



AKÇANSA

2019 Q2 Results
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Key Highlights

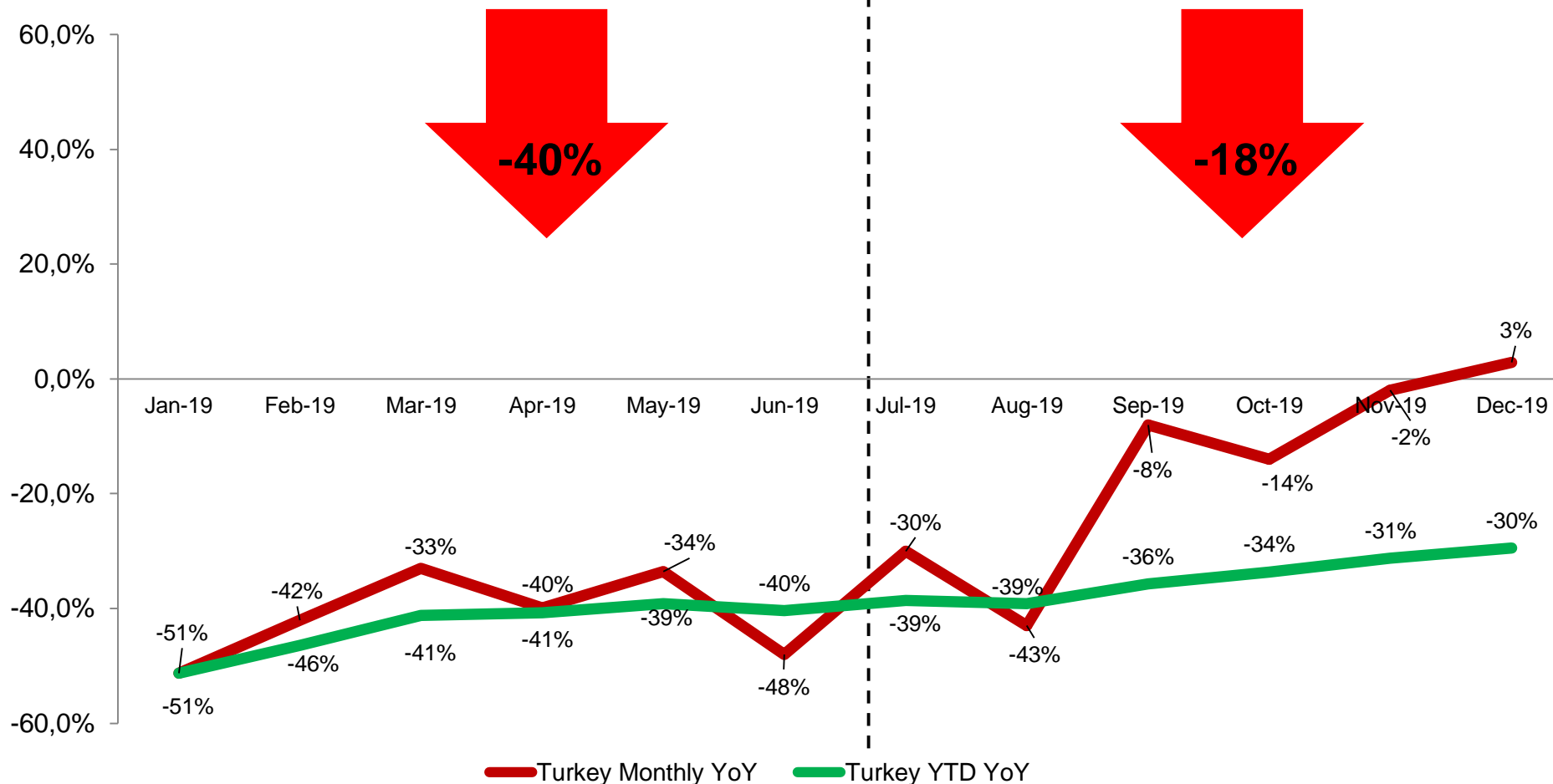
■ 2019 H1

- ✓ Total cement volumes down 3% vs prior year. Domestic cement volumes declined by 38%, offset by 144% increase in cement/clinker exports.
- ✓ Higher energy costs exerted pressure, particularly on domestic margins. Good development in the export markets offset some of the decline in the domestic market.
- ✓ EBITDA of 135.4 mTL (1H18 196.3 mTL).
- ✓ Cash flow from operating activities up by 12 mTL to 134.8 mTL driven by effective working capital management.

■ 2019 Outlook

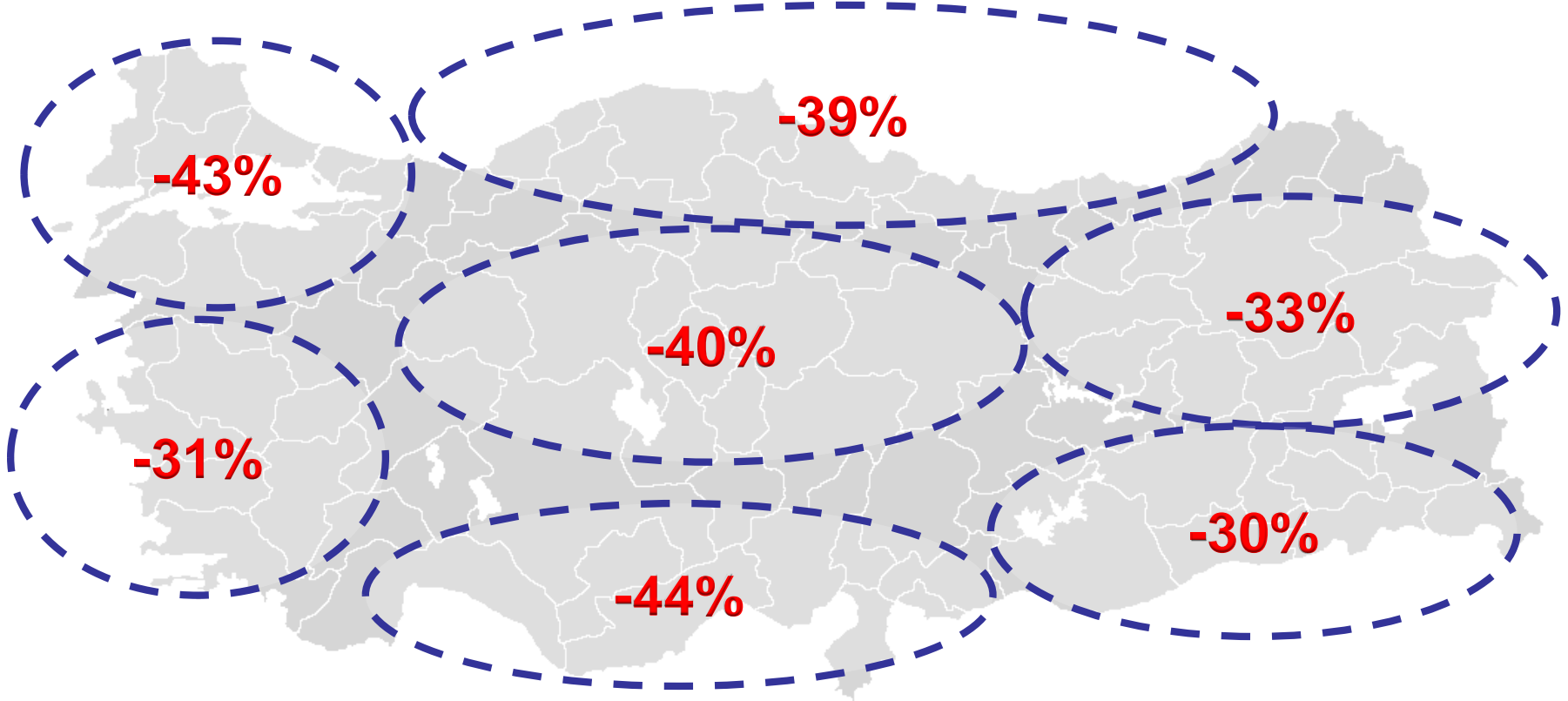
- ✓ Total cement volumes are expected to be in line with prior year driven by doubling of export volumes in 2019.
- ✓ Increased energy costs will exert pressure on margins. Increased alternative fuels usage and replacing global petcoke suppliers with local ones will offset some of the fuel cost increases.
- ✓ Strict fixed cost discipline and tight Capex control will support cash generation.

