AKÇANSA

2018 FY Results
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Content

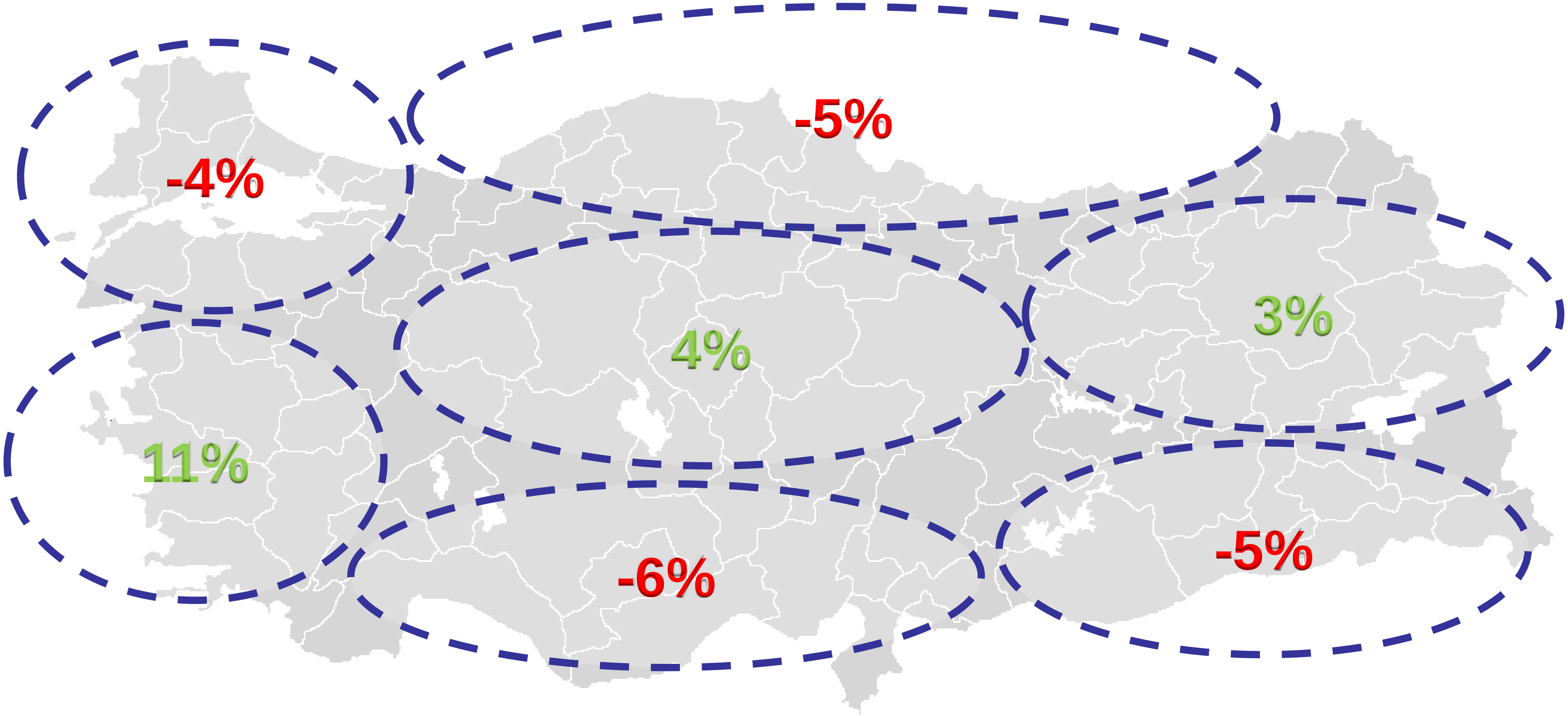
Key Highlights

- **2018 FY**
  - ✓ Akçansa's domestic cement volumes declined by 19%, while cement exports increased by 30%.
  - ✓ Higher energy costs and devalued TL were offset by higher prices in export markets.
  - ✓ Operating income increased by 24% from 215.2 to 266.2 mTL.

- **2019 Outlook**
  - ✓ Total cement volumes are expected to increase driven by roughly doubling export volumes in 2019.
  - ✓ Increased energy costs will exert pressure on margins. Increased alternative fuels usage will offset some of the fuel cost increases.
  - ✓ Strict fixed cost discipline and tight Capex control

