

AKÇANSA 2020 Q3 Results

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Çanakkale Bridge

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Key Highlights

■ 2020 Q3

- ✓ Recovery in Q3 driven by pent up demand after the lockdown, lower mortgage interest rates and increased export volume.
- ✓ Total cementitious volumes up 5%. 3% increase in cement/clinker exports.
- ✓ Q3 operating profit up 50% and net income up 130% due to increased exports, lower fuel prices and reduced interest expenses.
- ✓ ~56% reduction in financing expense vs. 2019 Q3. Positive net financial expense in the quarter.
- ✓ Strong balance sheet: Net Debt / EBITDA of 1.0x. Net debt reduced by 93mTL vs. September 2019.

■ 2020 Outlook

- ✓ Total cementitious volumes are expected to be in line with prior year.
- ✓ USD-long position driven by substantial export volume.
- ✓ Reduction in net financial expense by ~70 mTL vs 2019.
- ✓ Strict cash management through disciplined fixed cost, CAPEX and Working Capital management.
- ✓ Net income expected to be significantly above prior year for 2020 FY.

Note: Due to the significant volatility driven by the Covid-19 pandemic there is a high level of uncertainty with respect to all forecasts. The outlook represents our best estimate at time of publication, but may change significantly within a short period of time.

Covid19 Actions and Impacts

Continuous implementation and execution of strict Health & Safety action plan

All non obligatory fixed costs and CAPEX were suspended

Strong balance sheet with low Net Debt/EBITDA level of 1.0x

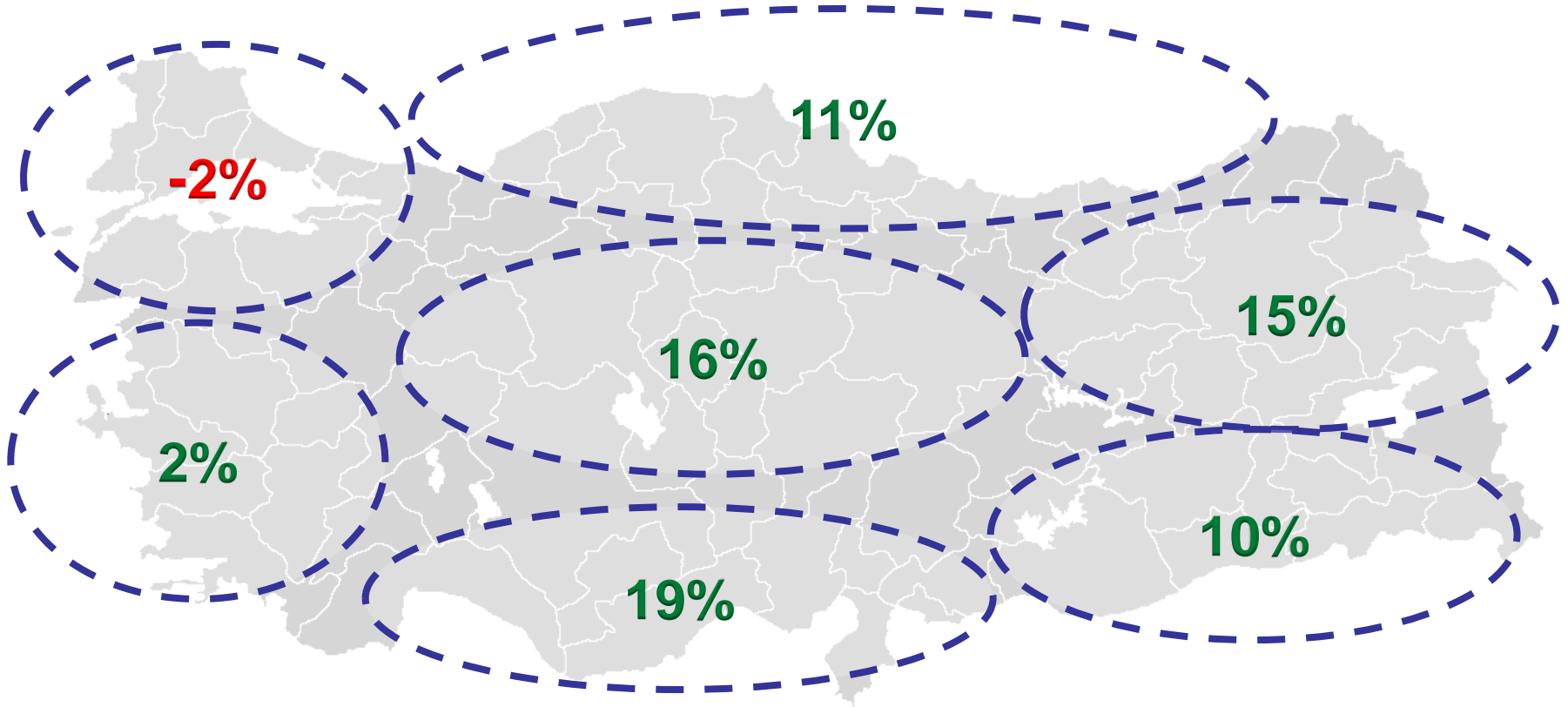
Significant liquidity headroom: total cash balance of 256mTL at the end of September

Overall biggest financial impact from COVID-19 realized in Q2. Exports to stay strong. Domestic market recovery realized in Q3 due to pent up demand (+4%) and low interest rates

Building industry is resilient and expected to benefit from future recovery plans of governments and central banks