Turkey Domestic Demand Growth 2019



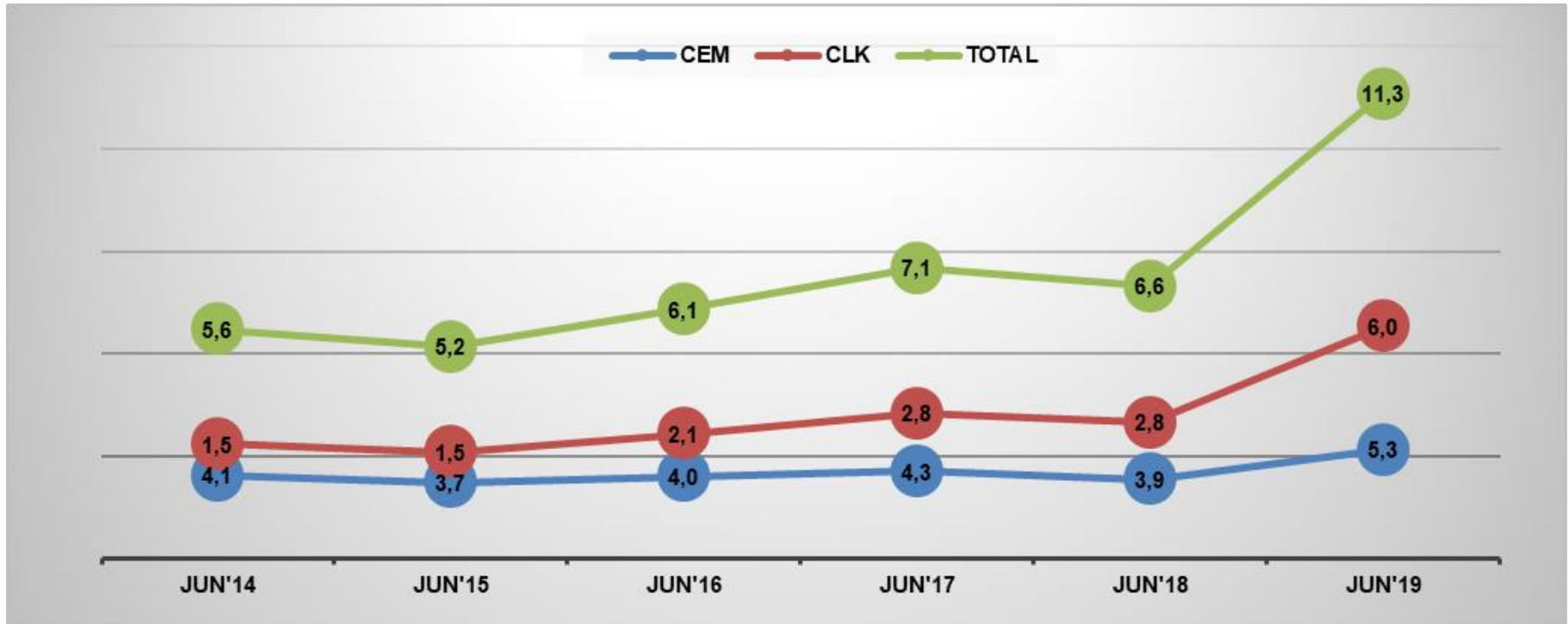
Turkey, cement consumption is expected down by -30% in 2019,
by -40% in 1H2019 & by -18% in 2H2019

Turkish Cement Market, Sales Volumes Change % 2019 vs 2018 (May YTD)

**Cement production****- 39%****Clinker Stocks****+30%****Domestic Sales****-40%**

Turkey cement demand significantly decreases in all regions

Turkish Export Volume Trend – June YTD 2019



Increase in exports compensate partially for domestic market contraction in 2019

Source: OAIB

(*) OAIB data - volumes include both white and grey products
Sonmez Adana exports are not included

Turkish Cement Industry Export Volumes (kt) – YTD Jun'19

Total Exports

		2018	2019	Δ '19 vs '18	Trend
Clinker Exports	Ghana	581	1.327	129%	↑
	Ivory Coast	272	911	235%	↑
	Guinea	221	464	110%	↑
	Cameroon	30	421	1308%	↑
	Colombia	191	411	115%	↑
	Mauretania	173	354	105%	↑
	Other	1.316	2.128	62%	↑
	Total Clinker	2.783	6.016	116%	↑

Cement Exports	USA	994	1.960	97%	↑
	Israel	517	894	73%	↑
	Syria	421	431	2%	↑
	Bulgaria	161	170	6%	↑
	Russia	88	110	25%	↑
	Ghana	132	201	53%	↑
	Other	1.560	1.573	1%	↑
	Total Cement	3.872	5.340	38%	↑

