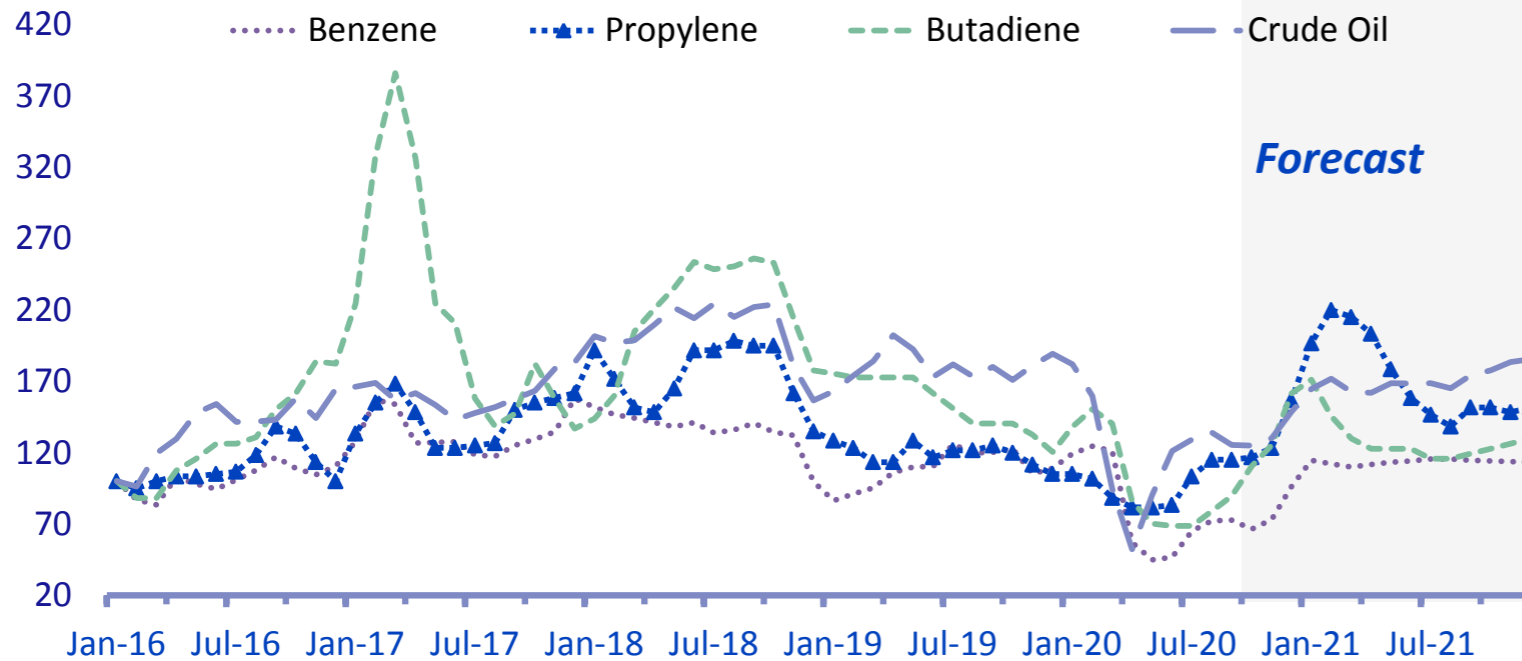
- Approximately 55% of NY66 demand is used in cap ply and the growth ratio is inline with Passenger and LV Tire for this part
- 45% of NY66 demand is consumed in agro, mining, construction and aircraft tires



- Decline in Pet demand is expected in parallel with Passenger and LV Tire Production trend (-12.9% in 2020)