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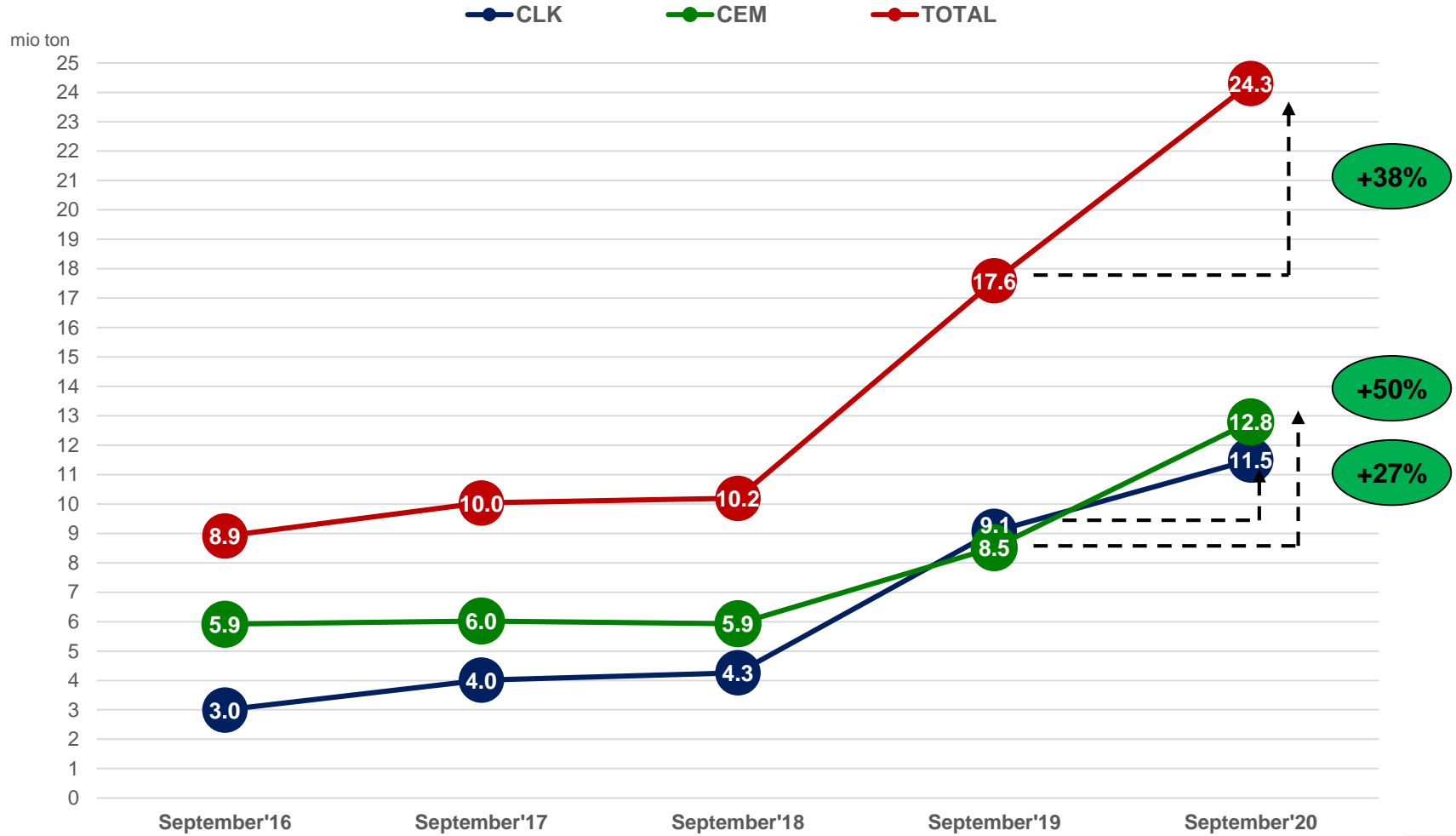
Turkish Cement Market, Sales Volumes Change % 2020 vs 2019 (July YTD)



Total cement demand in Turkey increases by 10% in July YTD'20 vs 2019 with 27.8 mt

- Source: TCMA, excluding non-member cement companies

Export Volume Trend 2016-2020



- Sonmez Adana not included above
- OAIB data - volumes include white CEM+CLK
- Source: OAIB

Export Volumes by major countries (kt)

Total Exports					
		2019	2020	Δ '20 vs '19	Trend
Clinker Exports	Ghana	1.960	3.092	58%	↑
	Ivory Coast	1.213	1.596	32%	↑
	Cameroon	556	708	27%	↑
	Guinea	736	627	-15%	↓
	Mauritania	519	525	1%	↑
	Senegal	373	460	23%	↑
	Togo	362	449	24%	↑
	USA	361	395	9%	↑
	Belgium	201	389	94%	↑
	Other	2.761	3.262	18%	↑
	Total Clinker	9.042	11.504	27%	↑
Cement Exports	USA	2.935	3.683	26%	↑
	Israel	1.484	1.770	19%	↑
	Syria	940	955	2%	↑
	Ukraine	107	862	707%	↑
	Haiti	284	578	104%	↑
	Bulgaria	273	378	38%	↑
	Libya	3	372	11802%	↑
	Ghana	252	336	33%	↑
	Georgia	41	330	699%	↑
	Other	2.205	3.534	60%	↑
	Total Cement	8.524	12.798	50%	↑
Total Export		17.566	24.302	38%	↑

- Sonmez Adana not included above
- OAIB data - volumes include white CEM+CLK
- Source: OAIB

