

2017 1Q Results

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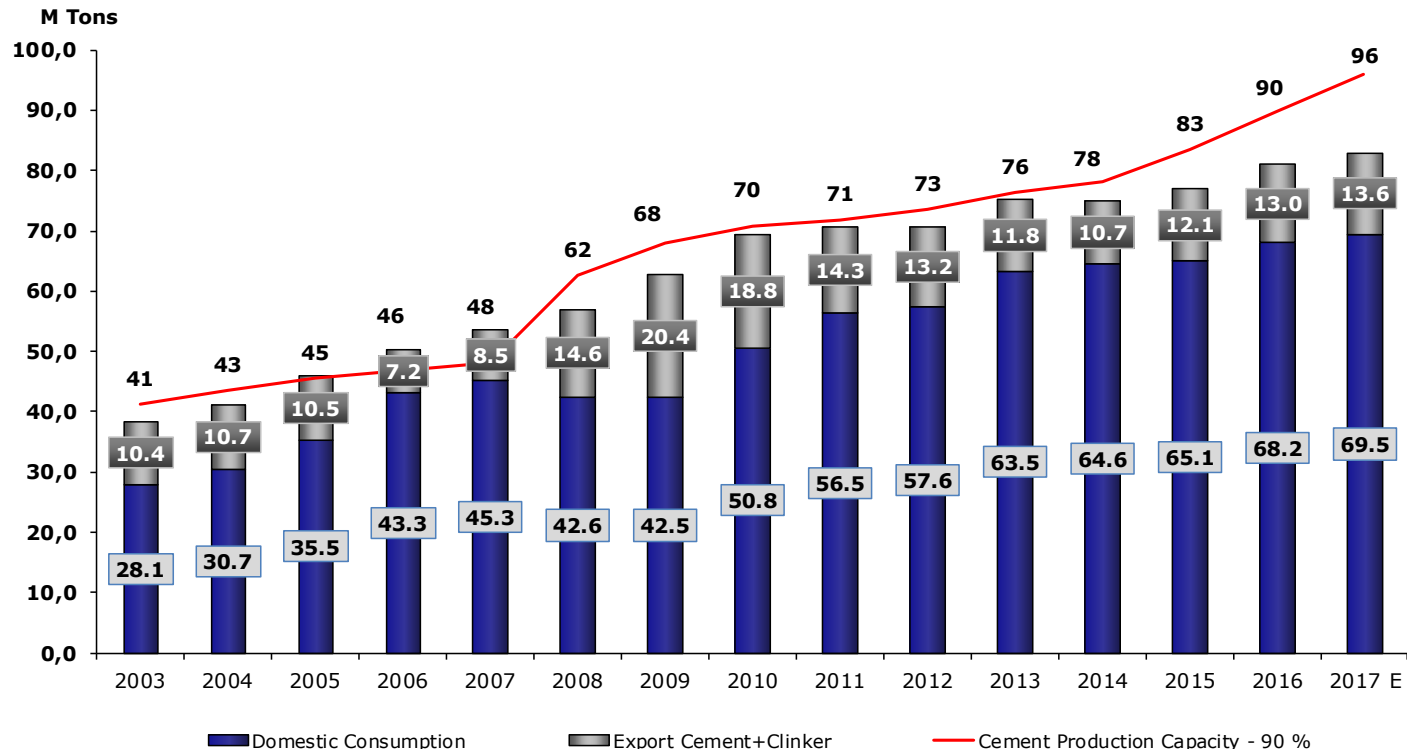


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Turkish Cement Industry

Domestic cement consumption increased by 4.7% to 68.2mt in 2016 and expected to be 69.5mt in 2017



Source: TCMA and AKC estimations

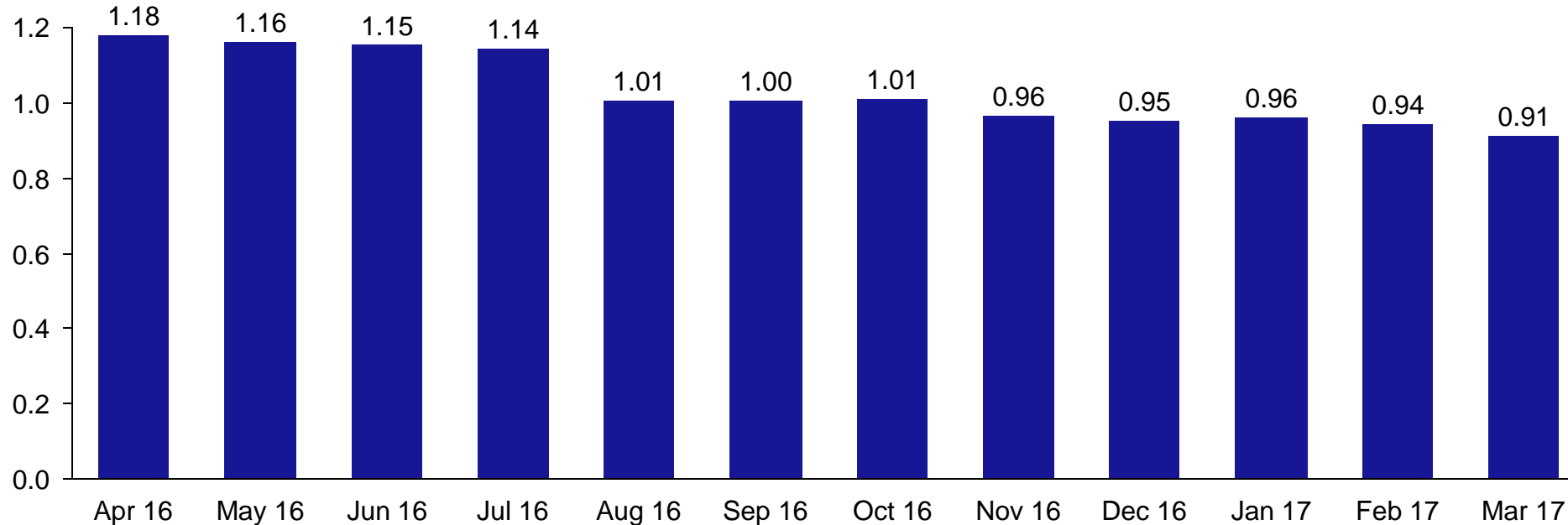
This presentation/report demonstrates "estimated results" of market research done by Akçansa Çimento Sanayi ve Ticaret A.Ş. in addition to Turkish Cement Manufacturers' Association figures



