AKÇANSA

2019 Q3 Results

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Content

Key Highlights

- **2019 9M**
  - ✓ Total cement volumes down 1% vs prior year. Domestic cement volumes declined by 38%, offset by 131% 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 229.5 mTL (2018 9M 311.8 mTL).
  - ✓ Strong free cash flow generation supported by disposal of non-strategic assets.

- **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 energy cost increases.
  - ✓ Strict fixed cost discipline and tight Capex control will support cash generation.

Turkey Domestic Demand Growth 2019

Cement consumption is expected to decline by -35% in 2019,
of which -39% in 1H2019 and -30% in 2H2019

Source: TCMA, AKC estimations

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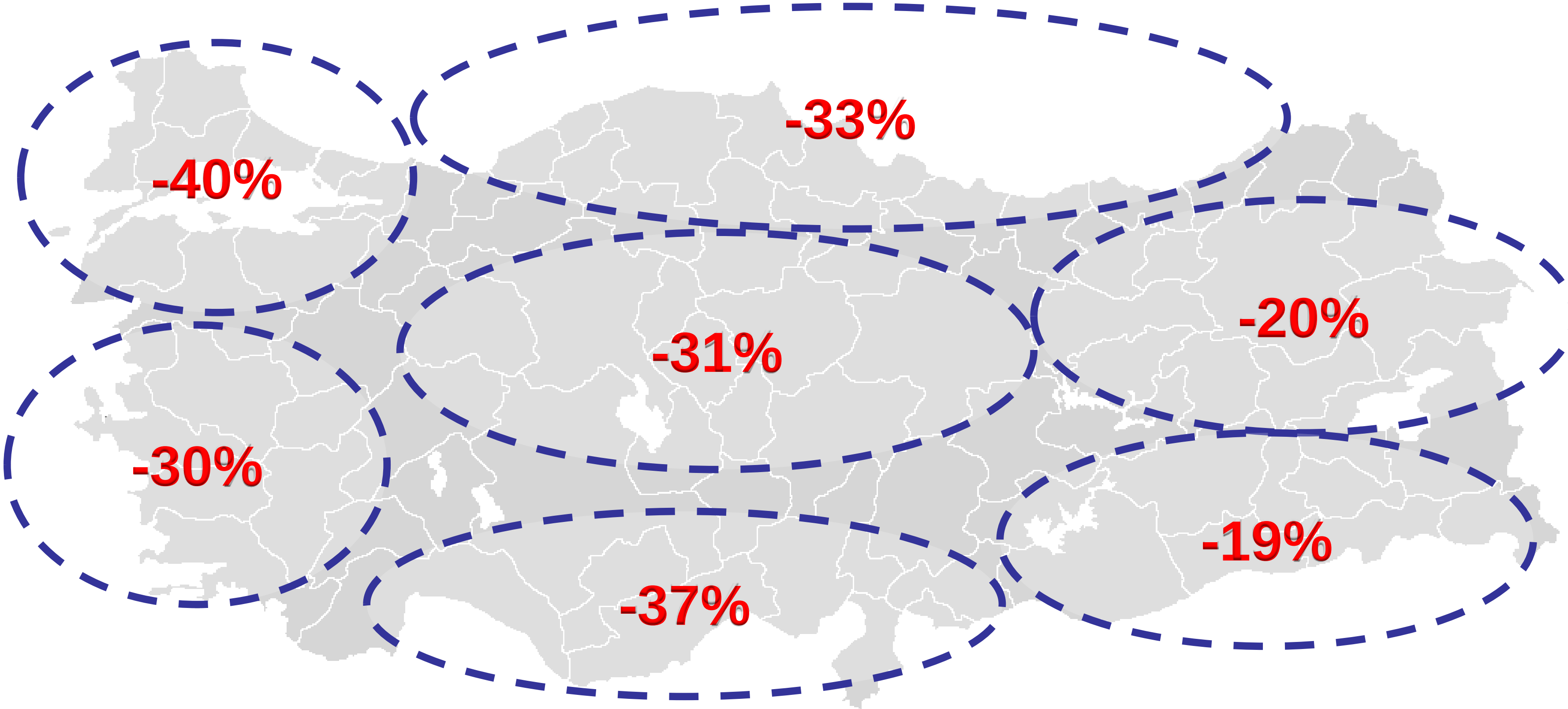
Turkish Cement Market, Sales Volumes Change % 2019 vs 2018 (July YTD)



Total cement demand in Turkey decreased by -32% as of July'19 YTD vs July'18 and reached 26.3 mt