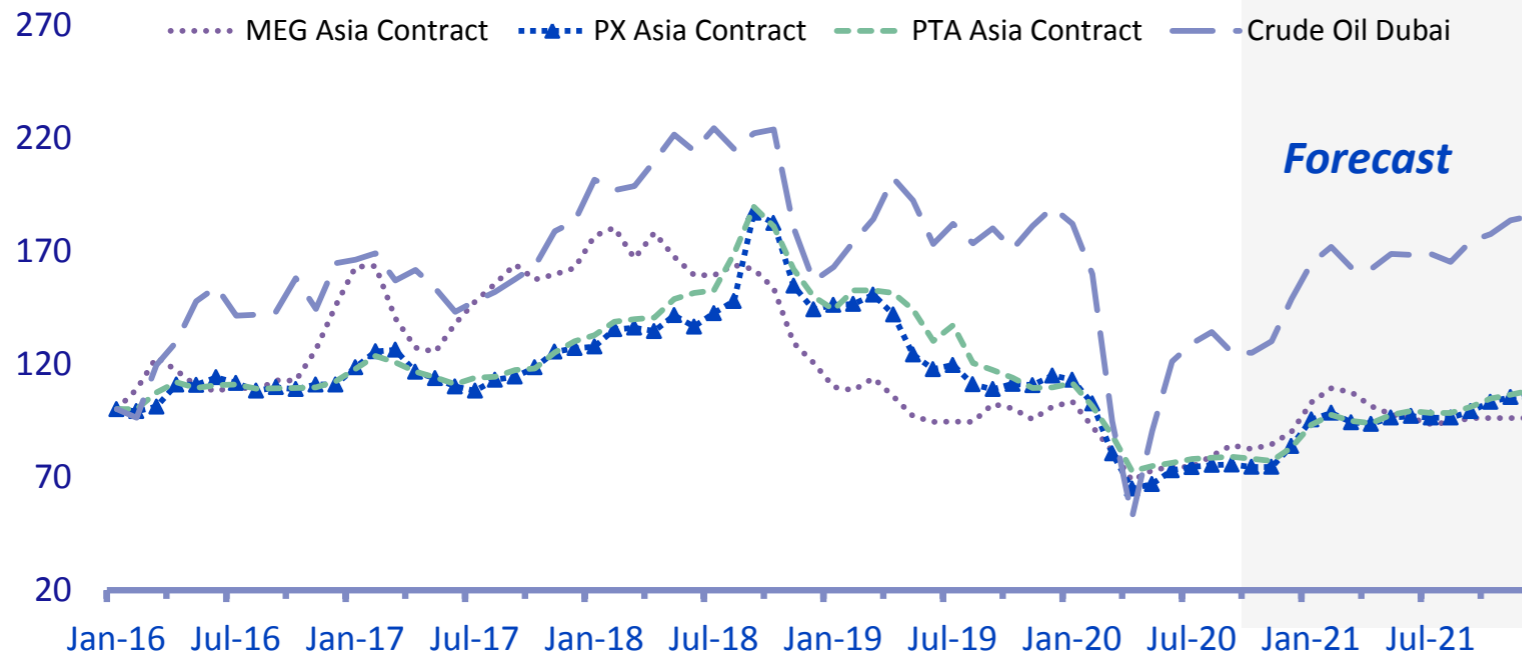
RM Price Drivers - Tire

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)