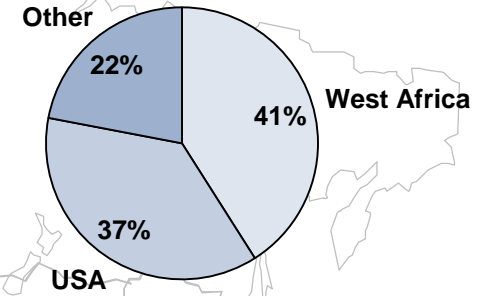
Akçansa Export Markets

West Africa and USA are the major export markets in 3Q20

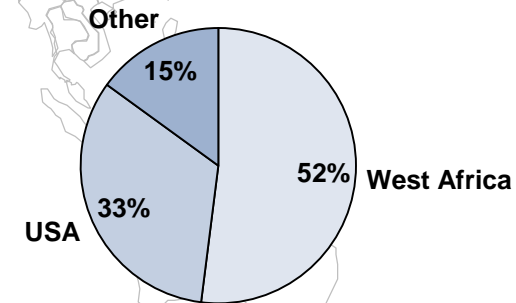
LA Cement

Clinker

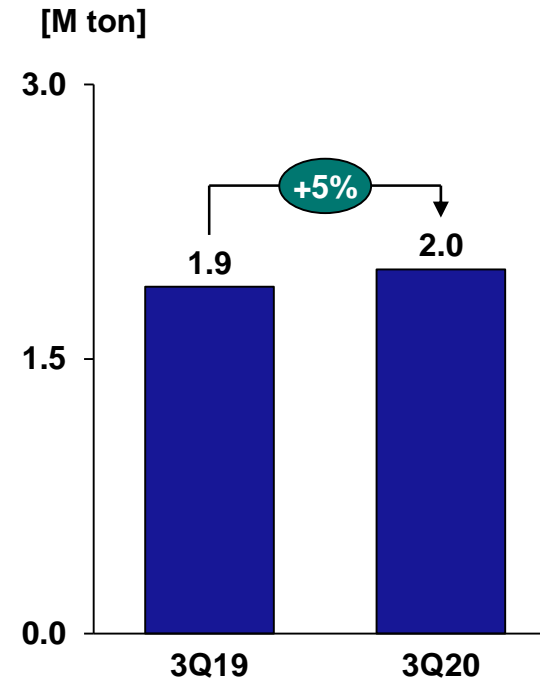
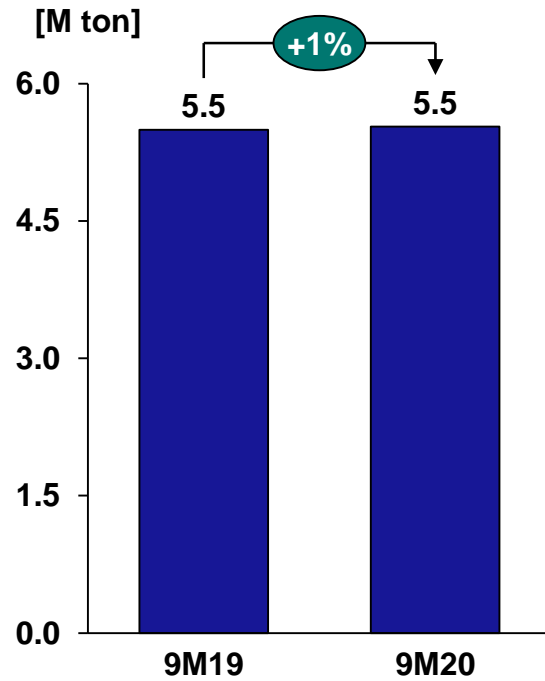
3Q19



3Q20



Cementitious Sales Volumes



Energy Costs (3Q19 vs 3Q20)

Energy Price	3Q19 vs 3Q20
Coal (USD/t)	↓
Coal (TL/t)	↑
Petcoke (USD/t)	↑
Petcoke (TL/t)	↑
Diesel (TL/lt)	↓
Electricity (TL/kwh)	↑

- Electricity costs kept its higher level compared to last year.
- Increasing trend in petcoke price did not materially affect Q3 energy costs.

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

(*) Diesel prices are taken from Petrol Ofisi Fuel Price Data Archive.

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Income Statement

Company (M TL)	9M19	9M20	% Ch. YTD	3Q19	3Q20	% Ch. Q
Net Sales	1.378,8	1.377,4	-0,1%	488,4	537,1	10,0%
Cost of Sales	(1.185,0)	(1.152,9)	-2,7%	(407,6)	(421,2)	3,3%
Gross Margin	193,7	224,4	15,8%	80,8	115,9	43,5%
Marketing&Sales Expense	(17,9)	(12,4)	-30,5%	(4,1)	(4,0)	-3,7%
General Management Expenses	(61,1)	(63,5)	4,0%	(19,1)	(19,2)	0,7%
Other Operating Income/Charges	(7,4)	(28,5)	-285,6%	(5,1)	(14,1)	-177,9%
Operating Income	107,4	119,9	11,7%	52,5	78,6	49,8%
Income/Losses from Investment Activities	59,4	3,2	-94,7%	17,0	1,6	-90,8%
Non-Operating Financial Income	41,8	39,0	-6,7%	4,2	21,1	405,7%
Non-Operating Financial Charge	(150,2)	(67,3)	-55,2%	(41,6)	(18,5)	-55,6%
Profit/Loss before Taxes	58,3	94,8	62,5%	32,1	82,8	158,2%
Taxes On Income	(5,1)	(21,1)	314,9%	(3,8)	(17,7)	367,0%
Net Income/Loss	53,2	73,7	38,4%	28,3	65,1	130,2%
Minority Share	(0,4)	0,1		0,2	0,2	
Parent Company Share	53,7	73,6		28,0	64,9	
Gross Margin %	14,1%	16,3%		16,5%	21,6%	
EBITDA Margin* %	13,1%	14,2%		15,8%	19,3%	
Net Income Margin %	3,9%	5,4%		5,8%	12,1%	