Total Export	6.655	11.356	71%	↑
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USA, Ghana and Israel remain as main export destinations in 2019

Source: OAIB

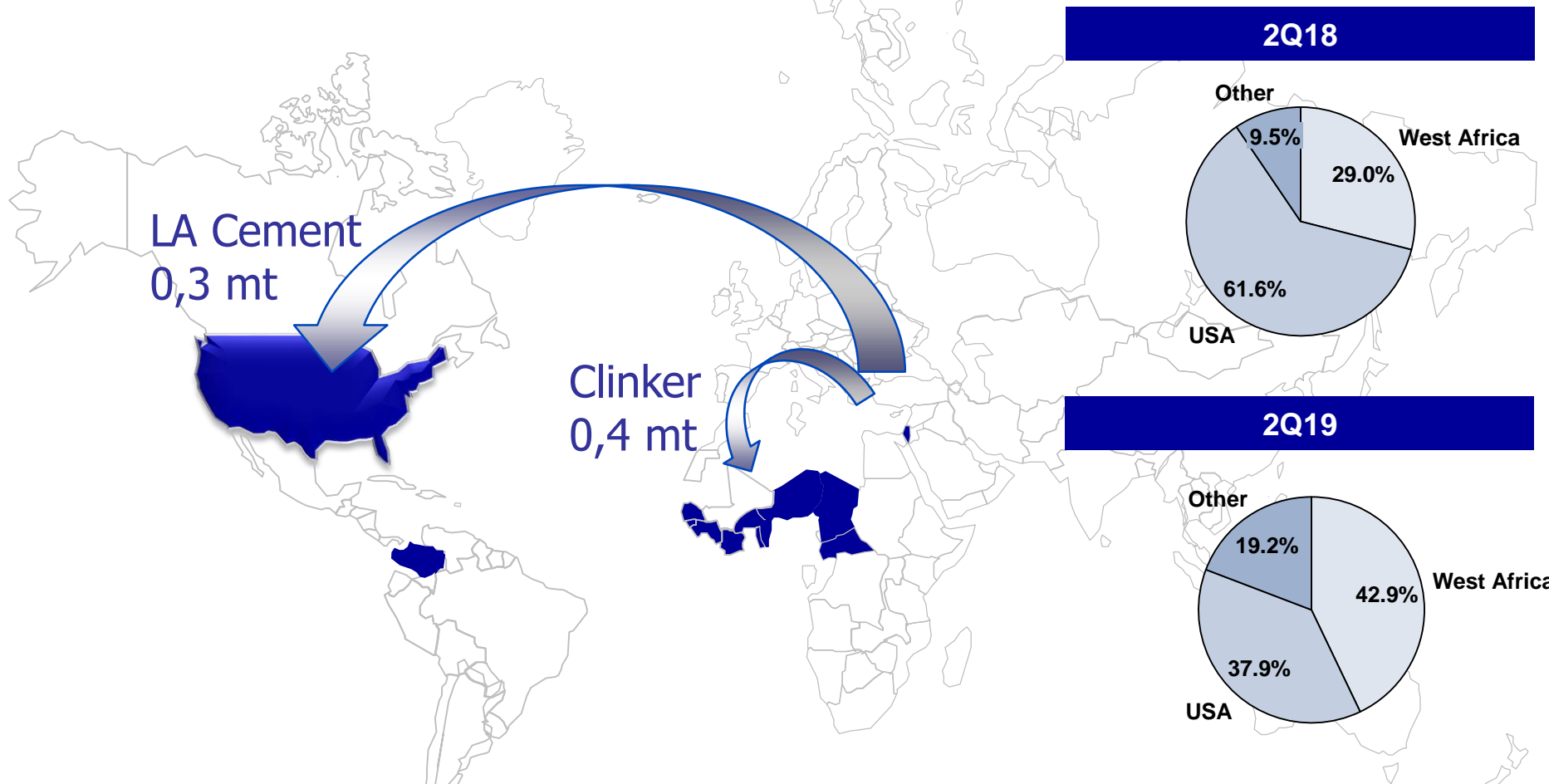
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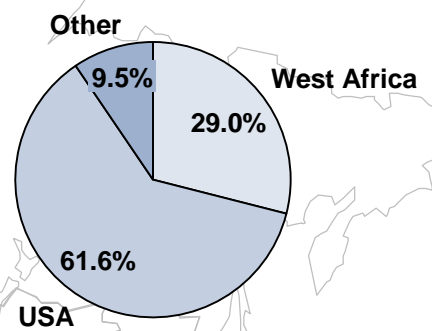
(*) OAIB data - volumes include both white and grey products
Sonmez Adana exports are not included

Akçansa Export Markets

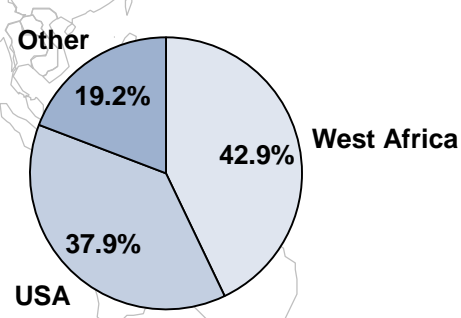
West Africa and USA are the major export markets in 2Q19