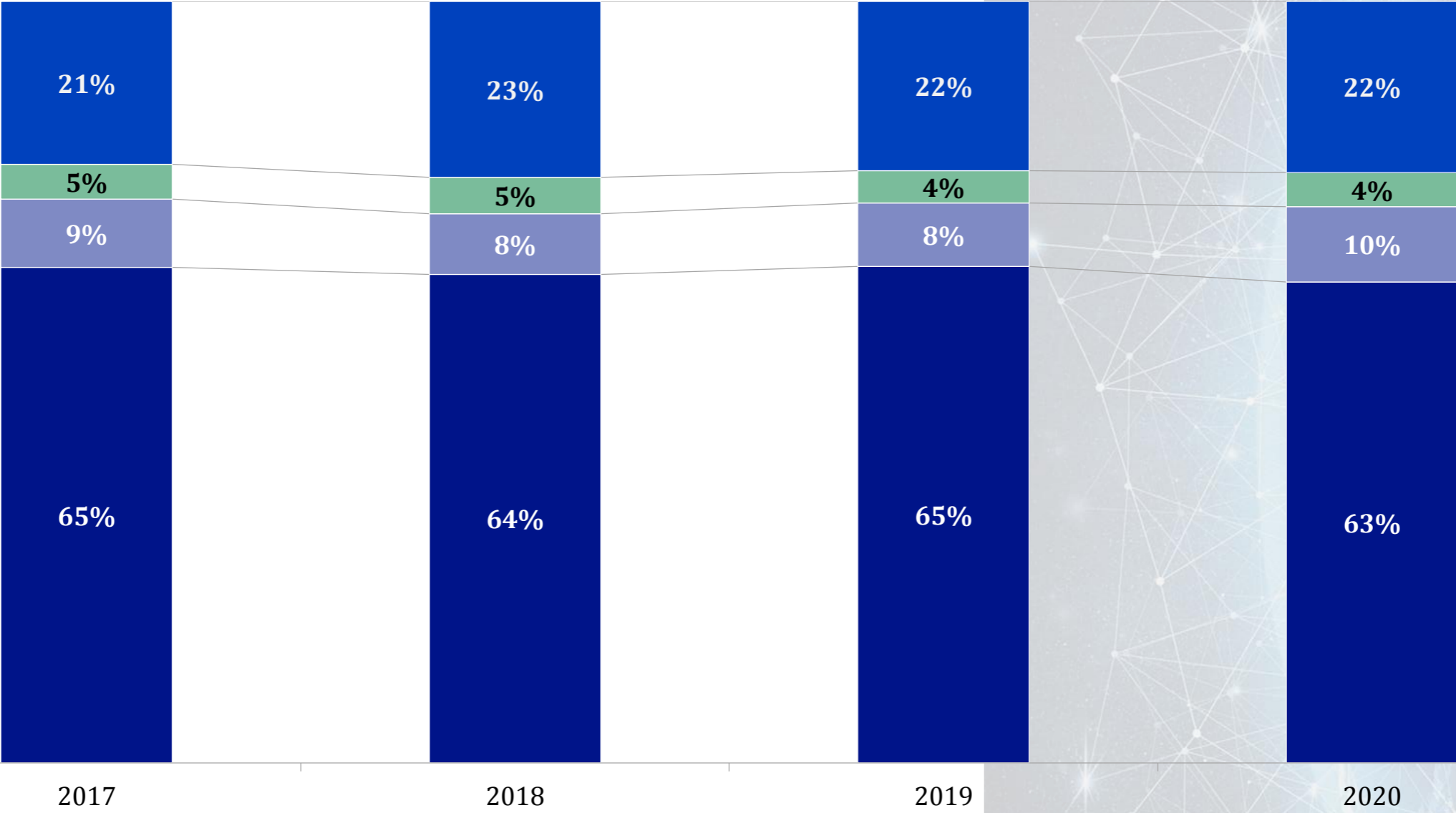


- **PX:** In Asia, Outside mainland China, PX operations were reduced after increasing slightly in December due to rising PX and benzene prices. In China, PTA production levels remain strong.
- **PTA:** Demand has continued a modest downtrend since late November.