Source: TCMA

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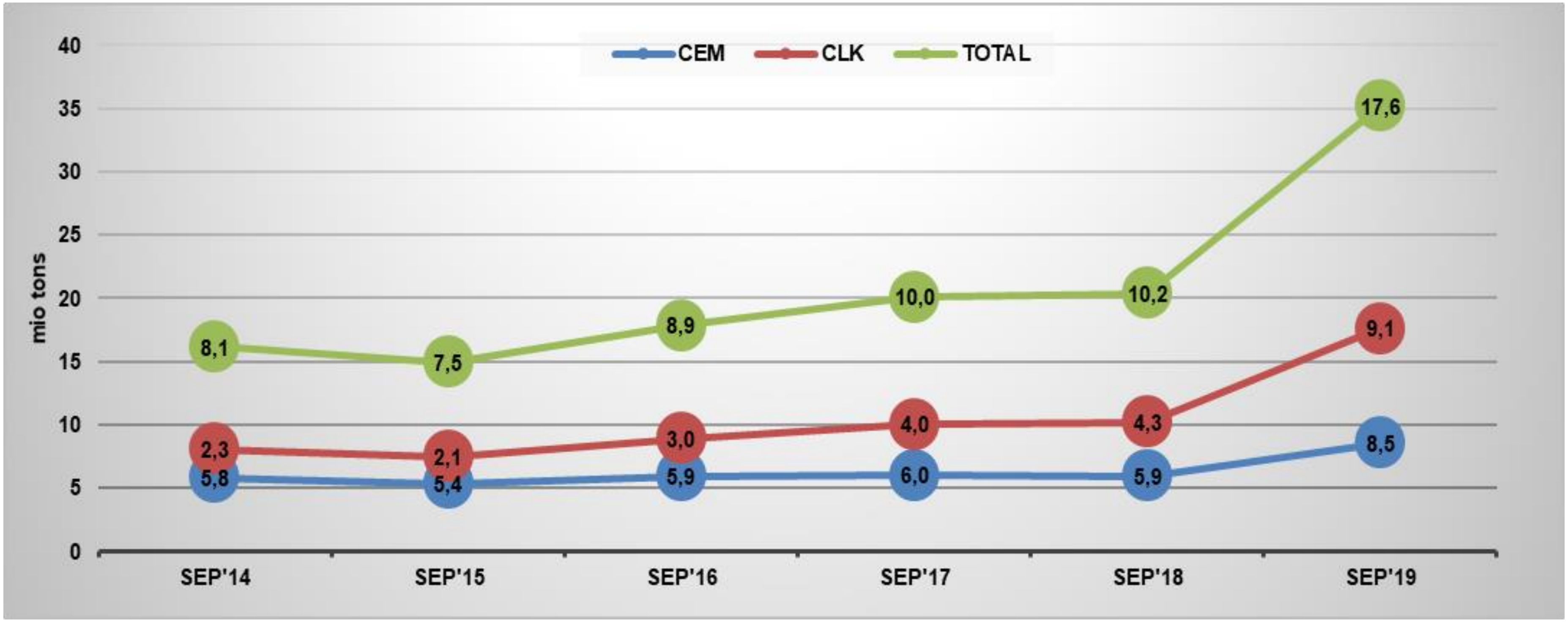
Turkish Export Volume Trend – Sep YTD 2019



Increase in exports offset some of domestic market contraction in 2019

Source: OAIB

(*) OAIB data - volumes include both white and grey products
Only OAIB members' data are included

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

Total Exports

		2018	2019	∆ '19 vs '18	Trend
Clinker Exports	Ghana	934	1.988	113%	↑
	Ivory Coast	388	1.213	213%	↑
	Guinea	334	736	120%	↑
	Colombia	267	634	137%	↑
	Cameroon	51	556	983%	↑
	Mauretania	305	519	70%	↑
	Other	1.983	3.425	73%	↑
	Total Clinker	**4.263**	**9.070**	**113%**	↑
Cement Exports	USA	1.589	2.937	85%	↑
	Israel	879	1.484	69%	↑
	Syria	636	940	48%	↑
	Haiti	291	284	-3%	↓
	Bulgaria	254	273	8%	↑
	Ghana	215	252	17%	↑
	Other	2.086	2.356	13%	↑
	Total Cement	**5.949**	**8.527**	**43%**	↑
	Total Export	**10.212**	**17.597**	**72%**	↑

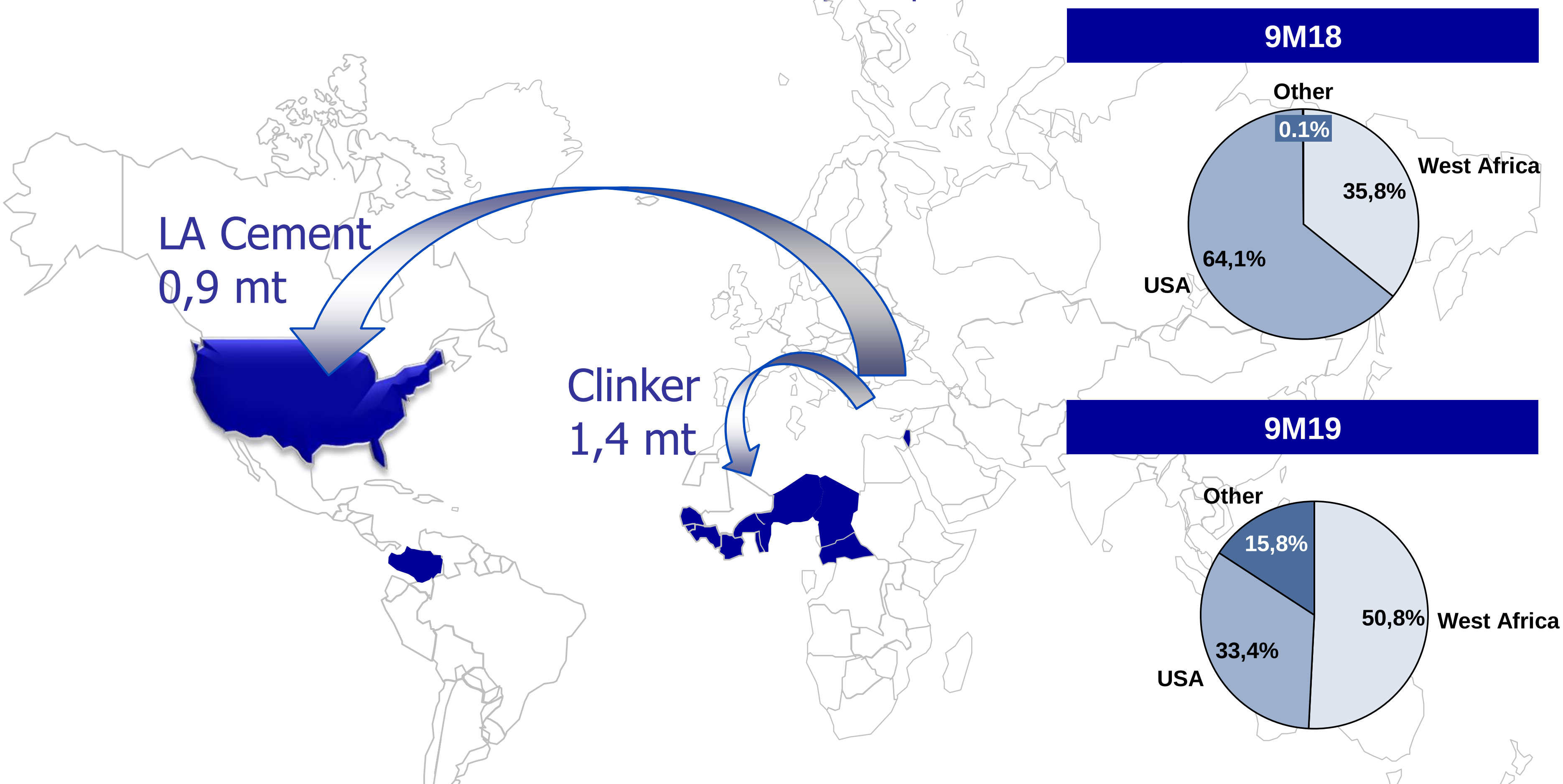
USA, Israel, Syria and West African markets on the rise in 2019