2Q18



2Q19

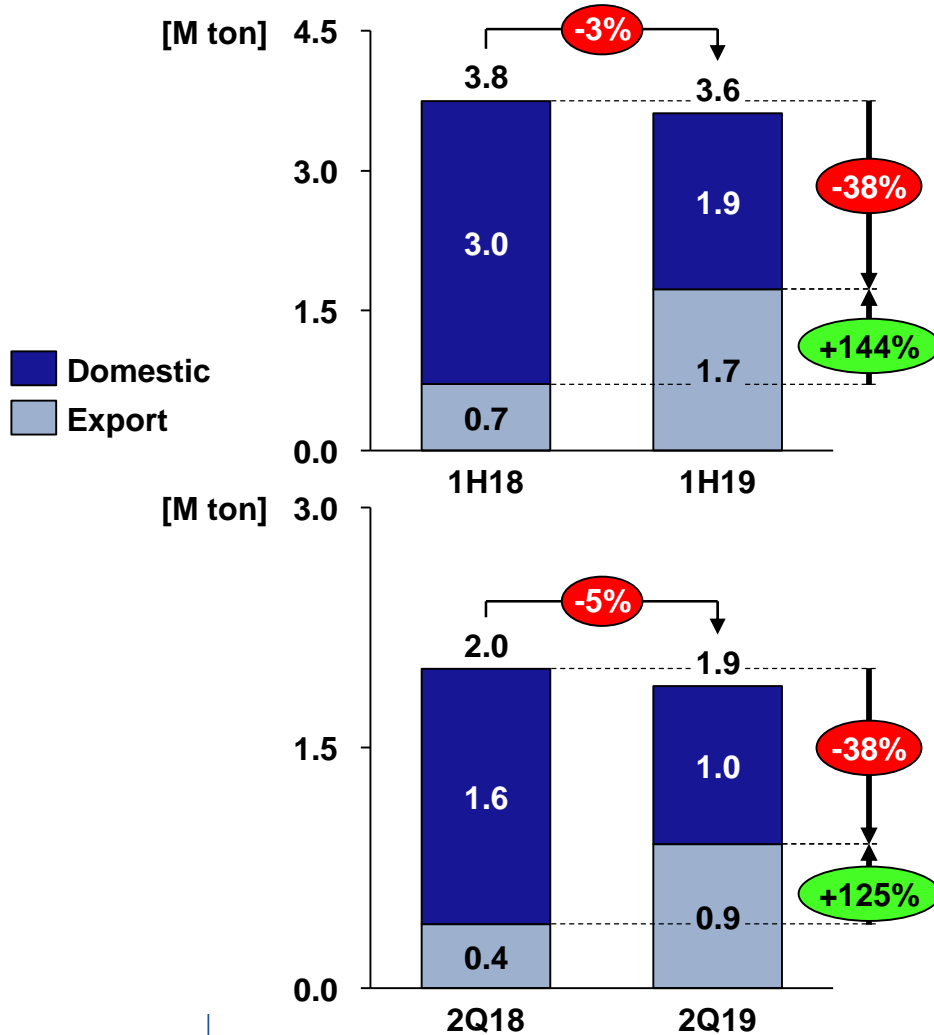


Q2 Exports up 126% from 0.4 to 0.9 mt

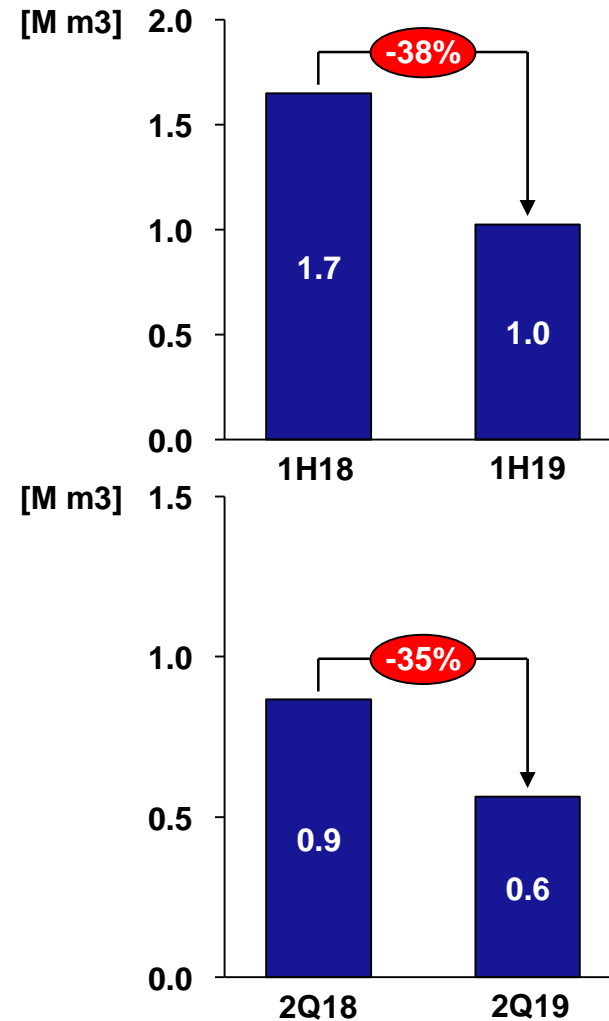


Sales Volume Breakdown

Cement Shipments



RMC Shipments



(*) Domestic cement figures include Karçimsa and transfer to own RMC operations

Energy Costs (2Q19 vs 2Q18)

Energy Price	2Q19 vs 2Q18
Coal (TL/t)	↑
Petcoke (USD/t)	↓
Petcoke (TL/t)	↑
Diesel (TL/lt)	↑
Electricity (TL/kwh)	↑

- Higher electricity and fuel prices (in TL) lead to strong increase in energy costs in Q2 2019 (~40% increase in electricity price)
- Negative price effect of electricity and fuel: 48.7 mTL (~39% of it is directly related to depreciation of TL against USD)

↑	Increasing
↗	Slightly increasing
→	Flat
↘	Slightly decreasing
↓	Decreasing

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Income Statement

Company (M TL)	1H18	1H19	% Ch. YTD	2Q18	2Q19	% Ch. Q
Net Sales	850,0	890,4	4,7%	462,4	483,0	4,5%
Cost of Sales	(655,8)	(777,4)	18,6%	(337,9)	(404,4)	19,7%
Gross Margin	194,3	112,9	-41,9%	124,5	78,6	-36,8%
Marketing&Sales Expense	(9,2)	(13,8)	50,3%	(4,6)	(7,6)	63,8%
General Management Expenses	(32,0)	(42,0)	31,0%	(15,9)	(21,3)	34,0%
Other Operating Income/Charges	(6,8)	(2,3)	65,8%	(7,4)	(2,1)	72,1%
Operating Income	146,3	54,9	-62,5%	96,6	47,7	-50,6%
Income/Losses from Investment Activities	21,7	42,4	95,0%	8,1	1,3	-84,3%
Non-Operating Financial Income	9,9	37,7	279,8%	7,3	22,5	210,1%
Non-Operating Financial Charge	(40,4)	(108,6)	168,8%	(24,9)	(61,9)	148,6%
Profit/Loss before Taxes	137,5	26,3	-80,9%	87,0	9,6	-89,0%
Taxes On Income	(25,9)	(1,3)	-95,0%	(17,1)	(3,7)	-78,4%
Net Income/Loss	111,6	25,0	-77,6%	69,9	5,9	-91,6%
Minority Share	1,2	(0,6)		0,9	(0,0)	
Parent Company Share	110,5	25,6		69,0	5,9	
Gross Margin %	22,9%	12,7%		26,9%	16,3%	
EBITDA Margin* %	23,0%	15,3%		27,0%	15,7%	
Net Income Margin %	13,1%	2,8%		15,1%	1,2%	

EBITDA	196,3	135,4	125,5	75,4
Depreciation	(41,8)	(48,0)	(20,8)	(26,5)