Source : IHS

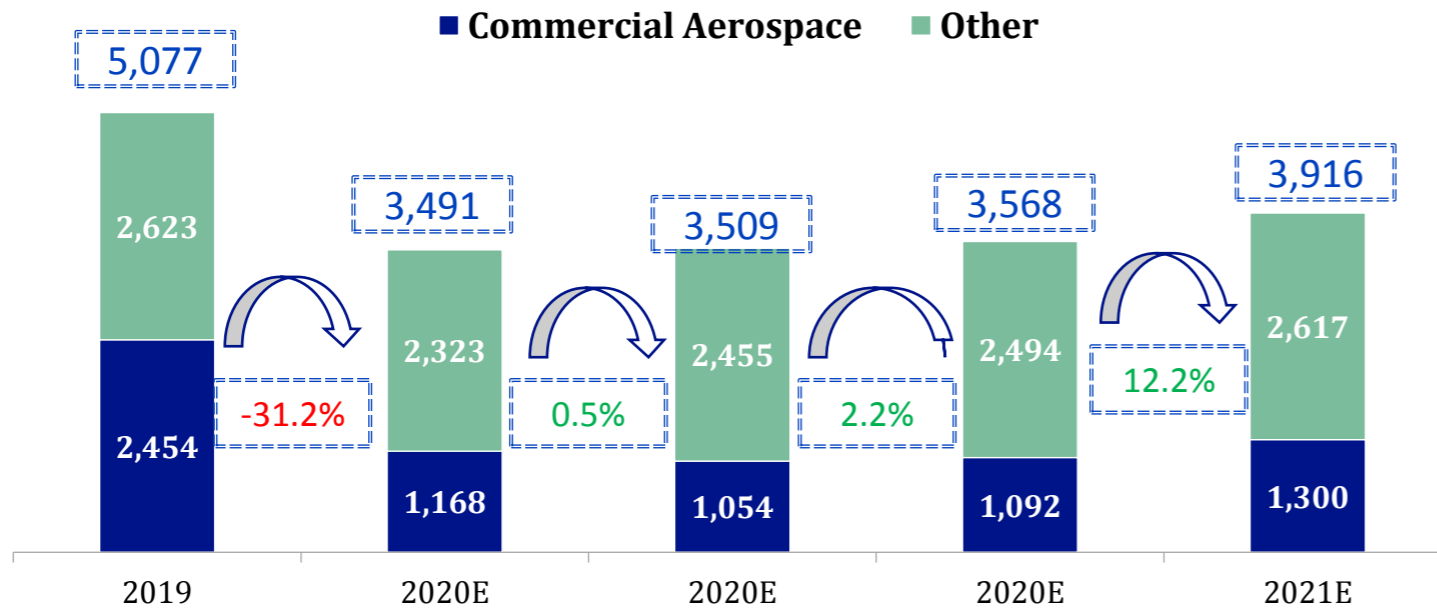
Customer Concentration for Tire Segment

■ Global Players ■ Regional Players ■ Emerging Players ■ Others

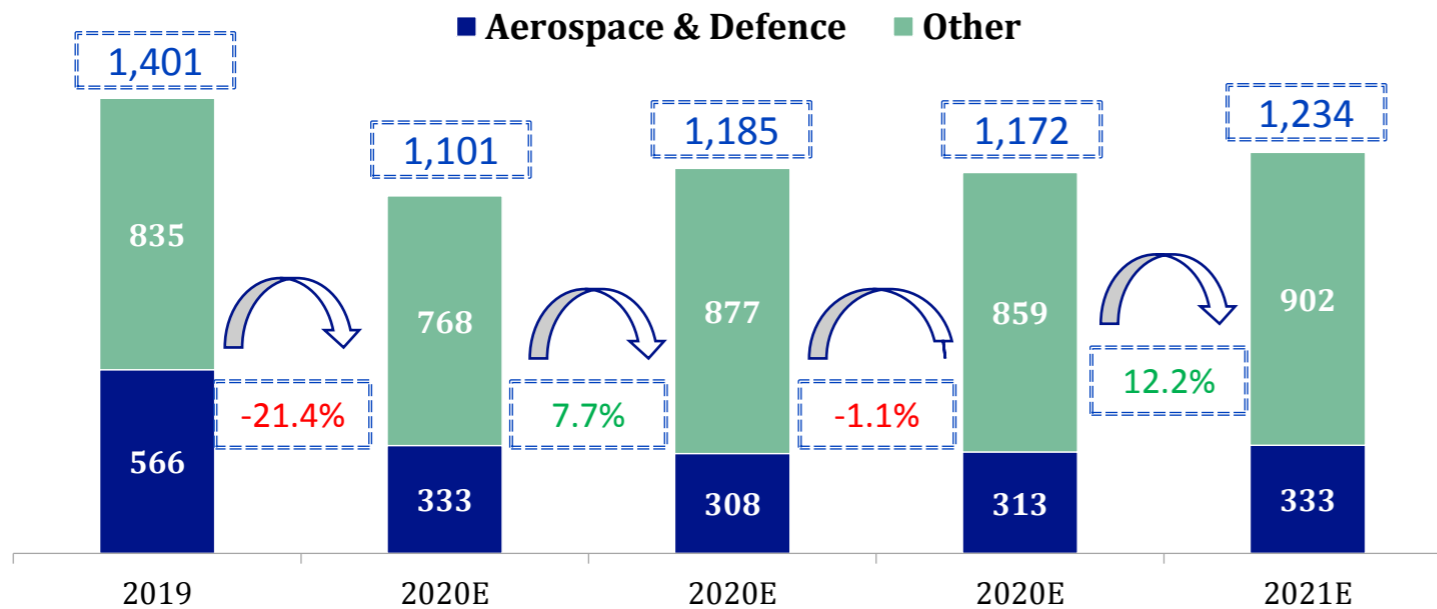


Market Dynamics – Composite

Global Prepreg Market (M\$)