Source: OAIB

(*) OAIB data - volumes include both white and grey products
Only OAIB members' data are included

Akçansa Export Markets

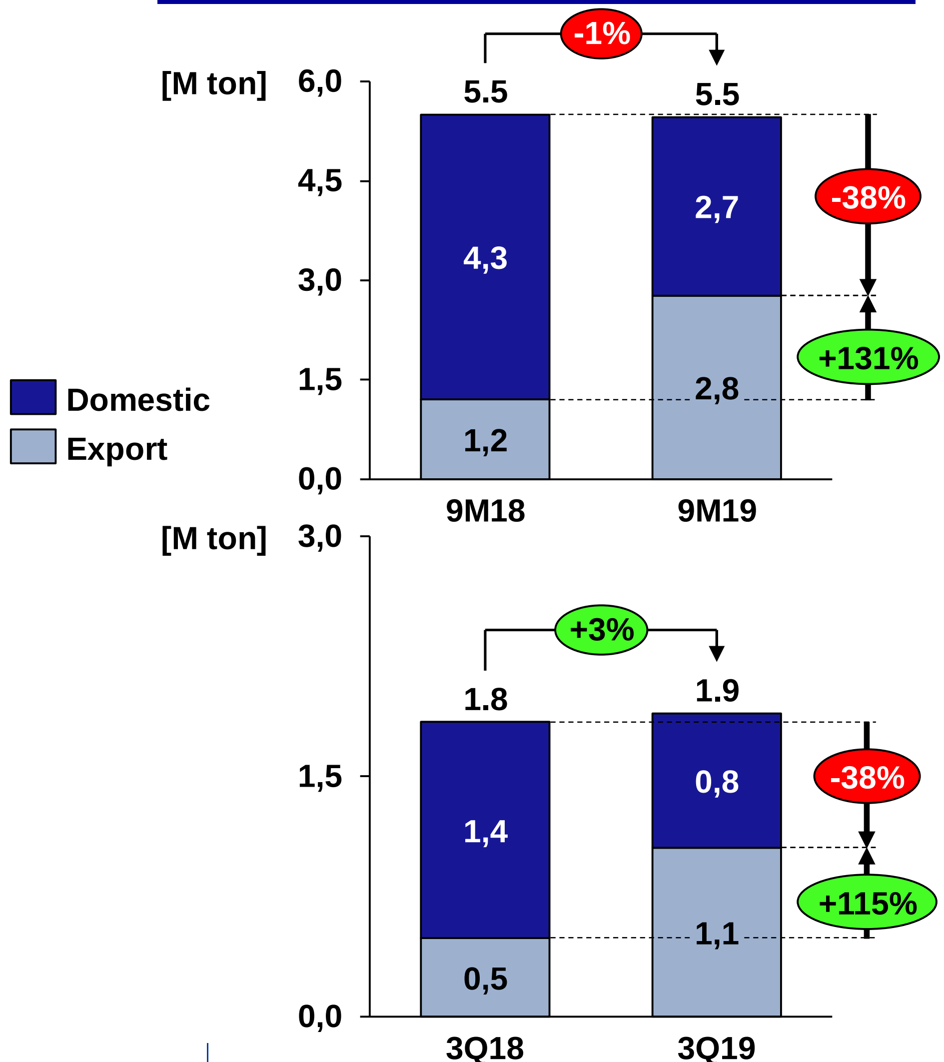
West Africa and USA are the major export markets in 2019