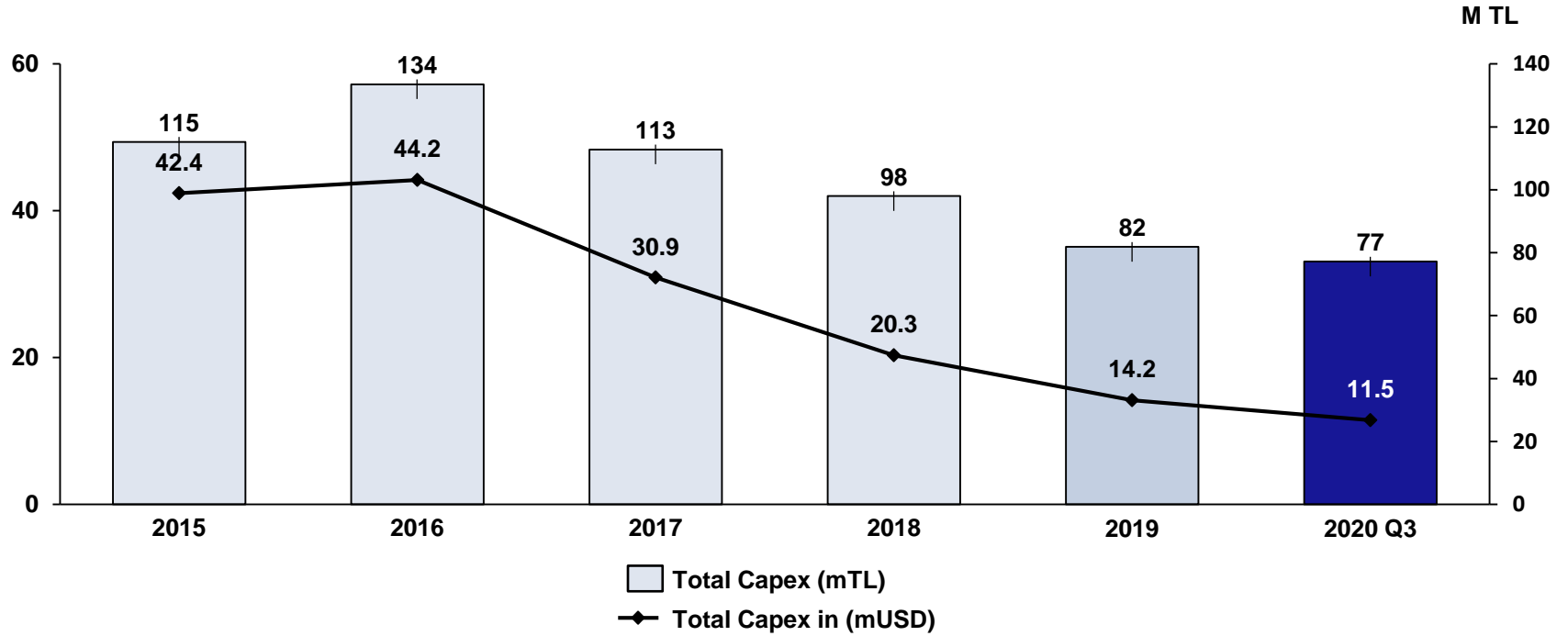
Operating income up 49.8%.
9M and Q3 2020 net income significantly above prior year.

(*) EBITDA = Operating Income + Depreciation

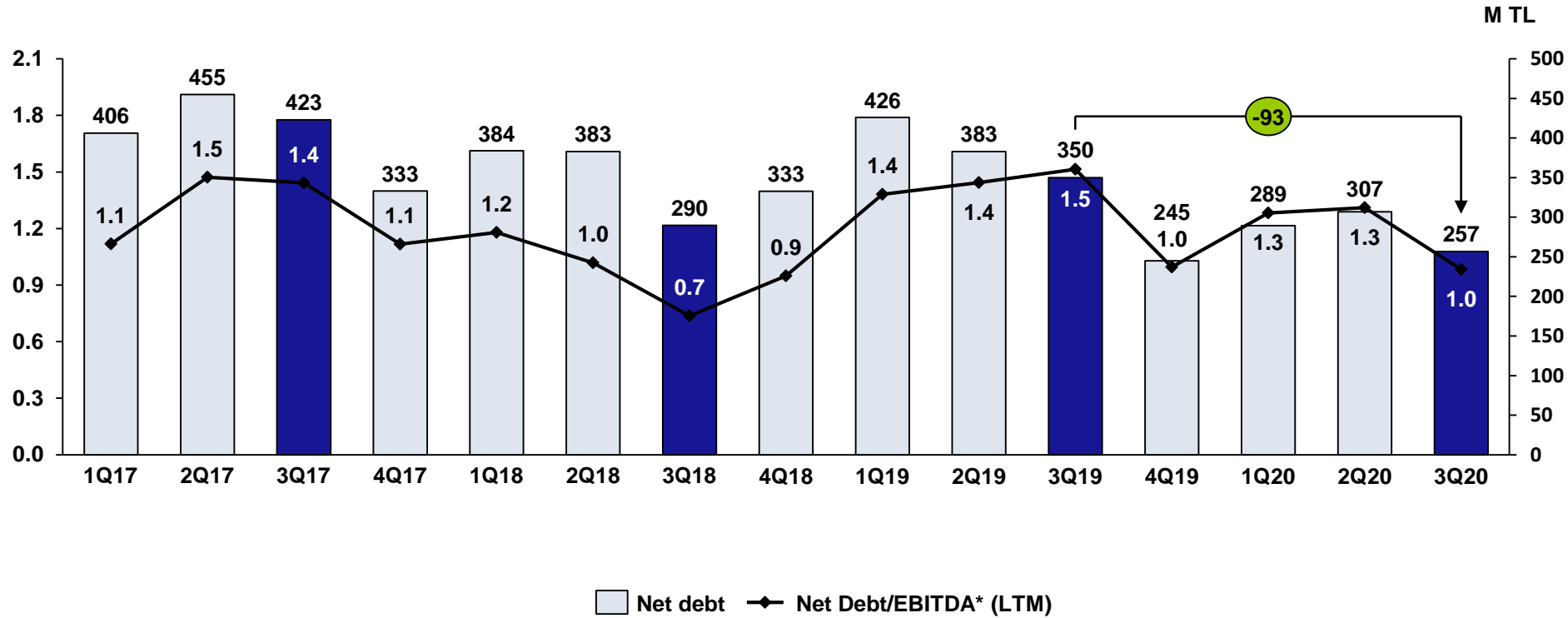
Cash Flow

Company (M TL)	9M19	9M20
Cash flow from operating activities		
Operating income before the changes in working capital	186,9	235,9
Changes in working capital	39,0	(56,8)
Taxes paid	(5,9)	(12,5)
Other items	(13,3)	(9,0)
	206,7	157,5
Cash flow from investing activities		
Tangible and intangible fixed assets	(51,4)	(74,8)
Proceeds from fixed asset disposals	53,9	2,8
Dividends Received	9,8	1,4
	12,3	(70,7)
Free Cash Flow	219,0	86,9
Cash flow from financing activities		
Dividend payments	(154,2)	(46,6)
Net proceeds from bonds and loans	(76,0)	115,4
Interest paid	(134,2)	(59,6)
Interest received	12,1	7,7
Other items	(19,8)	-
	(372,1)	17,0
Net change in cash and cash equivalents - continuing operations	(153,1)	103,9
Change in cash & cash equivalents	(153,1)	103,8
Cash & cash equivalents at 1 January	275,4	152,0
Cash & cash equivalents at 30 September	122,4	255,9