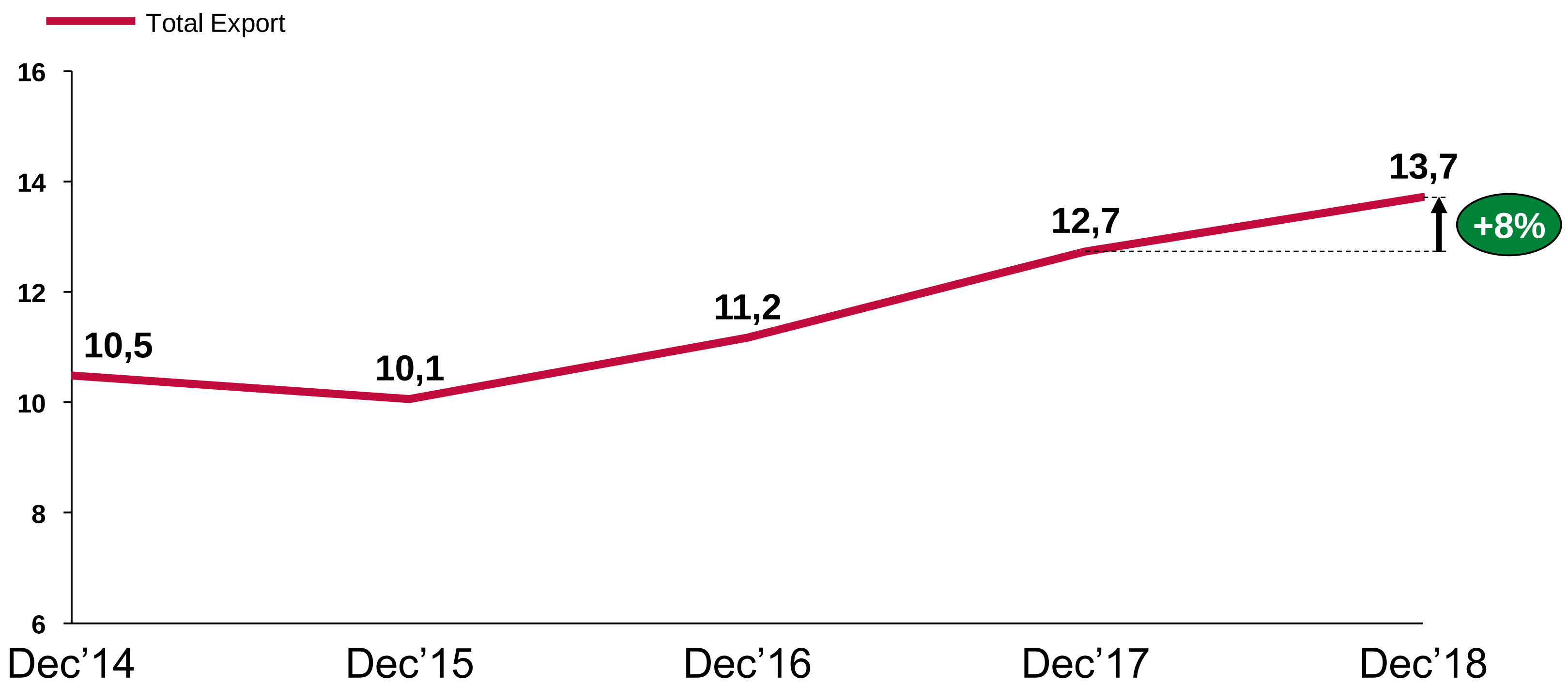
Domestic Sales Volume Change % (NovemberYTD)

November YTD -8% decrease



Source: TCMA

Exports Volumes Trend in Turkey – YTD December

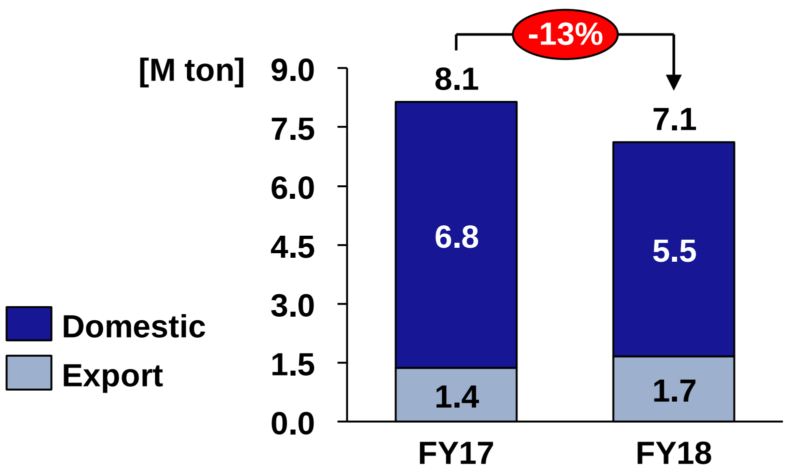


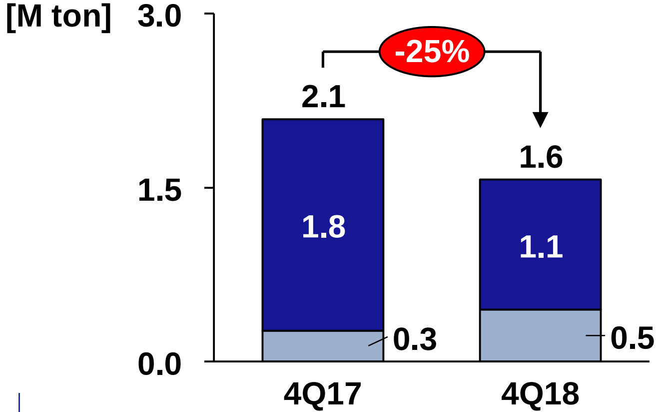
Increased export volumes partially compensate lower volumes in domestic market