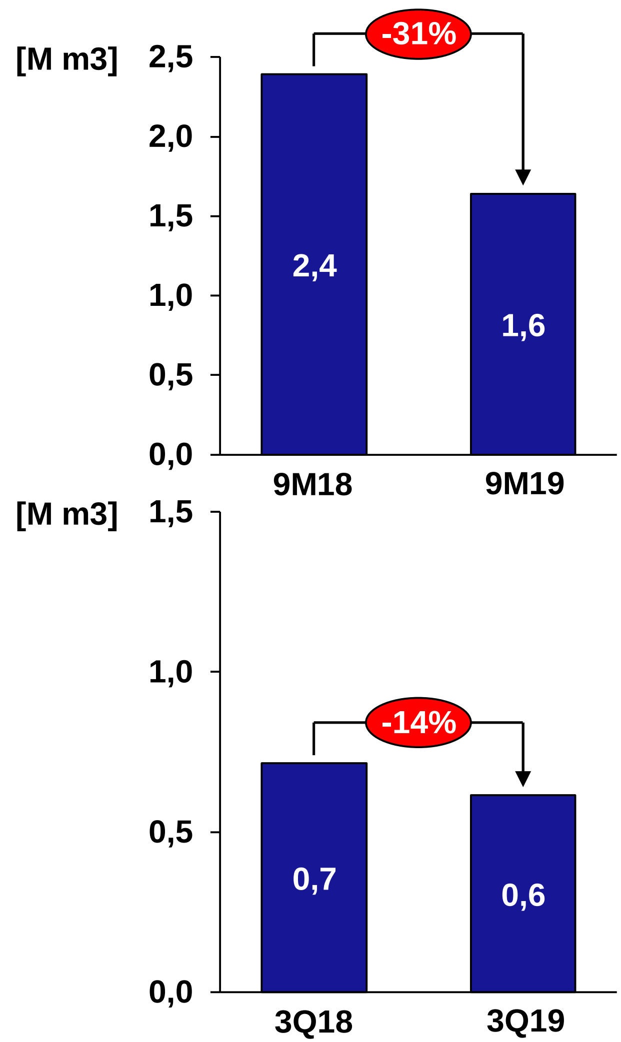
9M Exports up 131% from 1.2 to 2.8 mt

Sales Volume Breakdown

Cement Shipments



RMC Shipments



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

Energy Costs (3Q19 vs 3Q18)

Energy Price	3Q19 vs 3Q18
Coal (TL/t)	↘
Petcoke (USD/t)	↓
Petcoke (TL/t)	↓
Diesel (TL/lt)	↑
Electricity (TL/kwh)	↑

- Favorable effect of purchasing price of fuel was the main positive cost driver.
- Negative price effect of electricity leads to strong increase in energy costs.
- 3% increase of AFR usage helped reduce fuel costs.

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

Content

Income Statement

Company (M TL)	9M18	9M19	% Ch. YTD	3Q18	3Q19	% Ch. Q
Net Sales	1.319,1	1.378,8	4,5%	469,0	488,4	4,1%
Cost of Sales	(1.008,1)	(1.185,0)	17,5%	(352,4)	(407,6)	15,7%
Gross Margin	**310,9**	**193,7**	**-37,7%**	**116,7**	**80,8**	**-30,7%**
Marketing&Sales Expense	(13,6)	(17,9)	31,4%	(4,4)	(4,1)	-7,6%
General Management Expenses	(49,8)	(61,1)	22,6%	(17,8)	(19,1)	7,6%
Other Operating Income/Charges	(11,0)	(7,4)	32,5%	(4,2)	(5,1)	-21,8%
Operating Income	**236,6**	**107,4**	**-54,6%**	**90,3**	**52,5**	**-41,9%**
Income/Losses from Investment Activities	26,2	59,4	126,8%	4,5	17,0	281,1%
Non-Operating Financial Income	19,9	41,8	110,0%	10,0	4,2	-58,3%
Non-Operating Financial Charge	(68,2)	(150,2)	120,3%	(27,8)	(41,6)	49,7%
Profit/Loss before Taxes	**214,4**	**58,3**	**-72,8%**	**76,9**	**32,1**	**-58,3%**
Taxes On Income	(42,8)	(5,1)	-88,1%	(17,0)	(3,8)	-77,7%
Net Income/Loss	**171,6**	**53,2**	**-69,0%**	**60,0**	**28,3**	**-52,9%**
Minority Share	**2,0**	**(0,4)**		**0,8**	**0,2**	
Parent Company Share	**169,7**	**53,7**		**59,2**	**28,0**	
Gross Margin %	***23,6%***	***14,1%***		***24,9%***	***16,5%***	
EBITDA Margin* %	***23,5%***	***16,7%***		***24,5%***	***19,4%***	
Net Income Margin %	***13,0%***	***3,9%***		***12,8%***	***5,8%***	
EBITDA	**311,8**	**229,5**		**115,5**	**94,2**	
Depreciation	**(62,7)**	**(72,6)**		**(20,9)**	**(24,7)**	