CAPEX



Net Debt / EBITDA



Net debt 93 mTL lower than prior year

(*) EBITDA = Operating Income + Depreciation
Net debt figures do not include lease liabilities

Balance Sheet

Mio TL	9/30/2019	12/31/2019	9/30/2020	Variance 2020 vs 2019
Current Assets	805,7	762,9	920,4	157,5
Cash & cash equivalents	122,4	152,0	256,1	104,0
Trade receivables	415,8	369,1	408,6	39,5
Inventories	205,1	181,2	188,3	7,0
Other current assets	62,5	60,6	67,5	7,0
Non-current Assets	1.220,6	1.246,8	1.330,9	84,0
Financial investments	140,4	160,0	228,1	68,2
Fixed Assets	944,8	826,1	836,7	10,6
Goodwill	130,1	130,1	130,1	-
Deferred tax assets	1,1	1,1	1,0	(0,1)
Other non-current assets	4,2	129,6	135,0	5,4

Mio TL	9/30/2019	12/31/2019	9/30/2020	Variance 2020 vs 2019
Current Liabilities	860,4	649,2	740,4	91,2
Financial Liabilities	472,2	246,8	312,7	65,8
Trade payables	355,7	355,8	348,4	(7,4)
Tax payable	0,2	4,6	17,9	13,3
Other current liabilities	32,4	42,0	61,5	19,5
Non-current Liabilities	160,4	319,5	377,8	58,3
Financial Liabilities	-	150,0	200,0	50,0
LT provisions	53,5	57,3	59,1	1,8
Deferred tax liabilities	39,2	41,4	40,1	(1,4)
Other non-current liabilities	67,7	70,8	78,6	7,8

Shareholders Equity	1.005,4	1.041,1	1.133,1	92,0
Paid in Capital	191,4	191,4	191,4	-
Retained earnings	672,5	672,5	701,6	29,1
Comprehensive income	75,8	89,7	154,5	64,8
Net income	53,7	75,2	73,6	(1,6)
Minority interest	12,0	12,2	12,0	(0,2)

TOTAL ASSETS	2.026,3	2.009,7	2.251,3	225,0
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TOTAL LIABILITES & EQUITY	2.026,3	2.009,7	2.251,3	225,0
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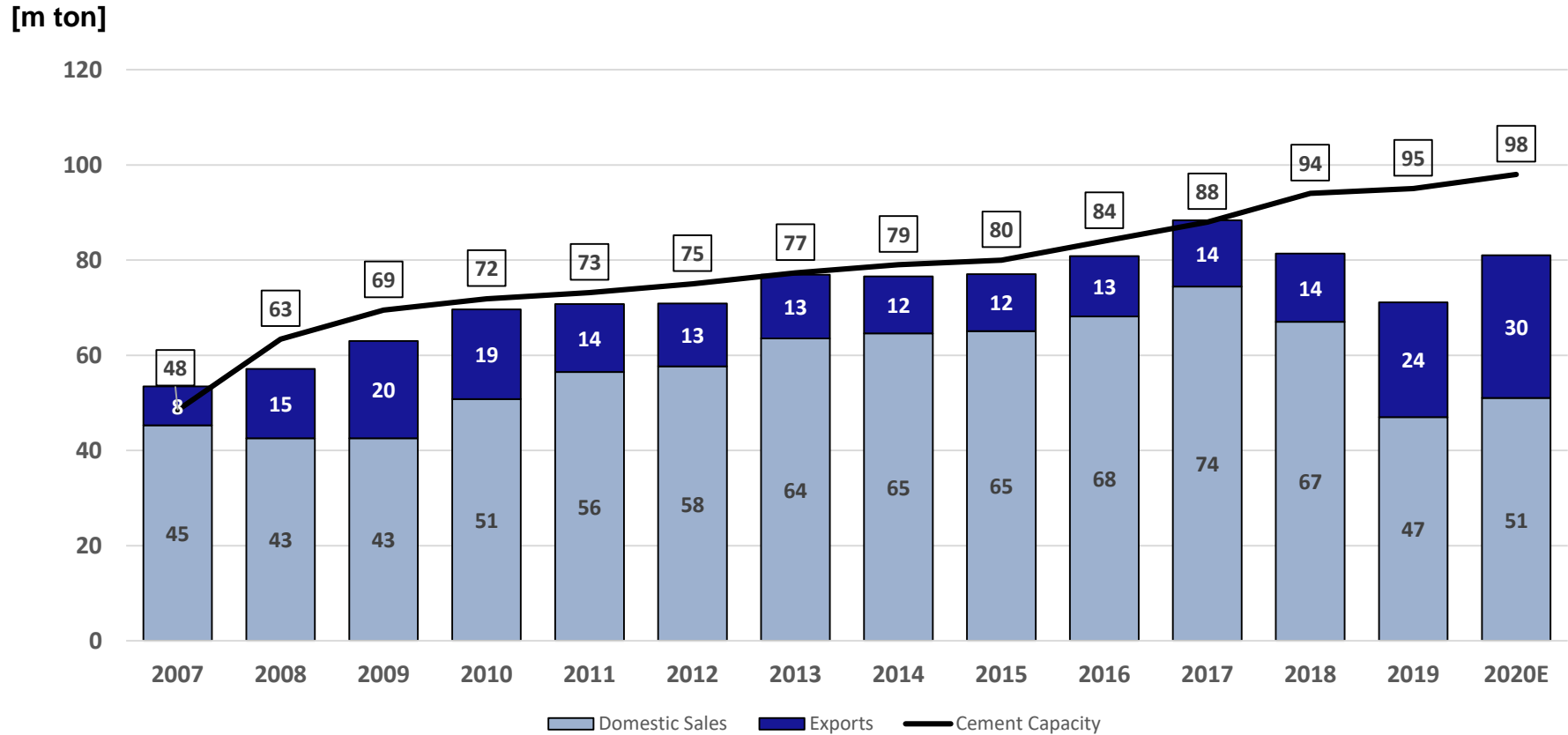
BS data and key ratios	9/30/2019	12/31/2019	9/30/2020	Variance 2020 vs 2019
Working Capital	265	195	248	-17
Working Capital / Net Sales (LTM)	15%	11%	14%	-1%
Net debt	350	245	257	-93
Net debt / EBITDA (LTM)	1,5x	1,0x	1,0x	-0,5x
Net Debt / Equity	35%	24%	23%	-12%