Source: TCMA and Akçansa estimations

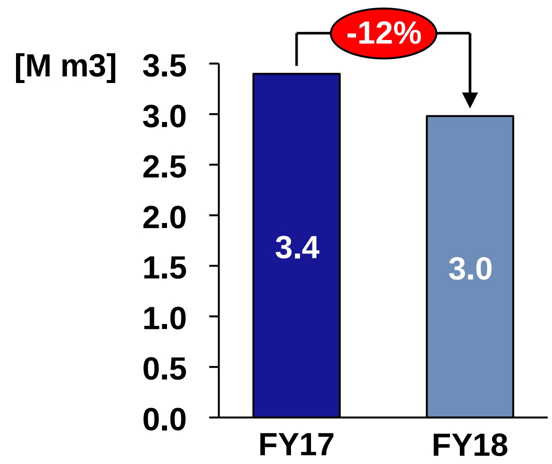
Sales Breakdown

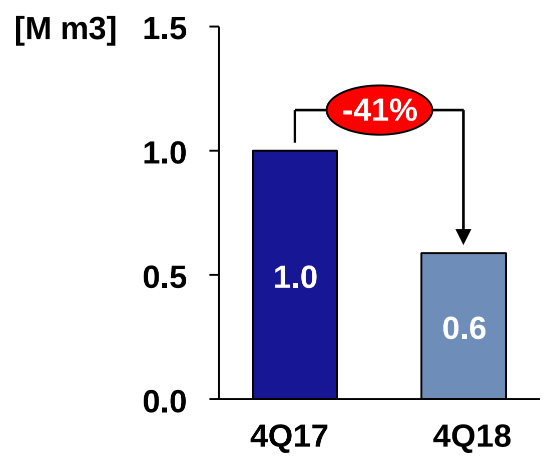
Cement Shipments





RMC Shipments



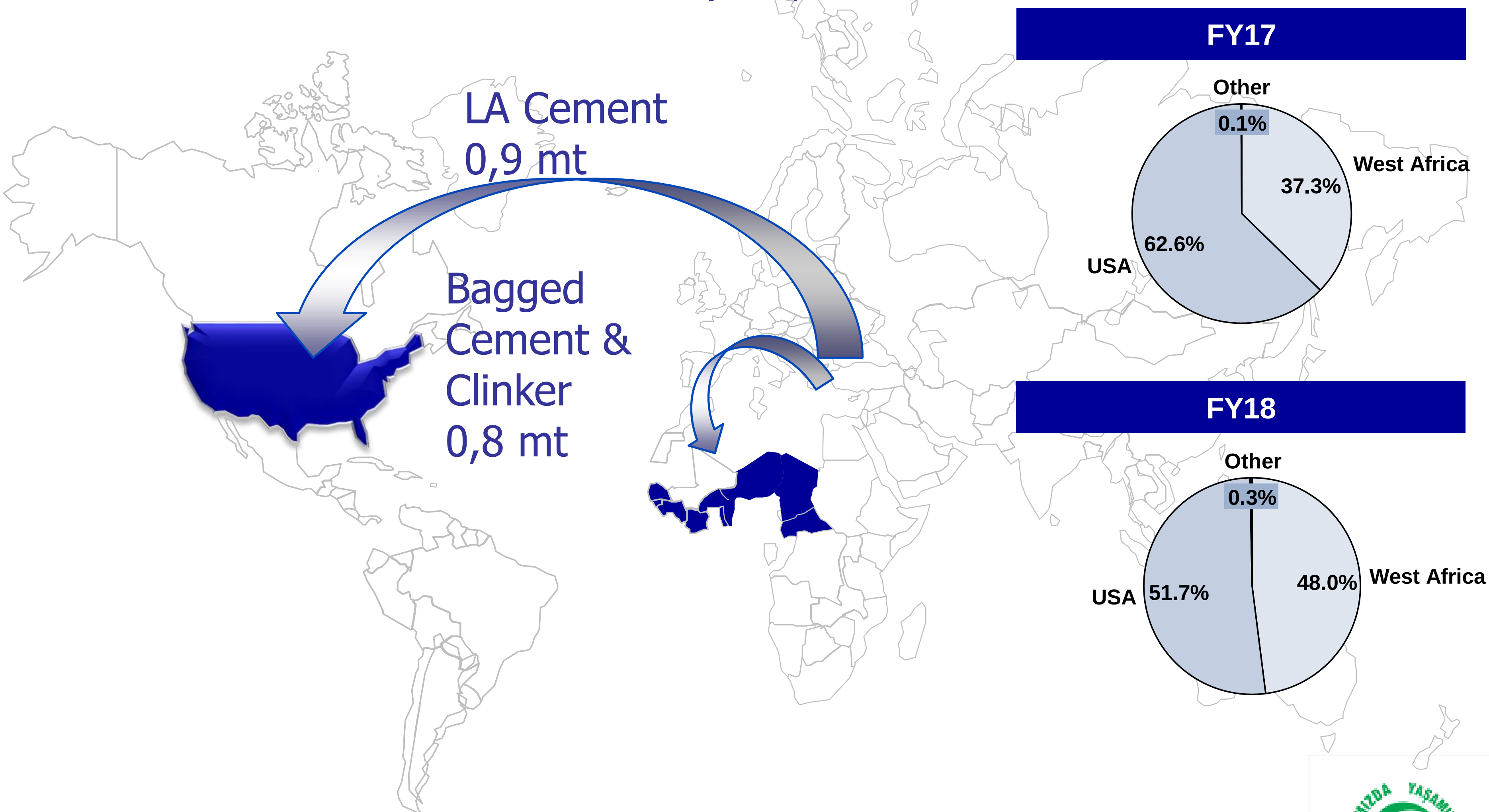


*) Domestic cement figures include Karçimsa and transfer to RMC

Source: AKC management report

Export Markets

West Africa and USA are the major export markets in 2017 and 2018



Source: AKC management report

Energy Costs (2018 vs 2017)

Energy Price	FY18 vs FY17
Coal (USD/t)	⇧
Petcoke (USD/t)	⇧
Diesel (TL/lt)	⇧
Electricity (TL/kwh)	⇧

- Higher electricity prices, USD energy prices and TL depreciation lead to strong increase in energy costs in 2018, especially in H2
- Increase in alternative fuels ratio from 8.4% in FY17 to 13.1% in FY18 helped to minimize energy cost increase

⇧	Increasing
⇗	Slightly increasing
⇨	Flat
⇘	Slightly decreasing
⇩	Decreasing

Content

Income Statement

Company (M TL)	FY17	FY18	% Ch. YTD
Net Sales	1.519,0	1.715,6	12,9%
Cost of Sales	(1.213,2)	(1.350,0)	11,3%
Gross Margin	**305,8**	**365,5**	**19,5%**
Marketing&Sales Expense	(19,6)	(21,6)	10,4%
General Management Expenses	(60,7)	(73,8)	21,6%
EBIT	**225,5**	**270,1**	**19,8%**
Other Operating Income/Charges	(10,3)	(3,9)	62,4%
Operating Income	**215,2**	**266,2**	**23,7%**
Income/Losses from Investment Activities	26,1	35,7	36,8%
Non-Operating Financial Income	15,9	39,7	150,7%
Non-Operating Financial Charge	(77,4)	(119,9)	54,9%
Profit/Loss before Taxes	**179,7**	**221,8**	**23,4%**
Taxes On Income	(30,9)	(42,0)	35,9%
Net Income/Loss	**148,8**	**179,8**	**20,8%**
Minority Share	**0,1**	**1,9**	
Parent Company Share	**148,7**	**177,9**	

Gross Margin %	***20,1%***	***21,3%***
EBITDA Margin %	***19,6%***	***20,4%***
EBIT Margin %	***14,8%***	***15,7%***
Net Income Margin %	***9,8%***	***10,5%***