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

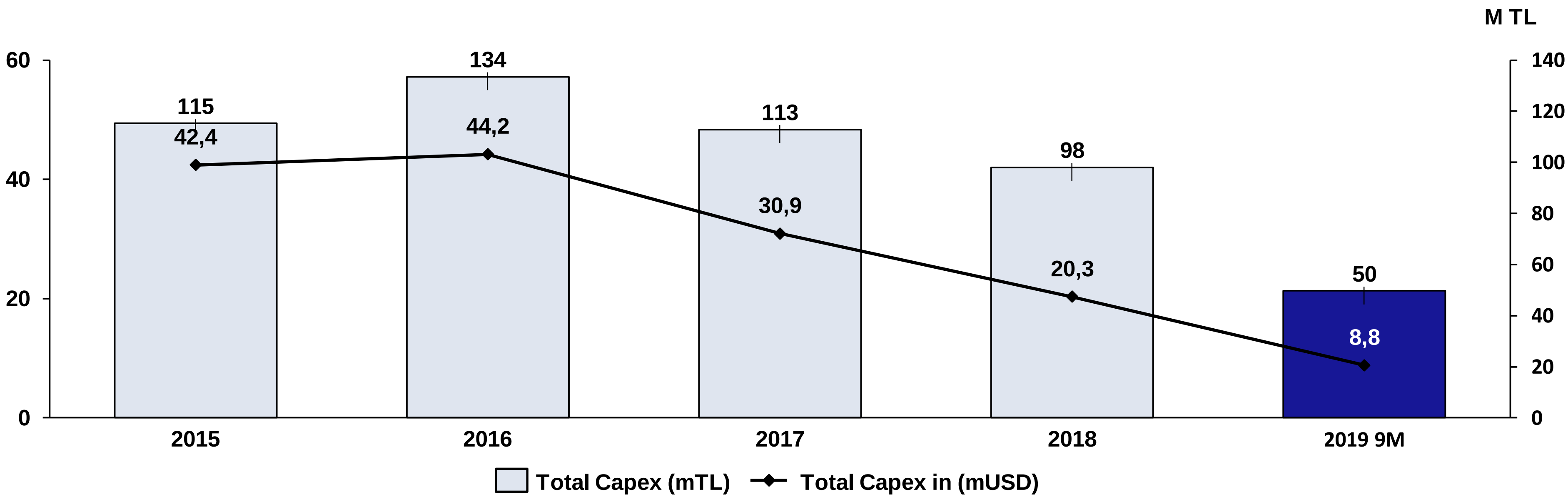
Cash Flow

Company (M TL)	9M18	9M19
Cash flow from operating activities		
Operating income before the changes in working capital	309,0	180,1
Changes in working capital	(38,6)	39,0
Taxes paid	(36,6)	(5,9)
Other items	(4,2)	(6,5)
	229,6	**206,7**
Cash flow from investing activities		
Tangible and intangible fixed assets	(77,1)	(51,4)
Sale of financial investment	26,0	-
Proceeds from fixed asset disposals	13,6	53,9
Dividends Received	13,6	9,8
	(23,8)	**12,3**
Free Cash Flow	**205,8**	**219,0**
Cash flow from financing activities		
Capital increase		
Dividend payments	(128,0)	(154,2)
Net proceeds from bonds and loans	156,3	(76,0)
Interest paid	(32,1)	(134,2)
Interest received	3,3	12,1
Other items	-	(19,8)
	(0,4)	**(372,1)**
Net change in cash and cash equivalents - continuing operations	**205,4**	**(153,1)**
Change in cash & cash equivalents	**205,4**	**(153,1)**
Cash & cash equivalents at 1 January	52,7	275,4
Cash & cash equivalents at 30 September	258,1	122,4

In spite of lower EBITDA, strict working capital management and capex discipline leads to increase in FCF (219mTL vs 206mTL)

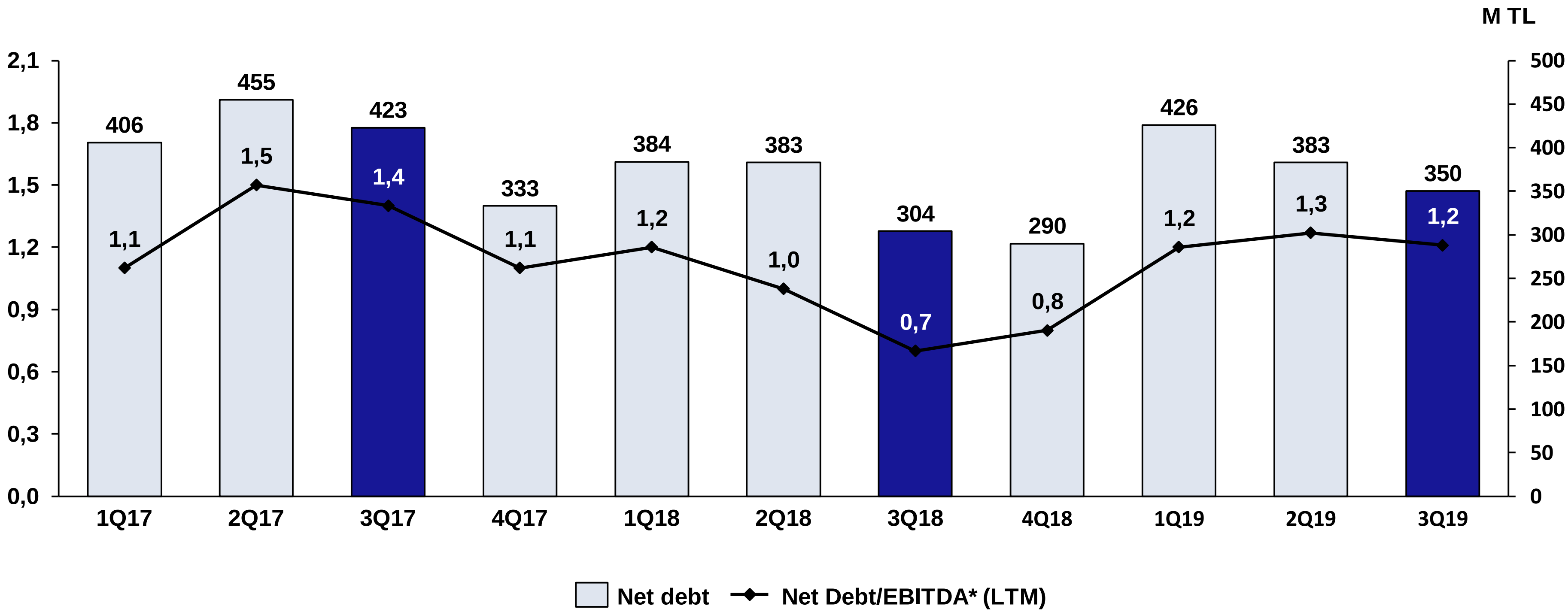
(*) FCF = Cash flow from operating activities +/- Investment activities