(*) Lease liabilities are excluded from Net Debt.

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Turkish Cement Consumption



Domestic demand is estimated to increase by ~7% in 2020.

2020 Outlook

Compared to 2019:

Energy Price	2020e
	FY
Coal (USD/t)	↓
Coal (TL/t)	↓
Petcoke (USD/t)	↓
Petcoke (TL/t)	→
Diesel (TL/lt)	↓
Electricity (TL/kwh)	↑

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

- Domestic demand is expected to increase by ~7% in 2020. Improvement in domestic demand development in Q3 driven by pent up demand and lower interest rates.
- Total cementitious volume expected to be in line with prior year driven by strong export volumes.
- Increase in alternative fuel usage from 14% (in 2019) to ~19% will help reduce energy cost. Q4 energy costs expected to be above prior year due to higher petcoke prices.
- Increased electricity costs and general cost inflation will be partially offset by decrease in fuel prices.
- USD-long position driven by significant export volume.
- Lower interest rates and lower average debt level expected to reduce net financial result by 70 M TL.

Note: Due to the significant volatility driven by the Covid-19 pandemic there is a high level of uncertainty with respect to all forecasts. The outlook represents our best estimate at time of publication, but may change significantly within a short period of time.

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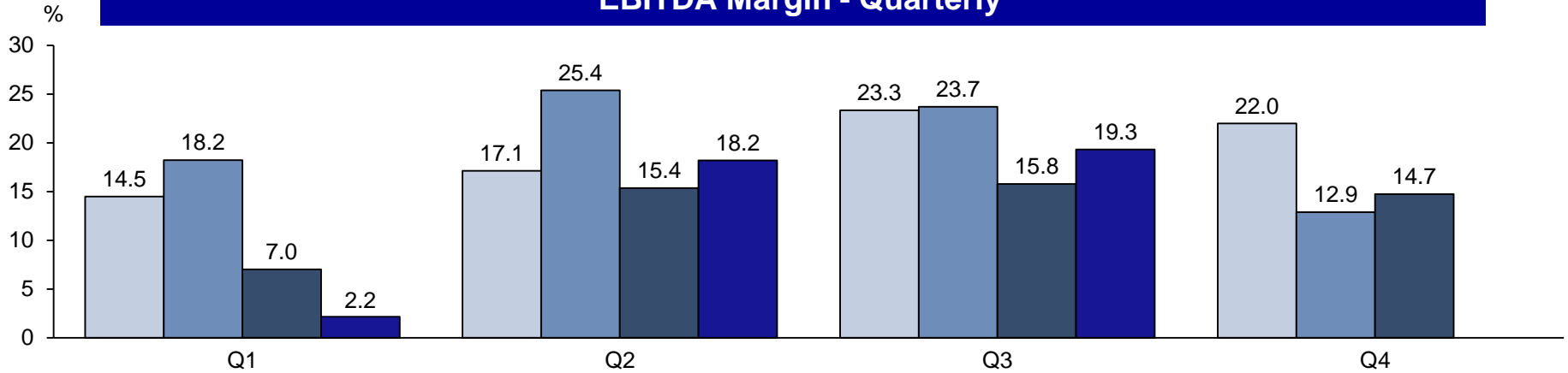
Websites

www.akcansa.com.tr
www.betonsa.com.tr
www.sabanci.com.tr
www.heidelbergcement.com