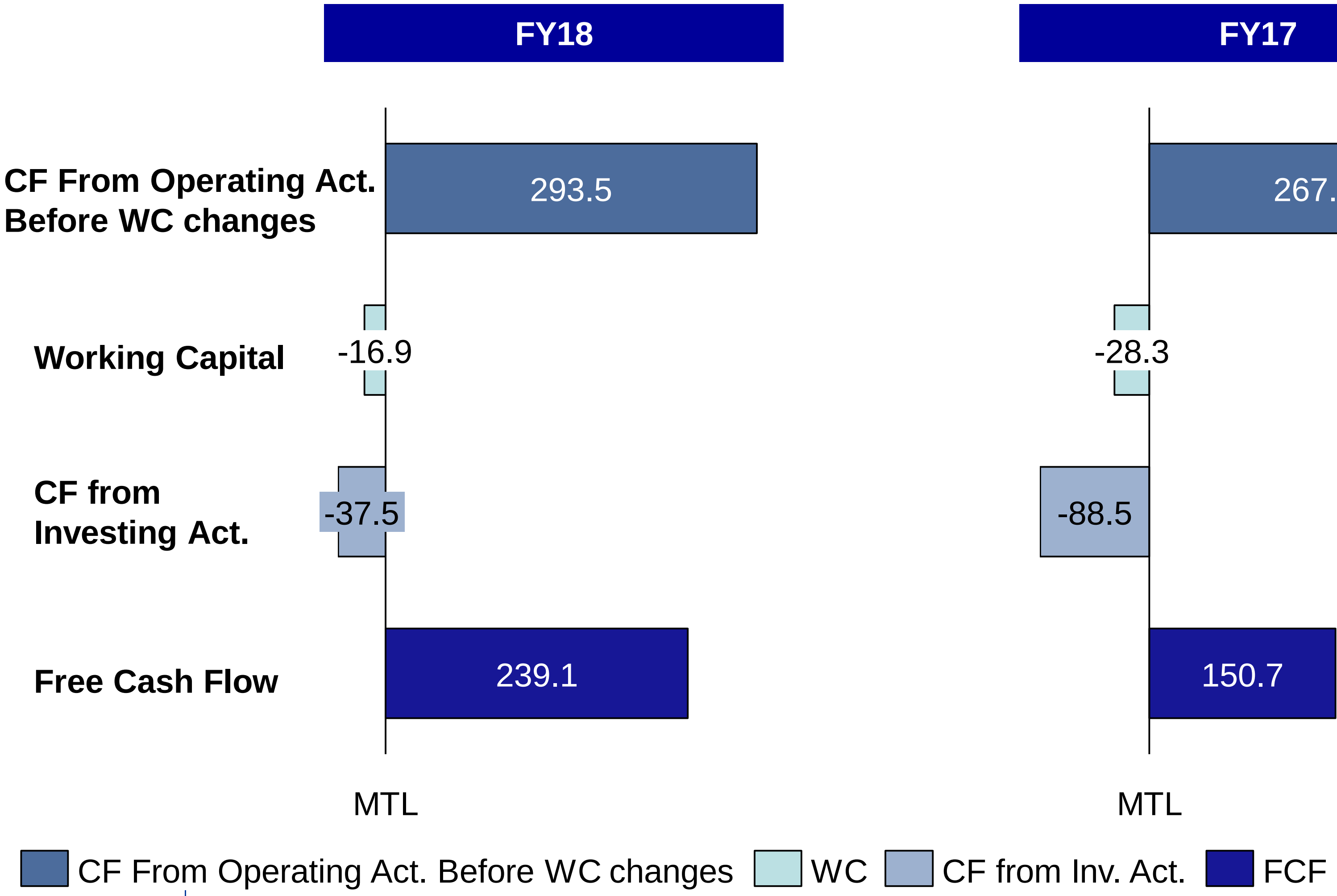
Source: CMB financials

Cash Flow

Company (M TL)	FY17	FY18
Cash flow from operating activities		
Operating income before the changes in working capital	307,3	355,1
Changes in working capital	(28,3)	(16,9)
Taxes paid	(30,7)	(54,5)
Other items	(9,1)	(7,1)
	239,3	**276,6**
Cash flow from investing activities		
Tangible and intangible fixed assets	(116,7)	(100,9)
Sale of financial investment	-	26,0
Proceeds from fixed asset disposals	5,3	23,8
Dividends Received	22,9	13,6
	(88,5)	**(37,5)**
Cash flow from financing activities		
Capital increase		
Dividend payments	(237,7)	(128,0)
Net proceeds from bonds and loans	167,7	156,8
Interest paid	(52,7)	(60,9)
Interest received	2,4	15,7
Other items	(1,1)	-
	(121,4)	**(16,4)**
Net change in cash and cash equivalents - continuing operations	**29,4**	**222,7**
Change in cash & cash equivalents	**29,4**	**222,7**
Cash & cash equivalents at 1 January	23,4	52,7
Cash & cash equivalents at 31 December	52,7	275,4