CAPEX



FY 2019 Capex to stay clearly below 2018

Net Debt / EBITDA



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

Balance Sheet

Mio TL	30.09.2018	31.12.2018	30.09.2019	Variance 2019 vs 2018
Current Assets	996,1	713,0	805,7	92,7
Cash & cash equivalents	275,4	52,7	122,4	69,6
Trade receivables	443,9	470,0	415,8	(54,2)
Inventories	244,9	151,0	205,1	54,1
Other current assets	31,8	39,3	62,5	23,2
Non-current Assets	1.164,5	1.203,3	1.220,6	17,3
Financial investments	140,8	193,2	140,4	(52,8)
Fixed Assets	887,8	872,9	944,8	71,9
Goodwill	130,1	130,1	130,1	-
Deferred tax assets	1,0	1,0	1,1	0,1
Other non-current assets	4,7	6,1	4,2	(2,0)
TOTAL ASSETS	2.160,5	1.916,3	2.026,3	(134,2)

Mio TL	30.09.2018	31.12.2018	30.09.2019	Variance 2019 vs 2018
Current Liabilities	864,8	715,1	860,4	145,4
Financial Liabilities	461,5	385,4	472,2	86,8
Trade payables	340,0	287,5	355,7	68,2
Tax payable	4,3	8,8	0,2	(8,6)
Other current liabilities	58,9	33,3	32,4	(0,9)
Non-current Liabilities	188,2	92,2	160,4	68,3
Financial Liabilities	103,6	-	-	-
LT provisions	48,7	44,8	53,5	8,6
Deferred tax liabilities	35,9	47,3	39,2	(8,1)
Other non-current liablities	-	-	67,7	67,7
Shareholders Equity	1.107,5	1.109,0	1.005,4	(103,5)
Paid in Capital	191,4	191,4	191,4	-
Retained earnings	647,2	627,5	672,5	45,0
Comprehensive income	77,0	129,3	75,8	(53,5)
Net income	177,9	148,7	53,7	(95,0)
Minority interest	13,9	12,0	12,0	(0,0)
TOTAL LIABLILITES & EQUITY	2.160,5	1.916,3	2.026,3	(134,2)

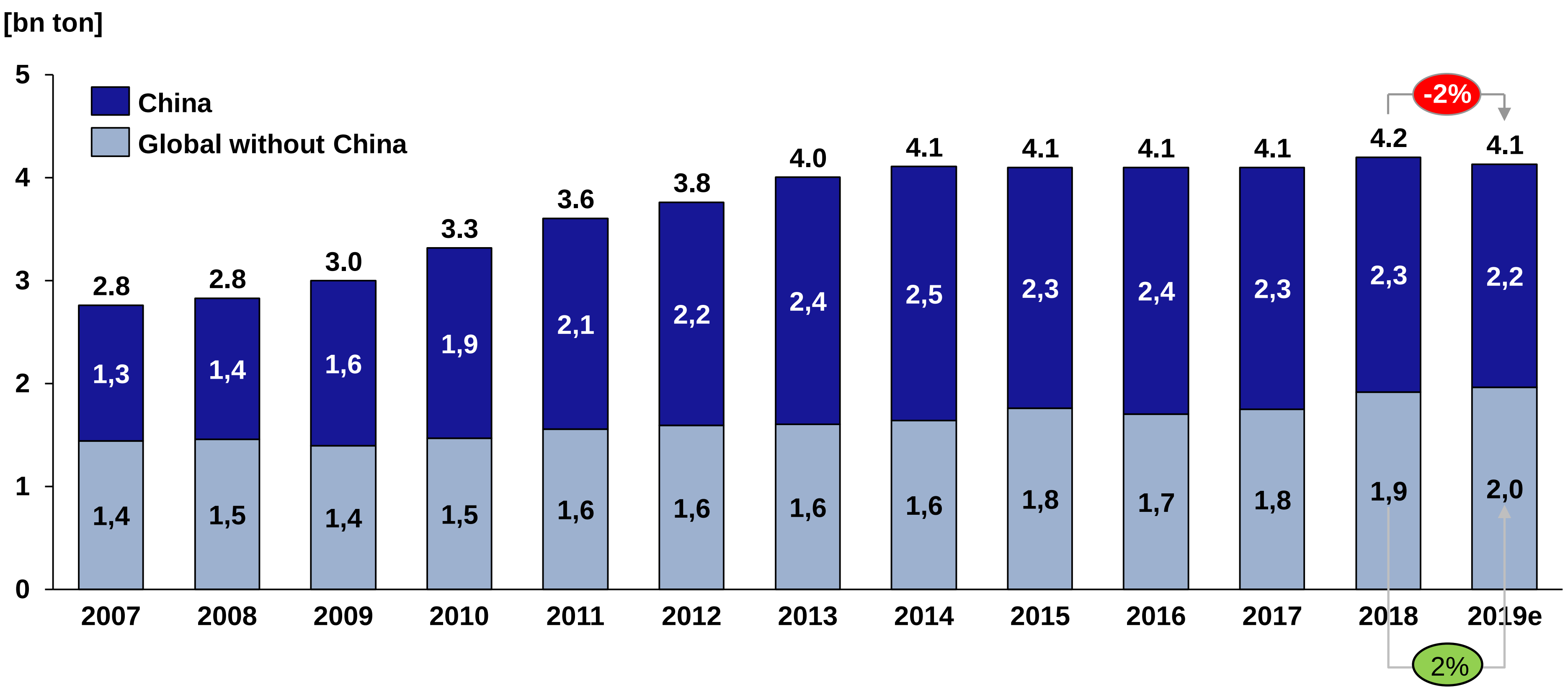
BS data and key ratios	30.09.2018	31.12.2018	30.09.2019	Variance 2019 vs 2018
Working Capital	*349*	*333*	*265*	*-84*
Working Capital / Net Sales (LTM)	*20%*	*19%*	*15%*	*-5%*
Net debt	*290*	*333*	*350*	*60*
Net debt / EBITDA (LTM)	*0,7x*	*0,9x*	*1,2x*	*0,5x*
Net Debt / Equity	*26%*	*30%*	*35%*	*9%*