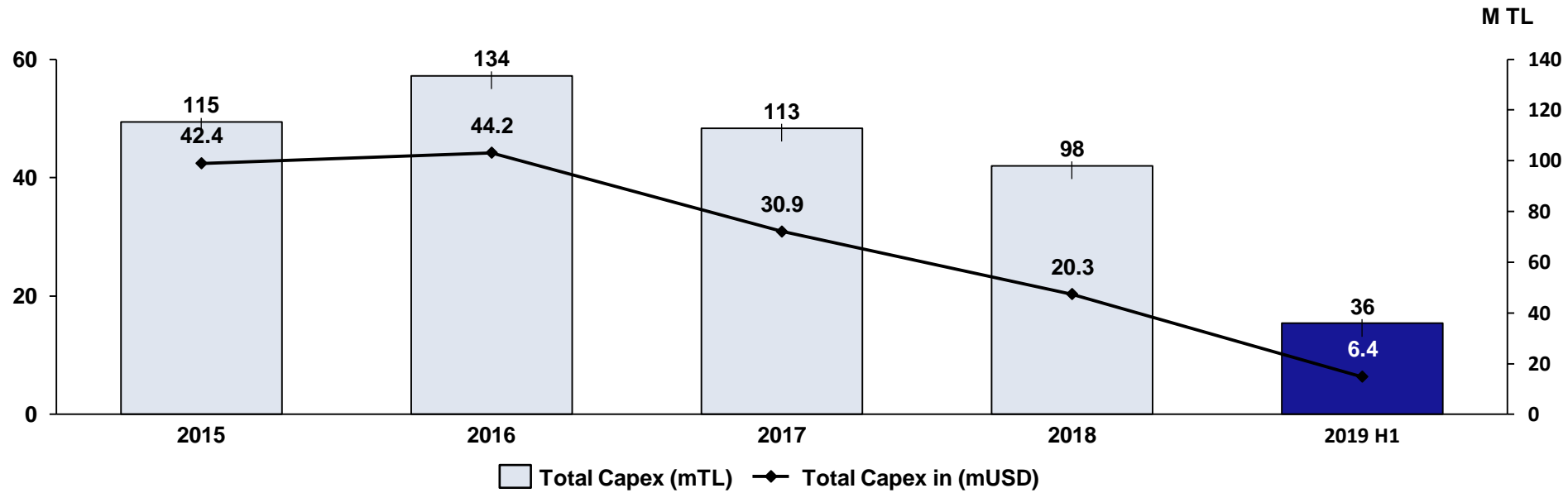
(*) EBITDA = Operating Income + Gain/Loss from asset sales + Depreciation

Cash Flow

Company (M TL)	1H18	1H19
Cash flow from operating activities		
Operating income before the changes in working capital	195,0	101,9
Changes in working capital	(49,2)	44,1
Taxes paid	(19,6)	(5,8)
Other items	(3,3)	(5,4)
	122,8	134,8
Cash flow from investing activities		
Tangible and intangible fixed assets	(61,9)	(37,8)
Sale of financial investment	26,0	-
Proceeds from fixed asset disposals	8,9	36,2
Dividends Received	13,6	9,8
	(13,4)	8,2
Cash flow from financing activities		
Capital increase		
Dividend payments	(128,0)	(154,2)
Net proceeds from bonds and loans	77,0	(74,7)
Interest paid	(20,9)	(84,1)
Interest received	0,7	11,0
Other items	-	(19,8)
	(71,2)	(321,9)
Net change in cash and cash equivalents - continuing operations	38,2	(178,8)
Change in cash & cash equivalents	38,2	(178,8)
Cash & cash equivalents at 1 January	52,7	275,4
Cash & cash equivalents at 30 June	90,9	96,6

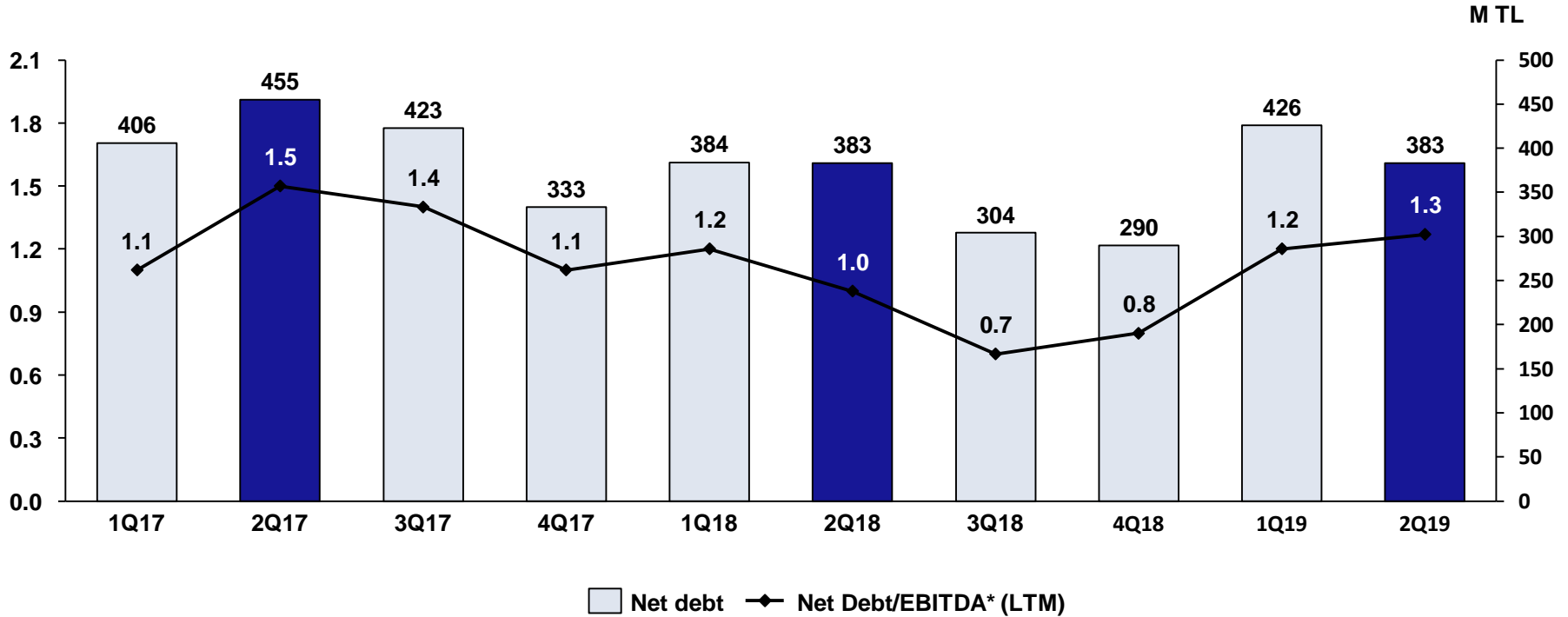
Increase in cash flow generation in 1H19