Global Carbon Fiber Textile Market (M\$)



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

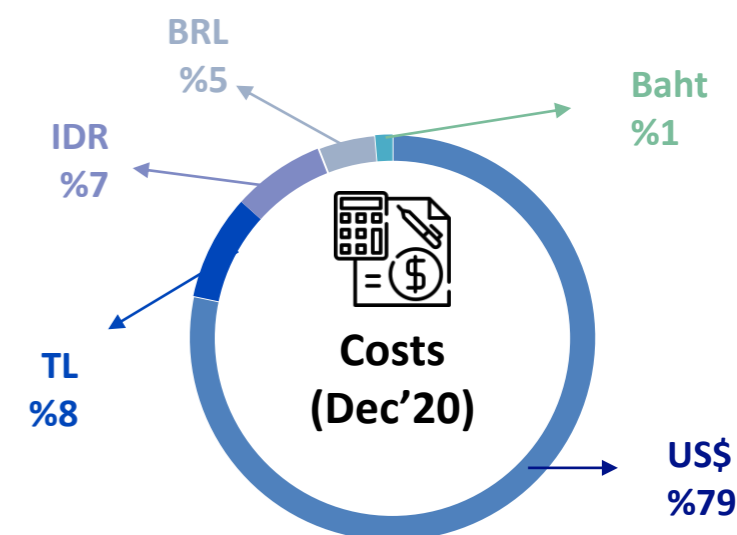
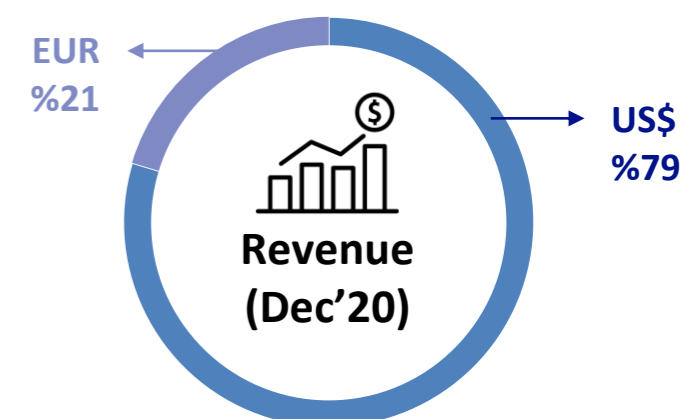
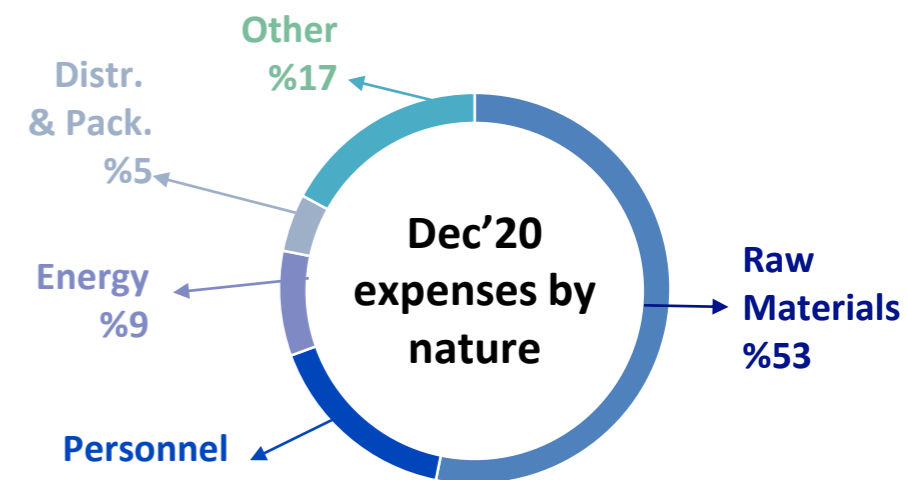
Update on 2020 Results