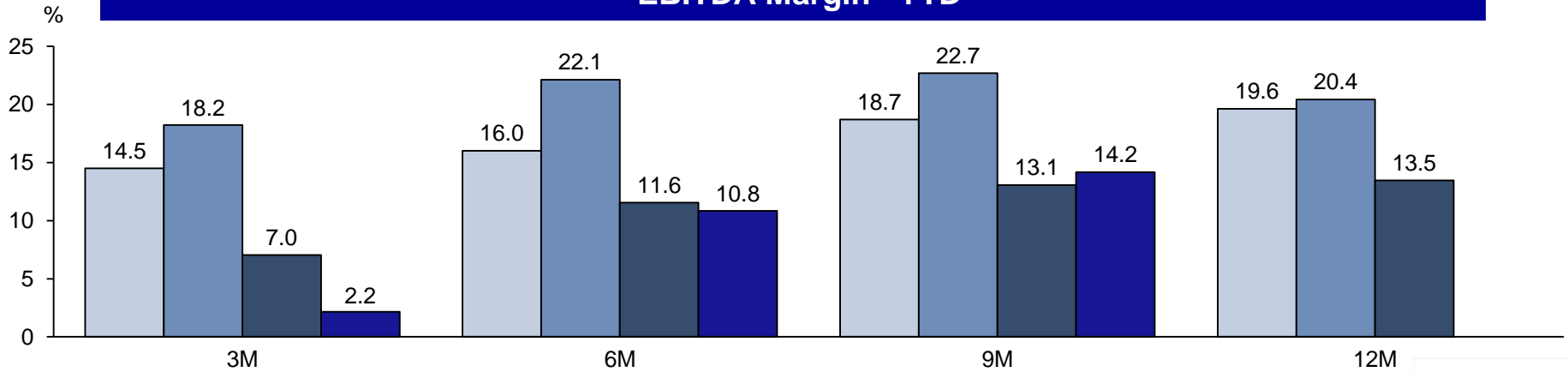
Appendix

EBITDA Margins

*EBITDA Margin - Quarterly



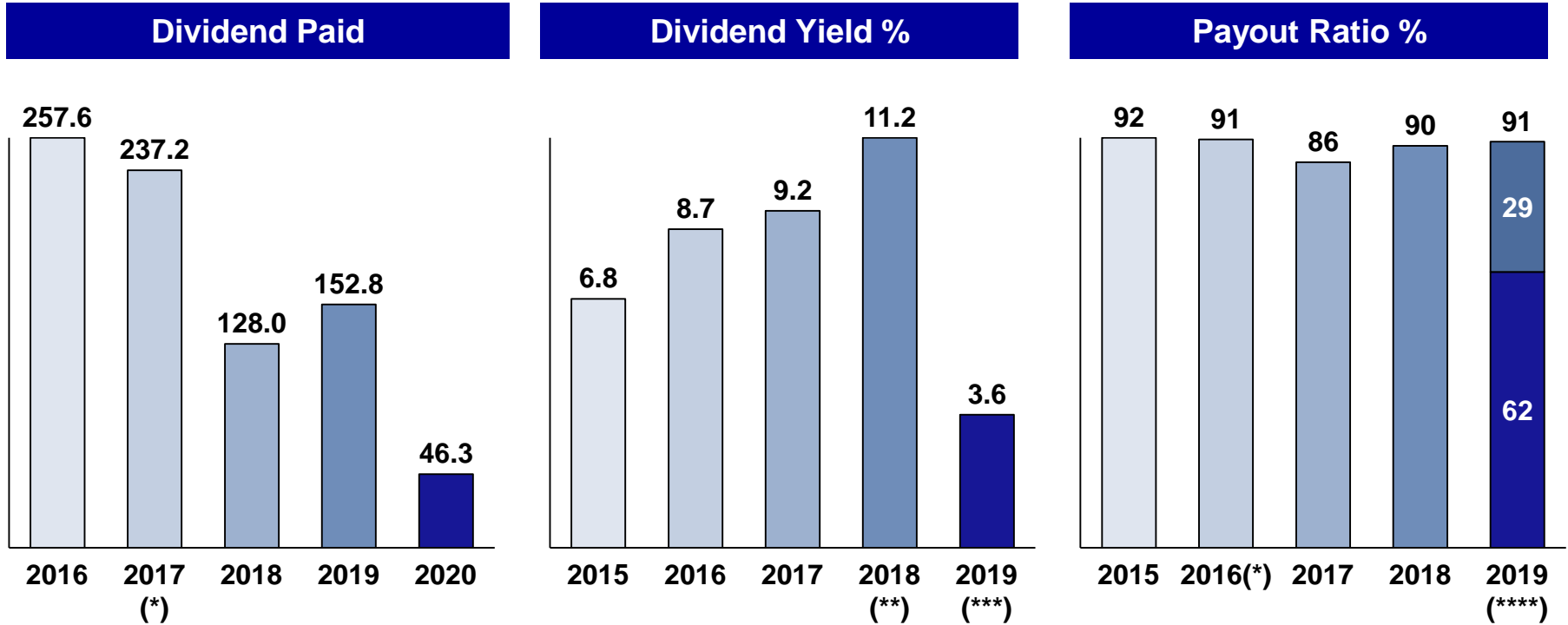
*EBITDA Margin - YTD



2017 2019
2018 2020

(*) EBITDA = Operating Income + Depreciation

Dividend Paid, Dividend Yield and Payout Ratio



*) Adjusted for extraordinary gain from sale of Hobim shares (Income from Hobim sale amounted to 26 mTL and special reserves 19,3 mTL are excluded)