CAPEX



FY 2019 Capex to stay clearly below 2018

Net Debt / EBITDA



Net debt in line with 2Q18 despite higher dividend payment in 2019

(*) EBITDA = Operating Income + Gain/Loss from asset sales + Depreciation
Net debt figures do not include lease liabilities

Balance Sheet

Mio TL	30.06.2018	31.12.2018	30.06.2019	Variance 2019 vs 2018
Current Assets	848,5	996,0	822,4	(173,5)
Cash & cash equivalents	90,9	275,4	96,6	(178,8)
Trade receivables	514,6	443,9	410,6	(33,4)
Inventories	224,3	244,9	249,4	4,5
Other current assets	18,7	31,7	65,8	34,2
Non-current Assets	1.221,4	1.164,7	1.218,0	53,3
Financial investments	192,5	140,8	125,5	(15,3)
Fixed Assets	892,1	887,9	957,2	69,4
Goodwill	130,1	130,1	130,1	-
Deferred tax assets	1,0	1,0	1,3	0,3
Other non-current assets	5,8	4,8	3,8	(1,0)

Mio TL	30.06.2018	31.12.2018	30.06.2019	Variance 2019 vs 2018
Current Liabilities	788,4	864,8	919,1	54,3
Financial Liabilities	374,0	461,5	479,4	17,9
Trade payables	364,3	340,0	399,3	59,3
Tax payable	18,0	4,3	-	(4,3)
Other current liabilities	32,0	58,9	40,4	(18,6)
Non-current Liabilities	190,5	188,2	158,3	(29,9)
Financial Liabilities	100,0	103,6	-	(103,6)
LT provisions	46,4	48,7	51,8	3,1
Deferred tax liabilities	44,1	35,9	36,7	0,8
Other non-current liabilities	-	-	69,8	69,8

Shareholders Equity	1.091,0	1.107,6	963,0	(144,6)
Paid in Capital	191,4	191,4	191,4	-
Retained earnings	647,2	647,3	672,5	25,1
Comprehensive income	128,6	77,0	61,7	(15,3)
Net income	110,5	177,9	25,6	(152,3)
Minority interest	13,2	13,9	11,8	(2,1)

TOTAL ASSETS	2.069,9	2.160,6	2.040,4	(29,5)
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TOTAL LIABILITIES & EQUITY	2.069,9	2.160,6	2.040,4	(29,5)
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BS data and key ratios	30.06.2018	31.12.2018	30.06.2019	Variance 2019 vs 2018
Working Capital	375	349	261	-114
Working Capital / Net Sales (LTM)	22%	20%	15%	-7%
Net debt	383	290	383	0
Net debt / EBITDA (LTM)	1.0x	0.8x	1.4x	-0.4x
Net Debt / Equity	35%	26%	40%	5%

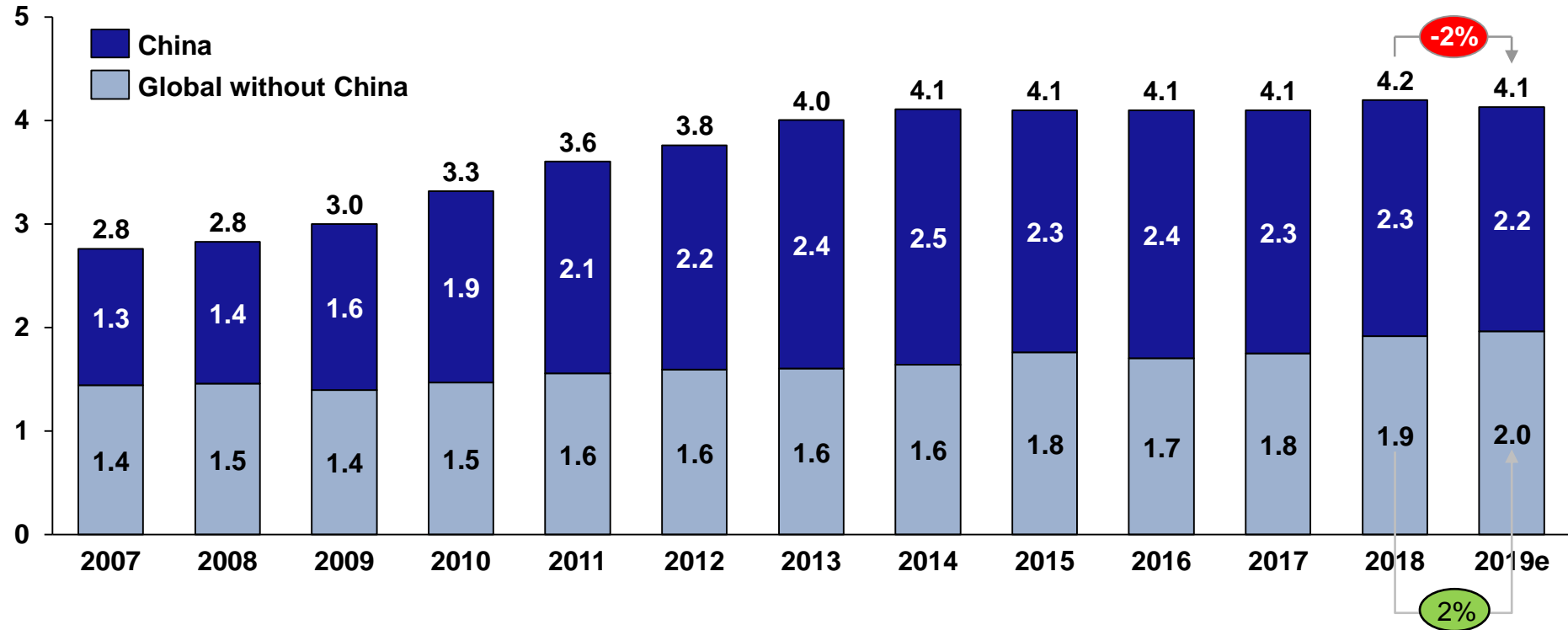
Working Capital in % of net sales decreases to a record low of 15%

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Global Cement Consumption

[bn ton]



2019 Outlook

Compared to 2018:

- Total cement volumes expected to be in line with prior year, driven by doubling of export volumes
- Domestic demand decrease expect to be less severe in 2H (base effect)
- Increase in alternative fuel usage from 13.1% (in 2018) to above 20% and replacing global petcoke suppliers with local ones will partially offset increased energy costs
- Increased energy costs and general cost inflation will exact pressure on margins, particularly in the domestic market
- Strict cost discipline and tight Capex control
- USD-long position driven by increased exports
- Elevated interest rates expected to increase financial expenses

Energy Price	2019e
	FY
Coal (TL/t)	↑
Petcoke (USD/t)	↓
Petcoke (TL/t)	↑
Diesel (TL/lt)	↑
Electricity (TL/kwh)	↑

↑	Increasing
↗	Slightly increasing
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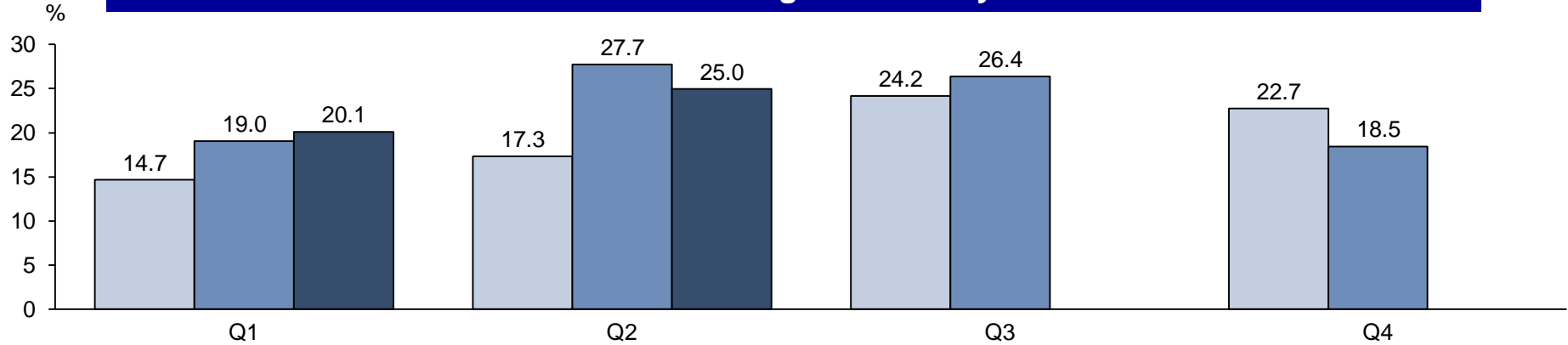
www.sabanci.com.tr