Key Financials

	TL Financials (MTL)		
	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



Update on 2020 Results

Key Balance Sheet Items

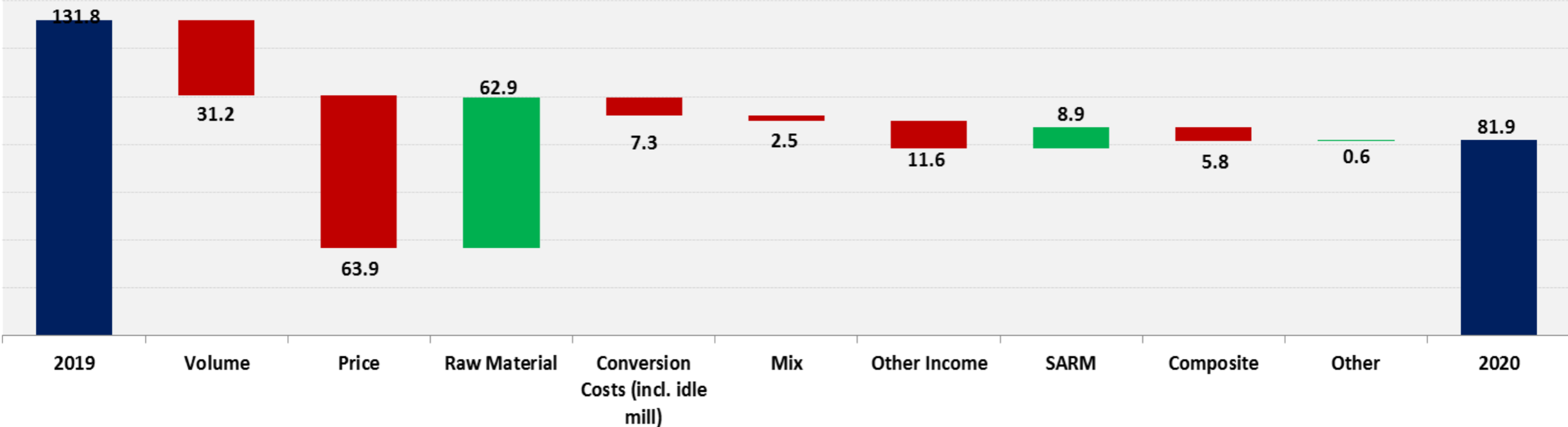
	TL Financials (MTL)			USD Financials (MUSD)		
	2019	2020	Δ	2019	2020	Δ
Cash and Cash Equivalents	730	450	-280	123	61	-62
Account Receivables	969	1,091	122	163	149	-15
Inventories	1,231	1,225	-6	207	167	-40
Other Current Assets	145	123	-22	24	17	-8
PPE & Intangibles	2,992	3,439	448	504	469	-35
Investment Property	138	175	37	23	24	1
Goodwill	798	923	125	134	126	-9
Other Non-Current Assets	168	177	10	28	24	-4
Account Payables	620	664	44	104	90	-14
Total Debt	3,029	2,878	-151	510	392	-118
Short Term Debt	1,796	1,667	-129	302	227	-75
Long Term Debt	1,233	1,211	-22	208	165	-43
Other Liabilities	702	784	83	118	107	-11
Net Debt (Cash&Cash Equ. Excluded)	2,299	2,428	129	387	331	-56
WCAP Turnover				3.62	2.76	
Net Debt / EBITDA				2.94	4.04	