Source: CMB financials

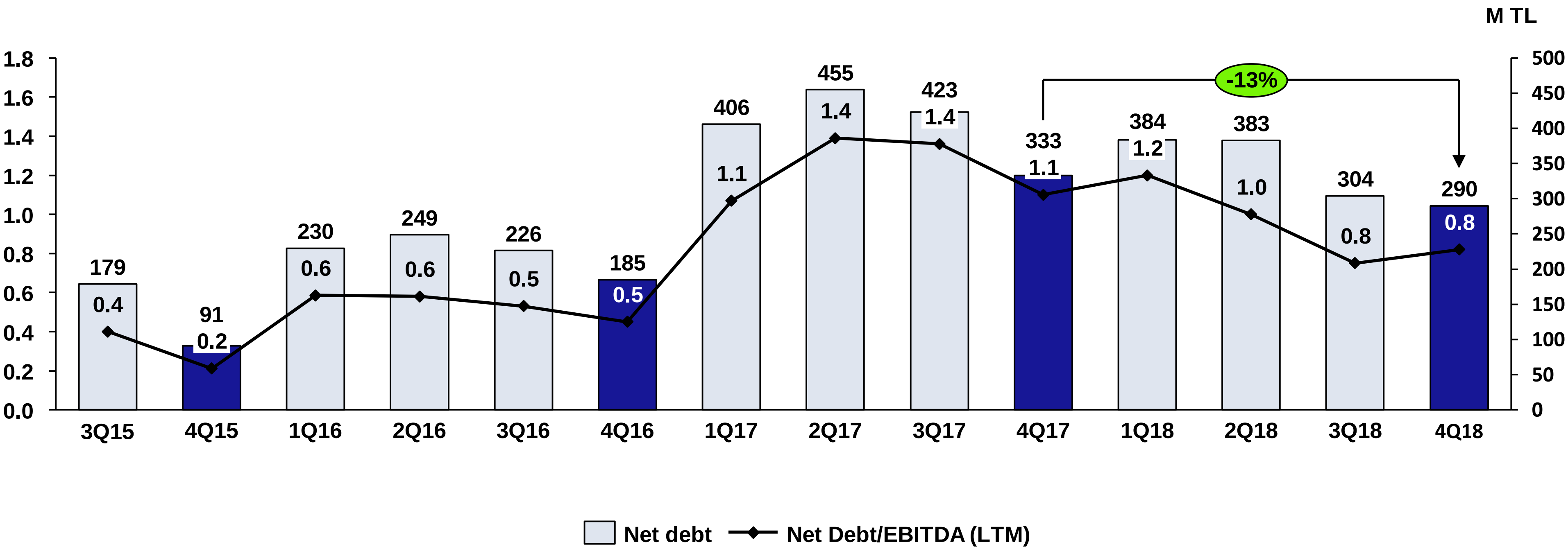
Significant Increase in Free Cash Flow Generation



Source: CMB financials and AKC calculations

Net Debt / EBITDA

Net debt 43mTL lower than in Q4'17



Balance Sheet

Mio TL	31.12.2017	31.12.2018	Variance 2018 vs 2017
Current Assets	713,0	996,1	283,1
Cash & cash equivalents	52,7	275,4	222,7
Trade receivables	470,0	443,9	(26,1)
Inventories	151,0	244,9	94,0
Other current assets	39,3	31,8	(7,5)
Non-current Assets	1.203,2	1.164,5	(38,7)
Financial investments	193,2	140,8	(52,4)
Fixed Assets	872,9	887,8	14,9
Goodwill	130,1	130,1	-
Deferred tax assets	1,0	1,0	0,0
Other non-current assets	6,0	4,7	(1,3)
TOTAL ASSETS	**1.916,2**	**2.160,5**	**244,3**

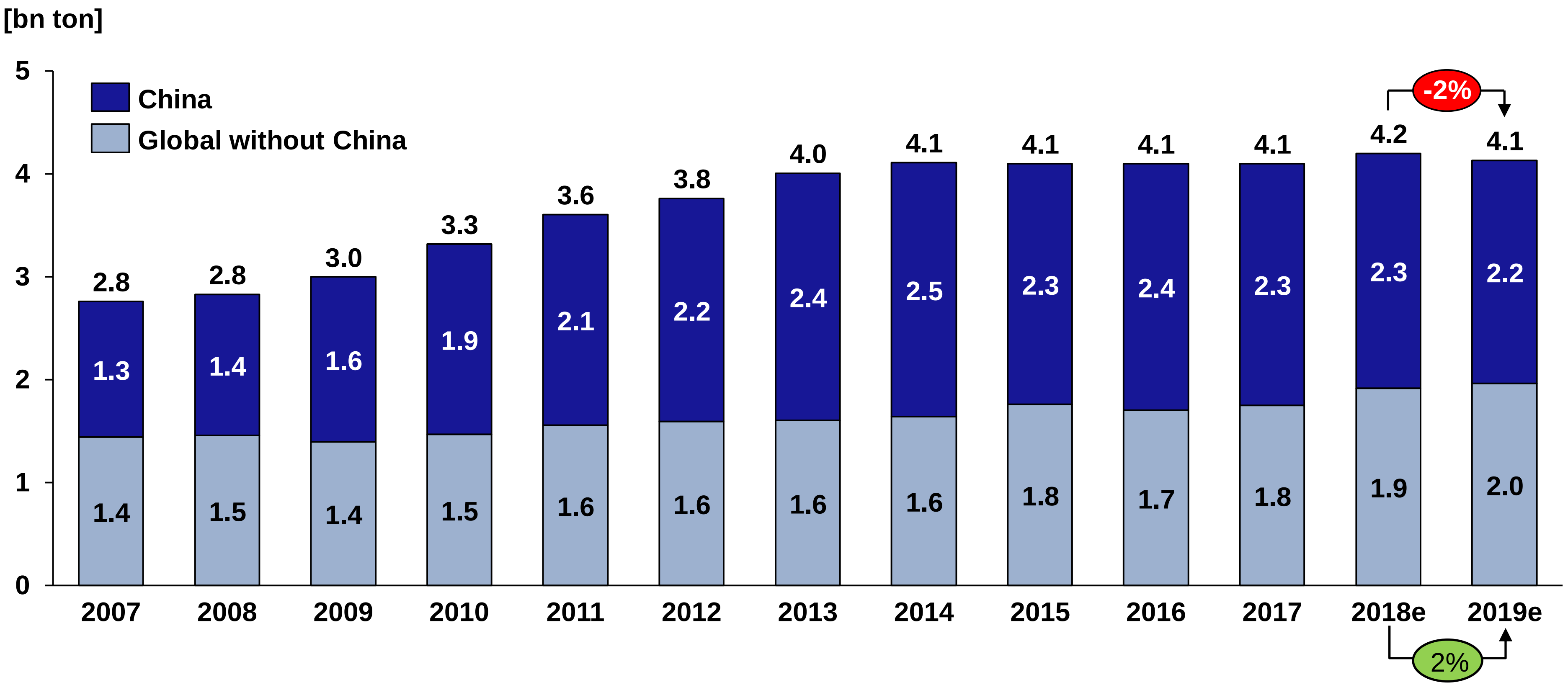
Mio TL	31.12.2017	31.12.2018	Variance 2018 vs 2017
Current Liabilities	715,1	868,4	153,3
Financial Liabilities	385,4	465,2	79,7
Trade payables	287,5	340,0	52,5
Tax payable	8,8	4,3	(4,5)
Other current liabilities	33,3	58,9	25,6
Non-current Liabilities	92,2	184,6	92,4
Financial Liabilities	-	100,0	100,0
LT provisions	44,8	48,7	3,9
Deferred tax liabilities	47,3	35,9	(11,4)
Other non-current liablities	-	-	-
Shareholders Equity	1.108,9	1.107,5	(1,4)
Paid in Capital	191,4	191,4	-
Retained earnings	627,4	647,2	19,8
Comprehensive income	129,3	77,0	(52,3)
Net income	148,7	177,9	29,2
Minority interest	12,0	13,9	1,9
TOTAL LIABLILITES & EQUITY	**1.916,2**	**2.160,5**	**244,3**