www.heidelbergcement.com

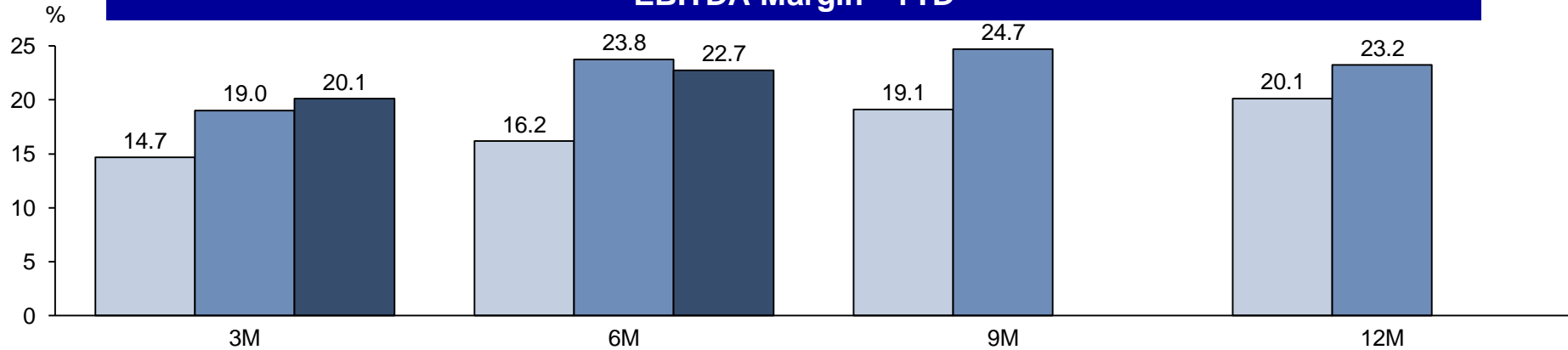
Appendix

EBITDA Margins

EBITDA Margin - Quarterly



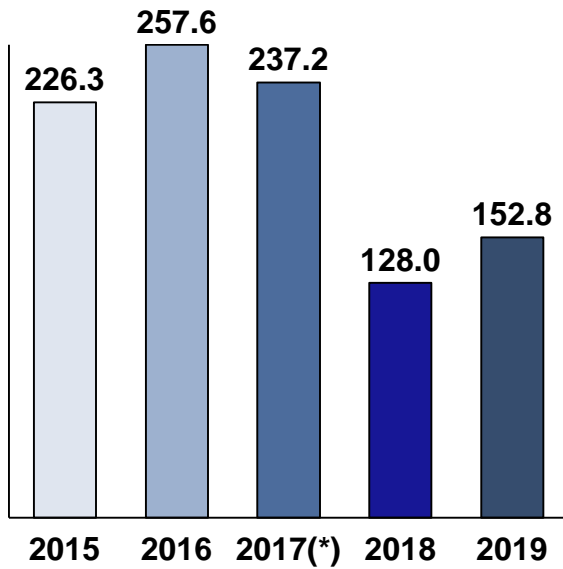
EBITDA Margin - YTD



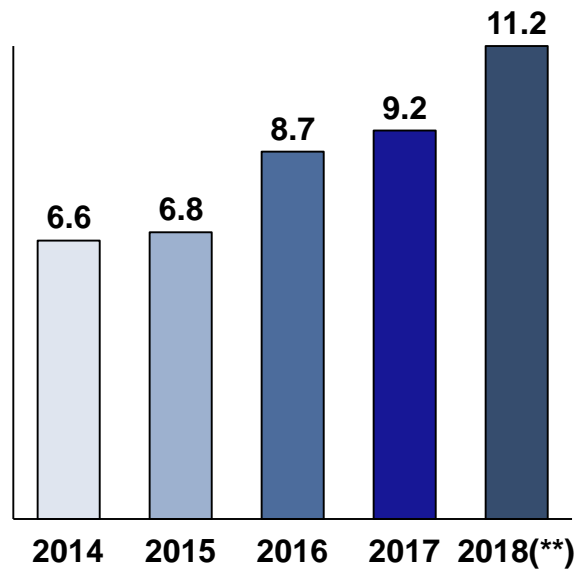
2017 2018 2019

Dividend Paid, Dividend Yield and Payout Ratio

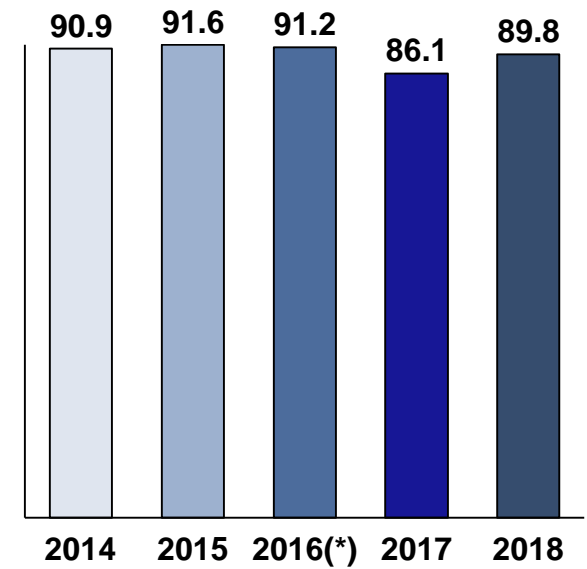
Dividend Paid



Dividend Yield %



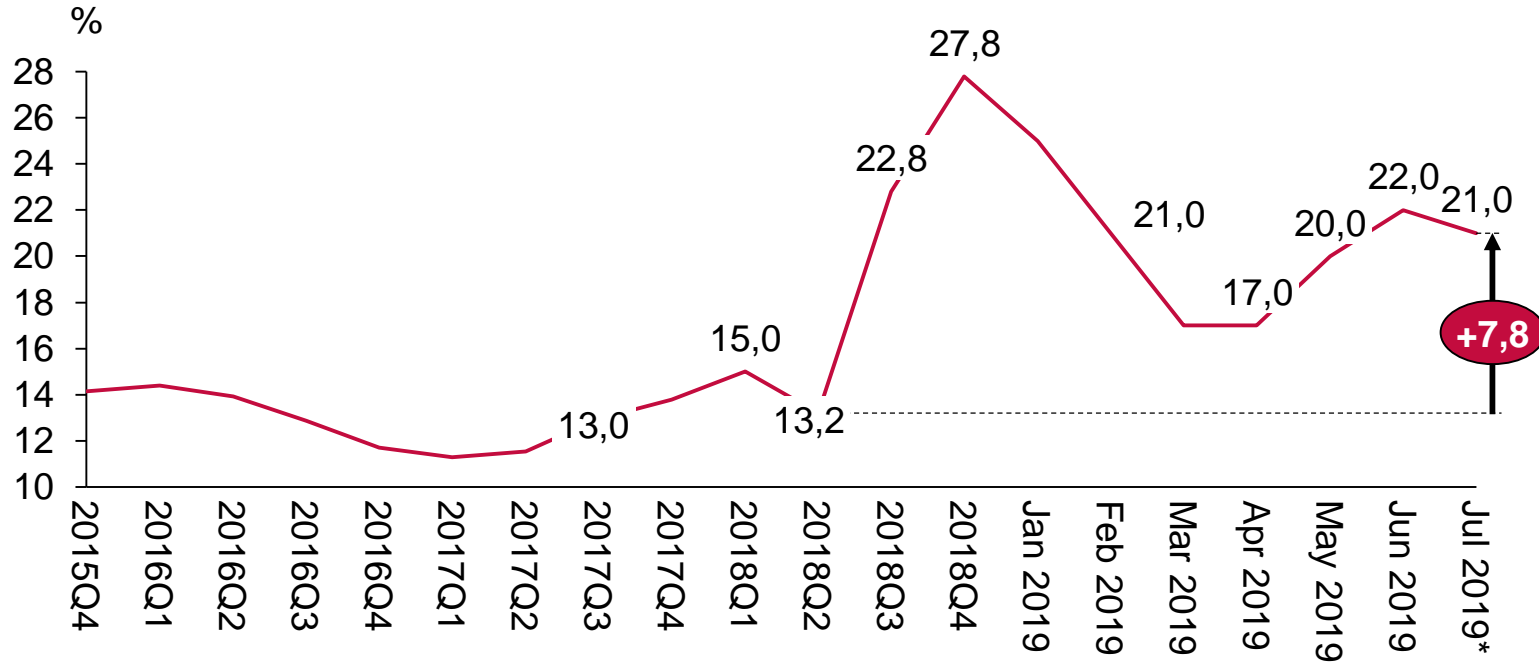
Payout Ratio %



*) Adjusted for extraordinary gain from sale of Hobim shares (Income from Hobim sale amounted to 26,000,000 TL and special reserves 19,319,981 TL are excluded)

**) Akcansa closing share price as of 27 March 2019 is used for dividend yield calculation

Annual Mortgage Interest Rate as of Jul 19



Mortgage rates are below H2'2018 levels, but have increased starting with May

Source: CBRT

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General Basics About Cement and RMC Production

Production

- 75-85% clinker is consumed to produce 1 ton of cement
- 250-300 kg of cement in 1 m³ RMC produced
- 1.5-2.0 ton of aggregate in 1 m³ RMC produced depending on the type of RMC produced
- Distribution of cement production cost : 80-85% variable and 15-20% fixed costs

Fuel

- A cement plant of 1 mio ton clinker capacity may consume 100 k ton petcoke or 130 k ton coal, or a mix of both
- 7.500 kcal/ton in petcoke vs. 6.000 kcal/ton in coal.
- Fuel accounts for 35-40% of the variable cost of producing 1 ton of cement, 55-60% of producing 1 ton of clinker
- 1% increase in alternative fuel usage provides a 2-2.5 mTL cost advantage per year

Electricity

- Electricity accounts for 15-20% of the variable cost of producing 1 ton of cement, 15-20% of producing 1 ton of clinker
- 0.01 TL increase in cost of 1 kwh electricity corresponds to 1-1.5 TL cost increase in 1 ton of cement.
- Contribution of waste heat project
 - 20-25% of Çanakkale Plant electricity consumption
 - Monthly contribution to P&L of Akcansa is around 1-1.5 mTL based on current electricity prices
- Contribution of one windmill
 - 1-1.5% of Çanakkale Plant electricity consumption
 - 3-3.5 mTL yearly saving
 - Capacity is 2.4 MW/h