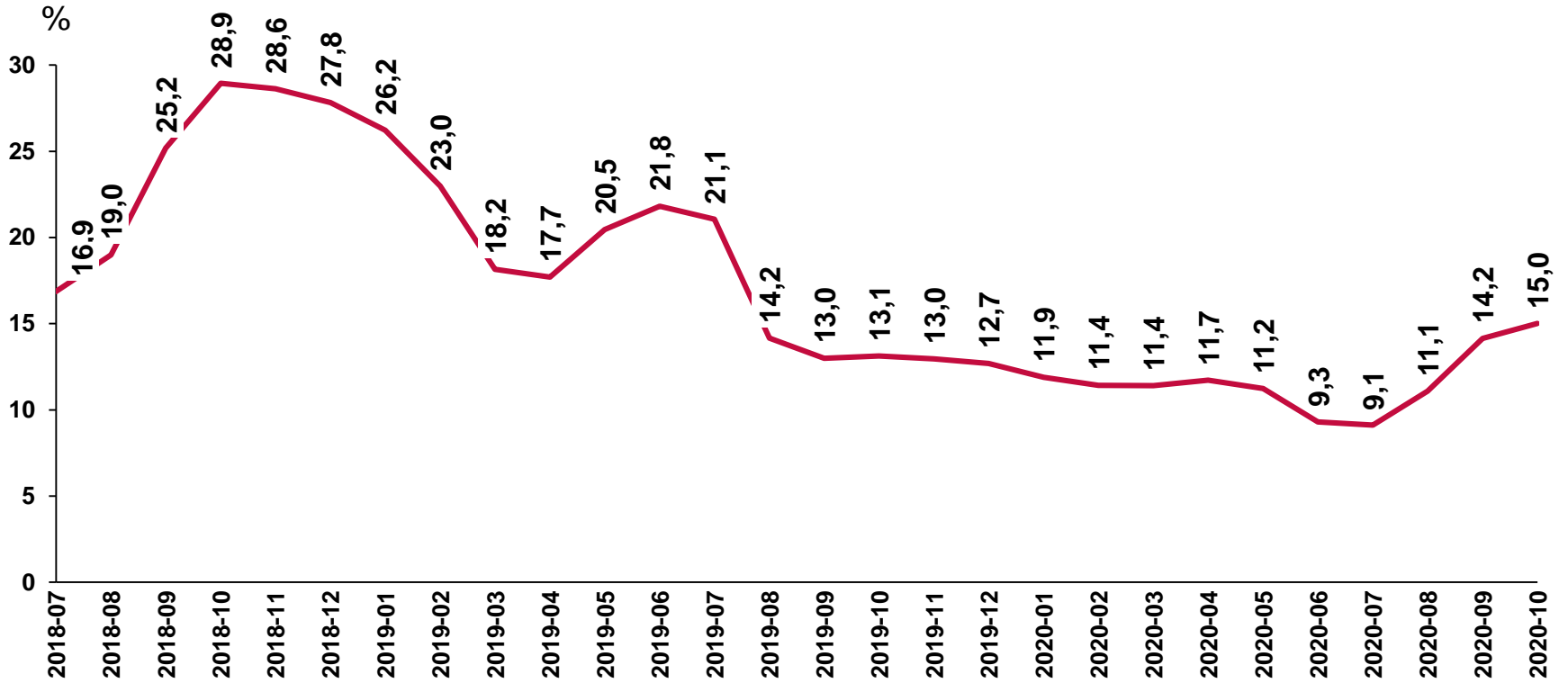
**) Akcansa closing share price as of 27 March 2019 is used for dividend yield calculation

***) Akcansa closing share price as of 24 March 2020 is used for dividend yield calculation. Taking into account the share price compared to prior year, dividend yield decrease is proportional to net income decrease.

****) Main reason of decrease in the payout ratio is the allocation half of profit from fixed asset sales to reserves (28 mTL) to take advantage of tax deductibility. It has over 29% effect on payout ratio. Akcansa has been continuing to apply the same dividend payment policy as in prior years.



Annual Mortgage Interest Rates



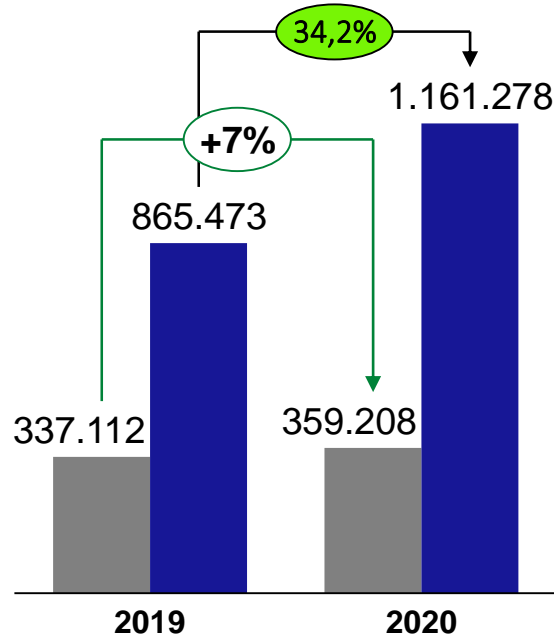
Q3 mortgage rates were very low and boosted the demand

Source: CBRT

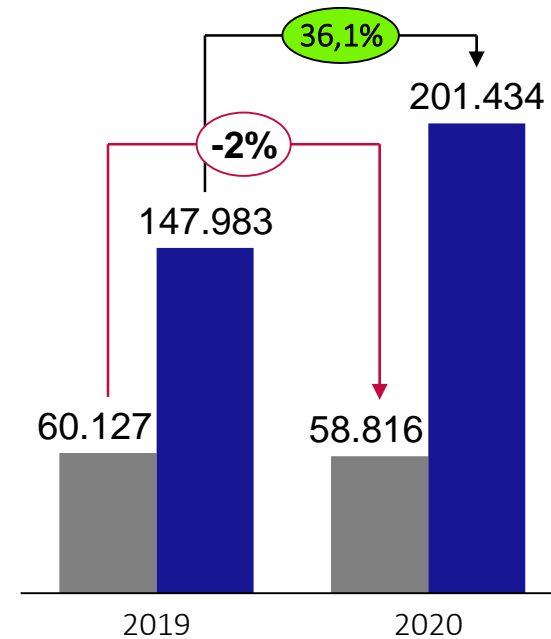
HEIDELBERGCEMENT

SA BANCİ

Residential Segment Indicators



Turkey



İstanbul

■ First Hand Sales ■ Total Sales

Jan-Sep YTD

Total house sales increased above 34% both in Istanbul and Turkey

General Basics About Cement and RMC Production

Production

- 85-90% 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 (Without Depreciation: %83 Variable and %17 Fixed, With Depreciation: %78 Variable, %15 Fixed, %7 Depreciation)

Fuel

- A cement plant of 1 mio ton clinker capacity may consume 110 k ton petcoke or 135 k ton coal, or a mix of both
- 8.200 kcal/ton in petcoke vs. 6.000 kcal/ton in coal. (8.200 vs 6.500)
- Fuel accounts for 30-35% of the variable cost of producing 1 ton of cement, 45-50% of producing 1 ton of clinker
- 1% increase in alternative fuel usage provides approximately 1 mTL cost advantage per year

Electricity

- Electricity accounts for 25-30% of the variable cost of producing 1 ton of cement, 25-30% 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 Akçansa is around 3-3,5 mTL based on current electricity prices
- Contribution of one windmill
 - 1,5-2% of Çanakkale Plant electricity consumption
 - 3-3,5 mTL yearly saving
 - Capacity is 2,4 MW/h