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

(*) Net debt figures do not include lease liabilities

Content

Global Cement Consumption



Source: CemNet

2019 Outlook

Energy Price	2019e FY
Coal (TL/t)	Slightly decreasing
Petcoke (USD/t)	Decreasing
Petcoke (TL/t)	Decreasing
Diesel (TL/lt)	Increasing
Electricity (TL/kwh)	Increasing

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

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 Q4 (base effect)
- Increase in alternative fuel usage from 13.1% (in 2018) to above 15% 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
- Lower interest rates expected to decrease trend of financial expenses

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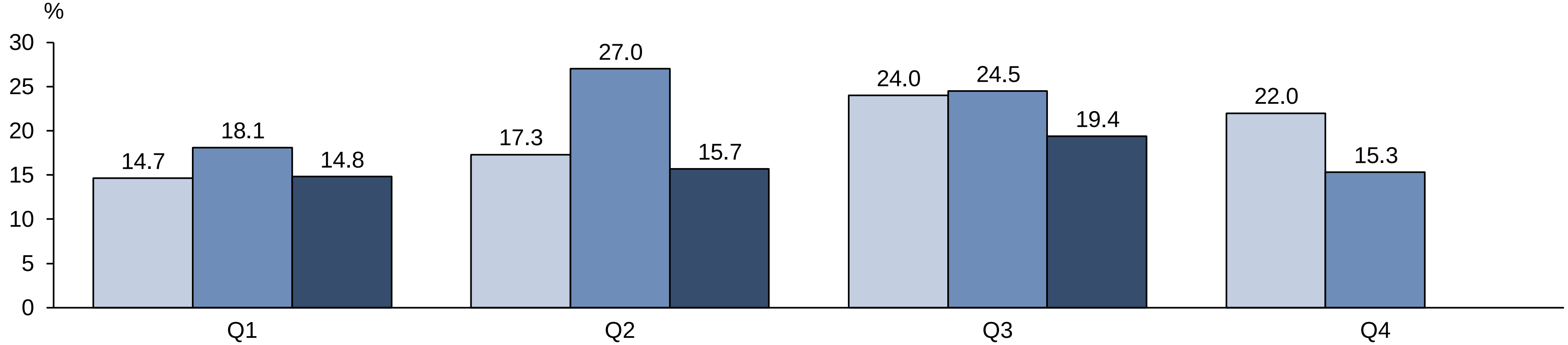
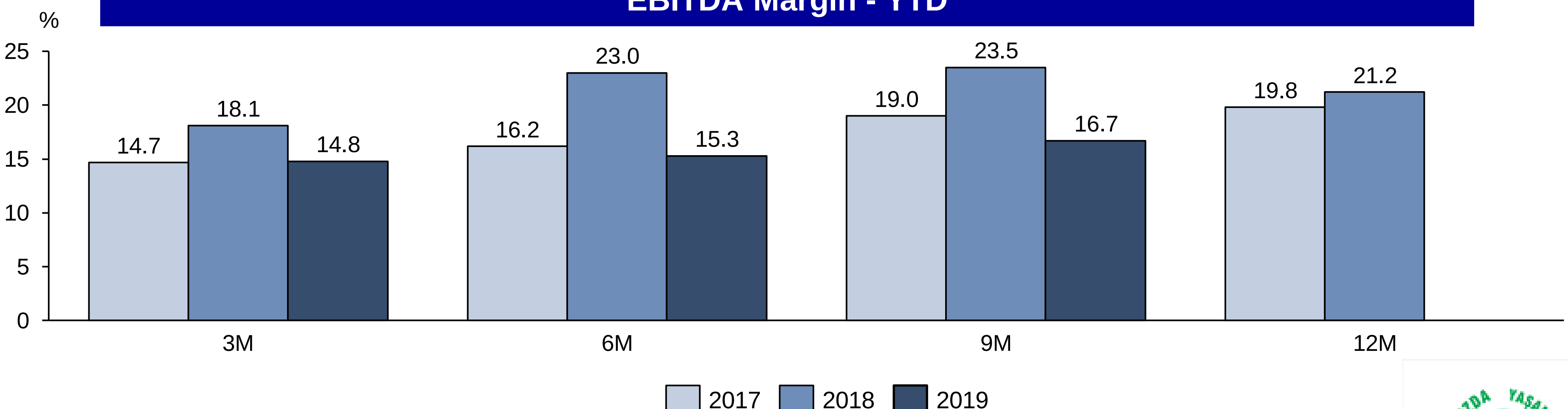
Appendix