BS data and key ratios	31.12.2017	31.12.2018	Variance 2018 vs 2017
Working Capital	*333*	*349*	*15*
Working Capital / Net Sales (LTM)	*22%*	*20%*	*-2%*
Net debt	*333*	*290*	*-43*
Net debt / EBITDA (LTM)	*1.1x*	*0.8x*	*-0.3x*
Net Debt / Equity	*17%*	*13%*	*-4%*

Source: CMB financials

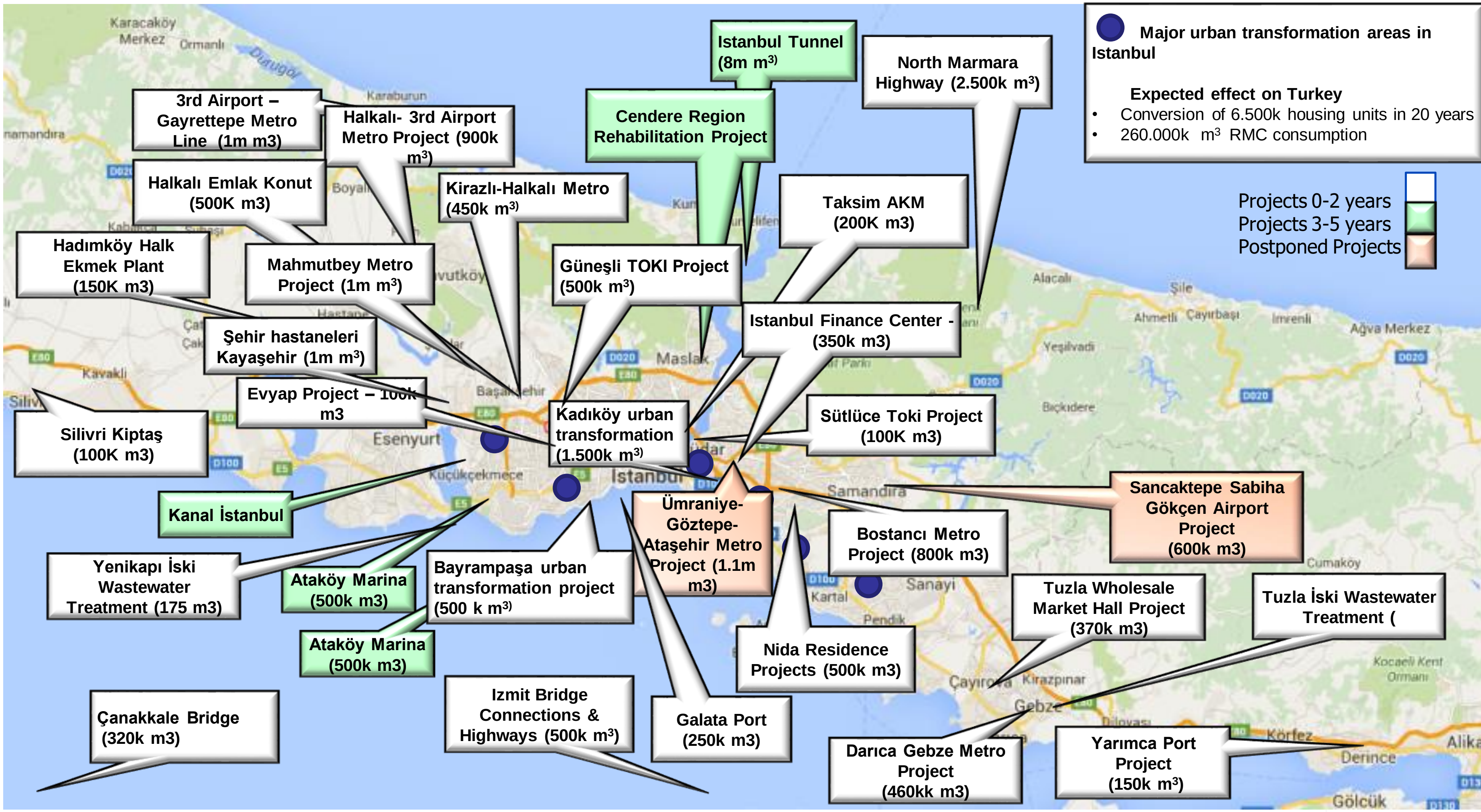
Content

Global Cement Consumption



Source: CemNet

Overview of Major Projects in the Marmara



Source: New Economic Program; Turkish Government 20.09.2018

2019 Outlook

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

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

Compared to 2018:

- Total cement volumes expected to increase, driven by roughly doubling of export volumes
- Increase in alternative fuel and local coal usage to partially offset increased energy costs
- Increased energy costs and general cost inflation will exact pressure on margins, particularly in the domestic market
- Elevated interest rates expected to increase financial expenses
- Strict fixed cost discipline and tight Capex control