Update on 2020 Results

Free Cash Flow			
	TL Financials (MTL)		
	2019	2020	Δ
Cash Used in Operating Activities	706	902	197
Net Income	378	150	-228
Depreciation & Amortization	206	285	78
Change in Working Capital	-313	-71	242
Other Adjustments	434	538	104
Cash Used in Investing Activities	-1,162	-208	954
Maintenance CAPEX	-163	-208	-45
M&A Investments	-999	0	999
Free Cash Flow*	-456	694	1,150

* 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)

EBITDA Bridge – MUSD



Sustainability Focus



- 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

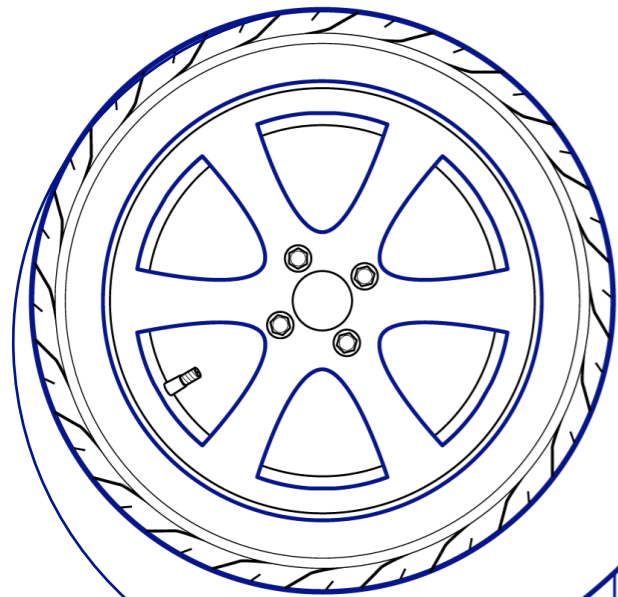
Kordsa has been awarded the Gold Rating for sustainability by Ecovadis, an international provider of business sustainability ratings. The rating reflects Kordsa's commitment to achieving sustainability

4. Sustainability



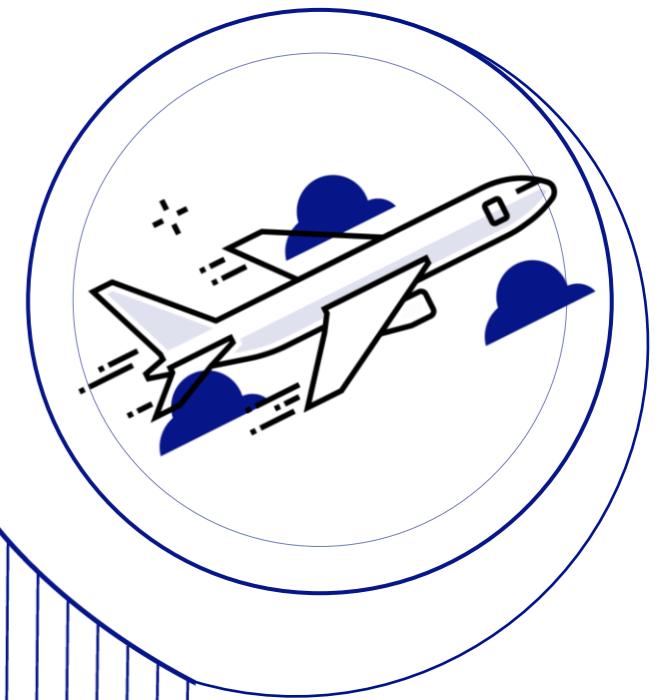
CDP Programme

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



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Appendix

2020 Highlights (FX Rates)