EBITDA Margins

EBITDA Margin - Quarterly

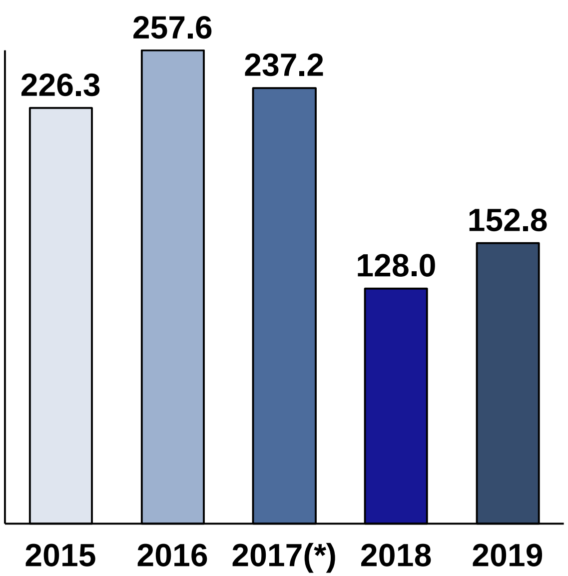


EBITDA Margin - YTD

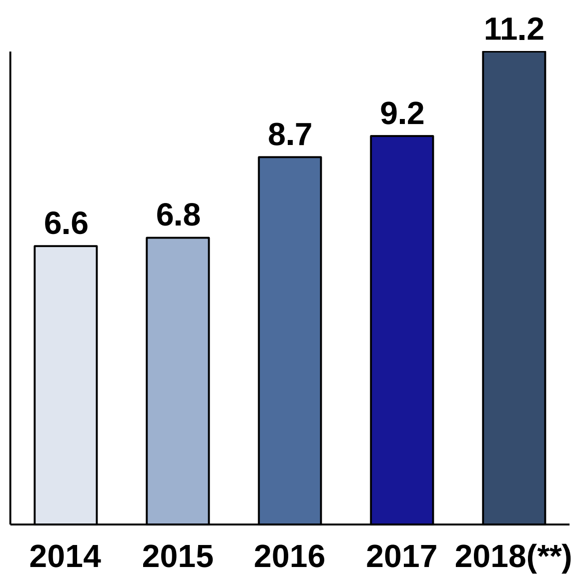


Dividend Paid, Dividend Yield and Payout Ratio

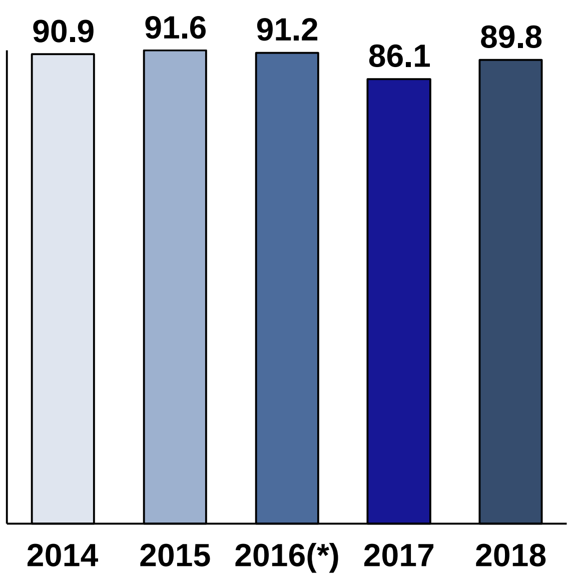
Dividend Paid



Dividend Yield %



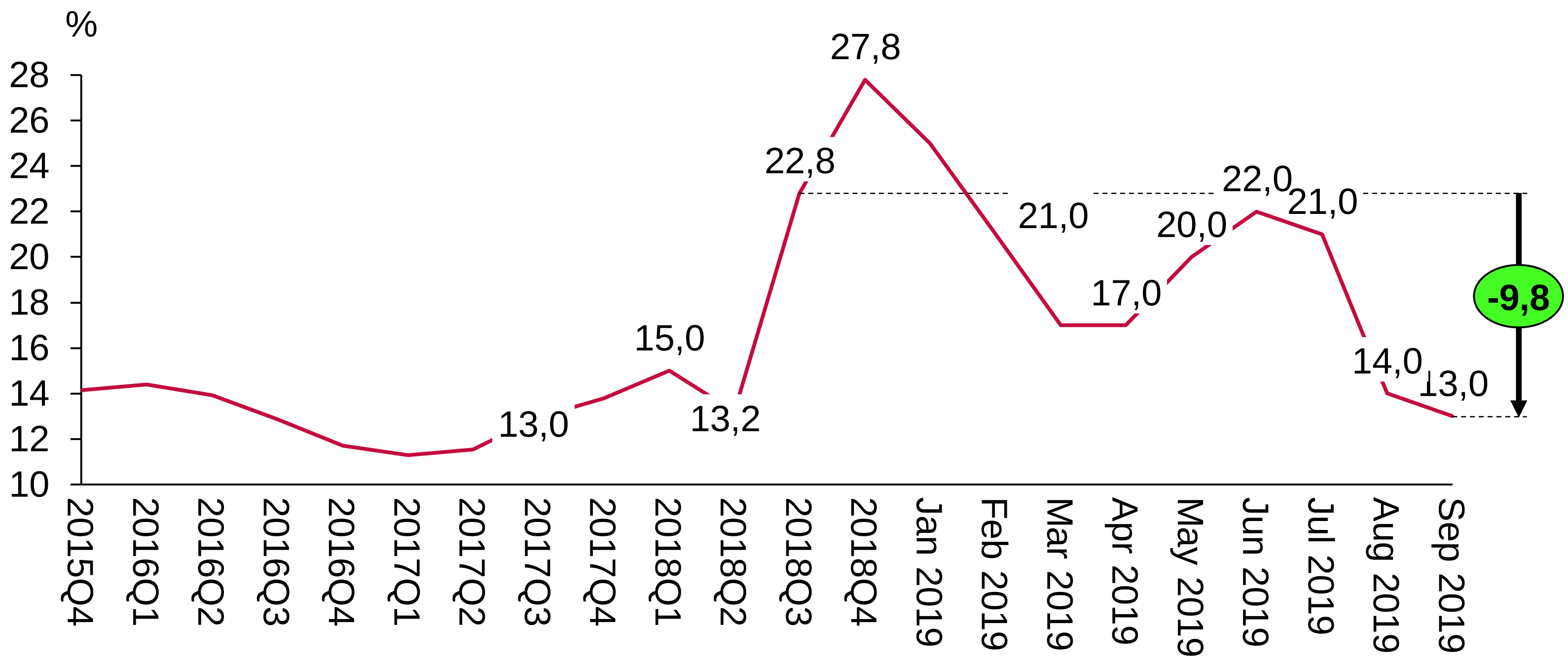
Payout Ratio %



*) 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 Rates



Source: CBRT

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 m^3 RMC produced
- 1.5-2.0 ton of aggregate in 1 m^3 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
- 8.200 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

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