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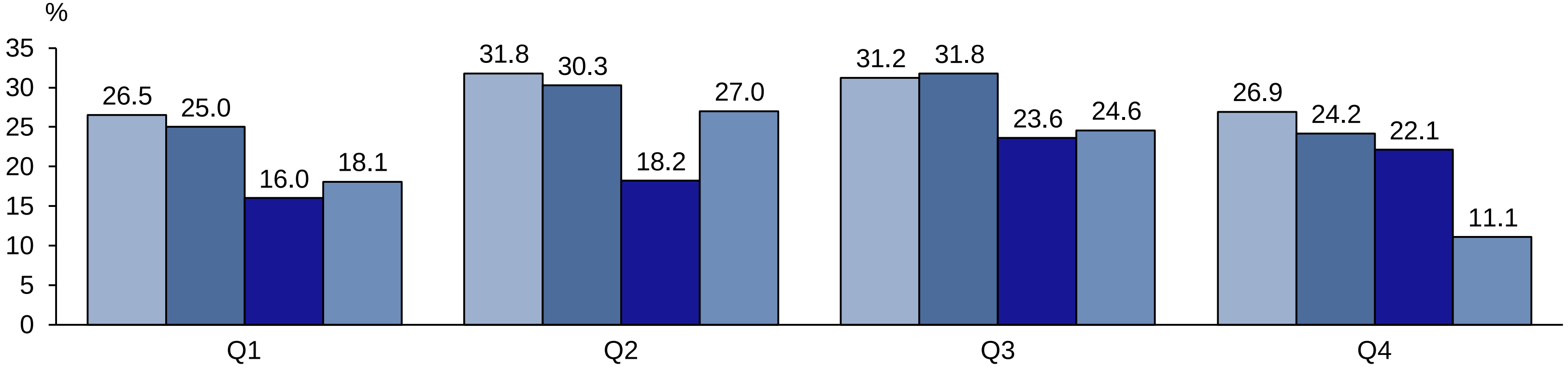
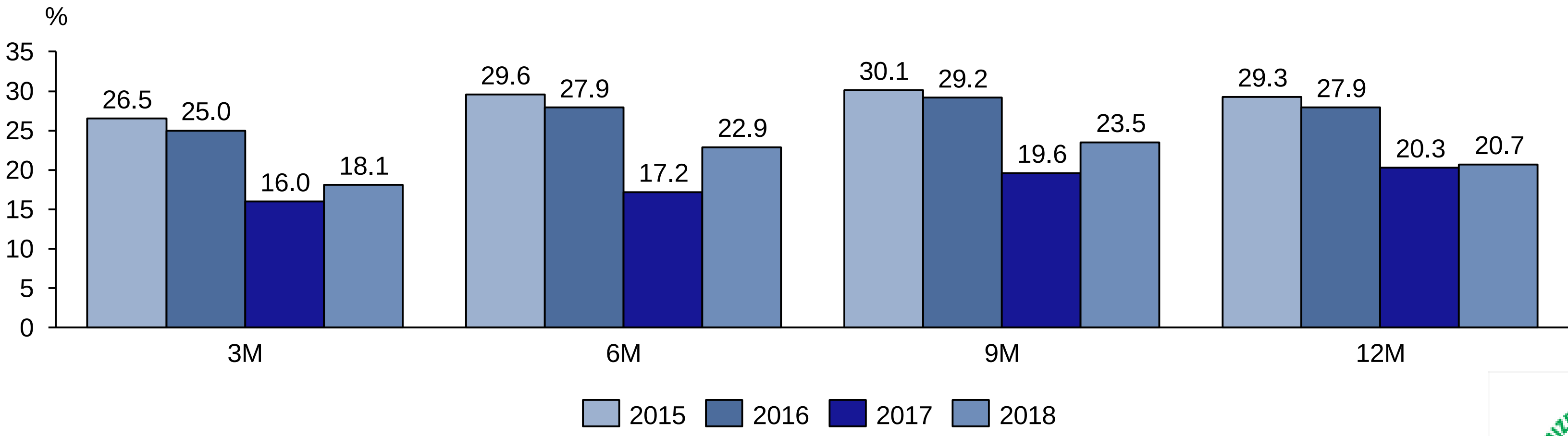
Appendix

EBITDA Margins

EBITDA Margin - Quarterly



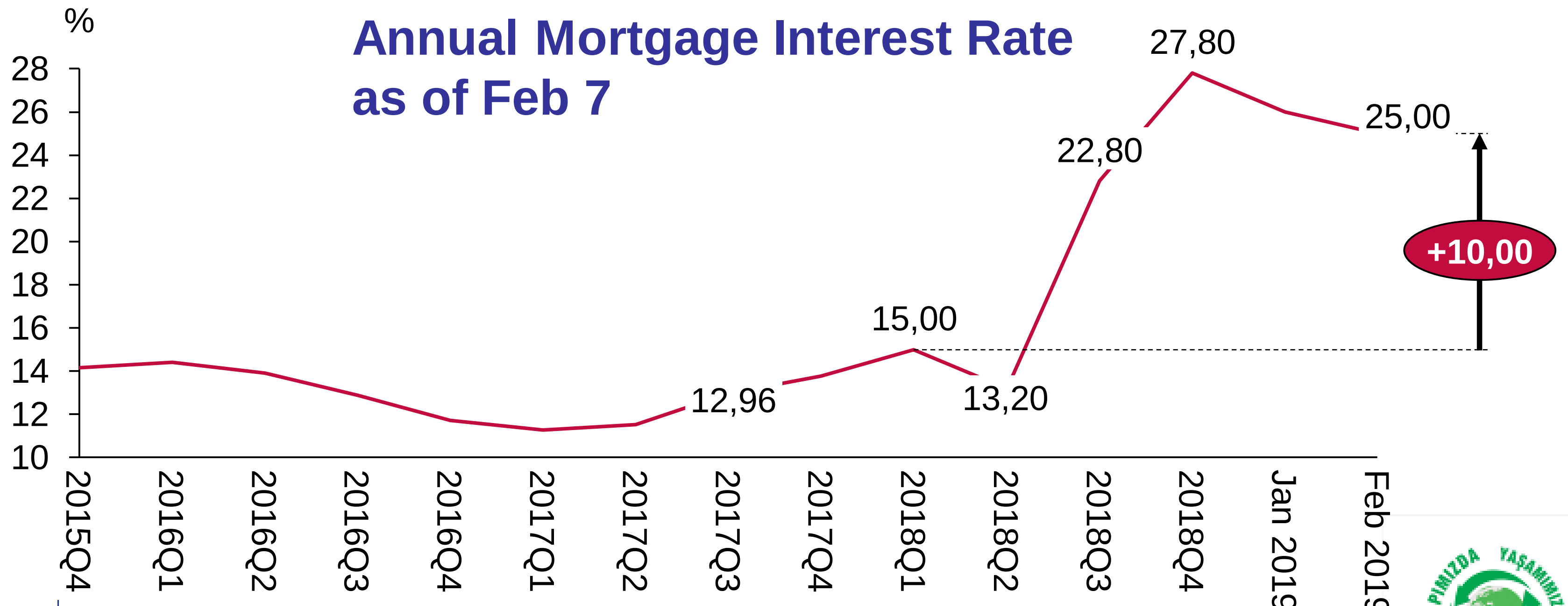
EBITDA Margin - YTD



Source: AKC management report

Construction Sector

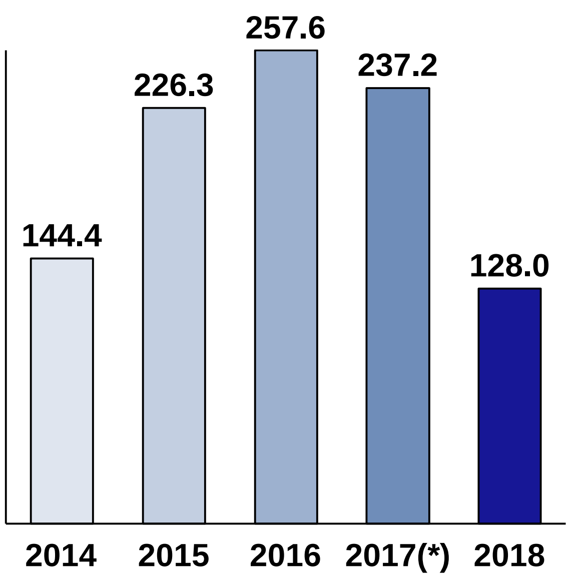
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018e
1. Private Housing	57%	50%	51%	54%	52%	53%	53%	51%	45%	45%	42%	41%
2. Commercial	16%	13%	9%	11%	10%	11%	9%	10%	9%	8%	8%	8%
3. Public	5%	5%	5%	5%	5%	5%	5%	5%	7%	6%	6%	7%
4. Infrastructure/Projects	22%	32%	35%	30%	33%	31%	33%	34%	39%	41%	44%	44%
Total cement consumption	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**



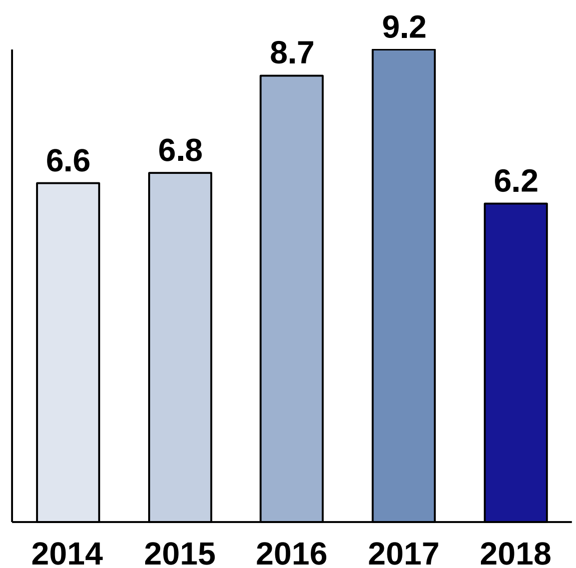
Source: TCMA and TBB

Dividend Paid, Dividend Yield and Payout Ratio

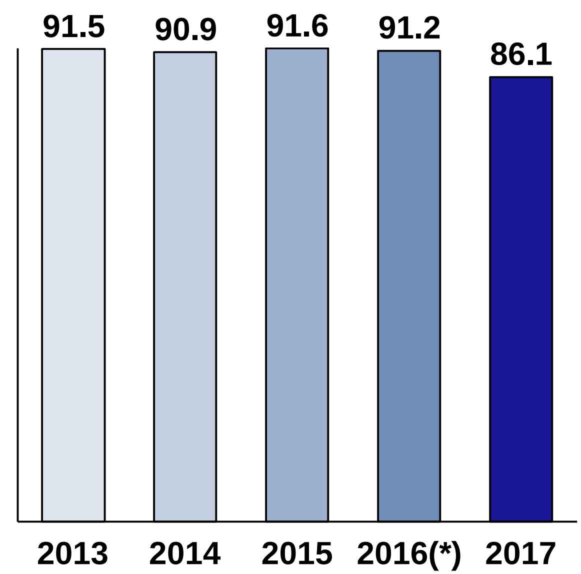
Dividend Paid



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)

**) CAGR (Compound Annual Growth) of dividend per share for the last four years

There has not been any change in dividend payment policy throughout years

Source: CMB single financials and AKC calculations

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 petrocoke or 130 k ton coal, or a mix of both
- 7.500 kcal/ton in petrocoke 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 2.0-2.5 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 1.5-2.0 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 2-2.5m TL based on current electricity prices
- Contribution of one windmill
    - 1-1.5% of Çanakkale Plant electricity consumption
    - 2.0-2.5m TL yearly saving
    - Capacity is 2.4 MW/h