Housing Loan Interest Rates

Extension of mortgage payment terms up to 20 years supported by continuing lower interest rates

Interest Rates (*)



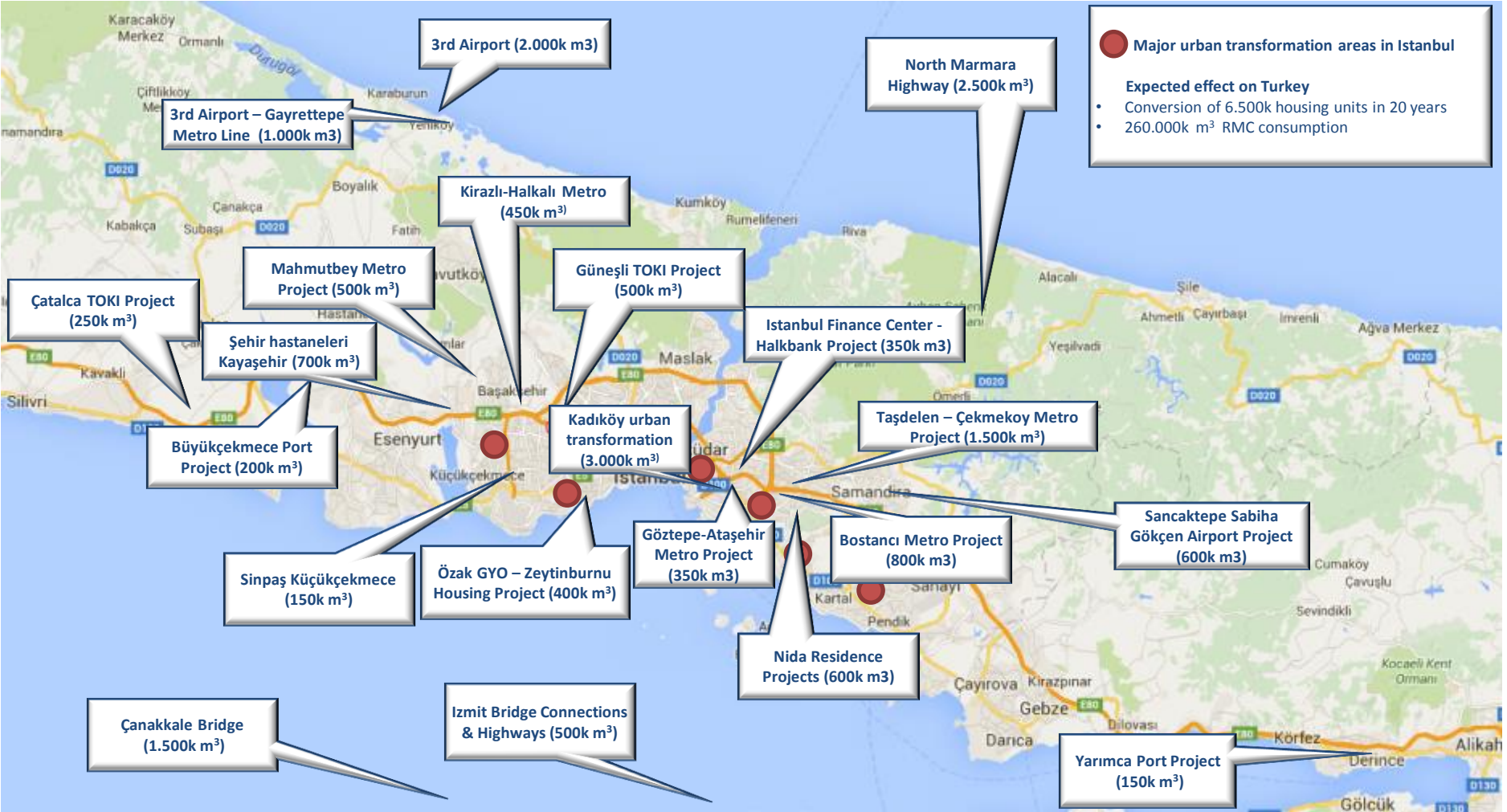
- Government and private construction companies now offer **lower monthly interest rates (from 0.95% to 0.70%)** and **longer payment terms (from 120 to 240 months)**

- **Commercial banks** joined the trend of lower interest rates and attractive payment schedules of government banks

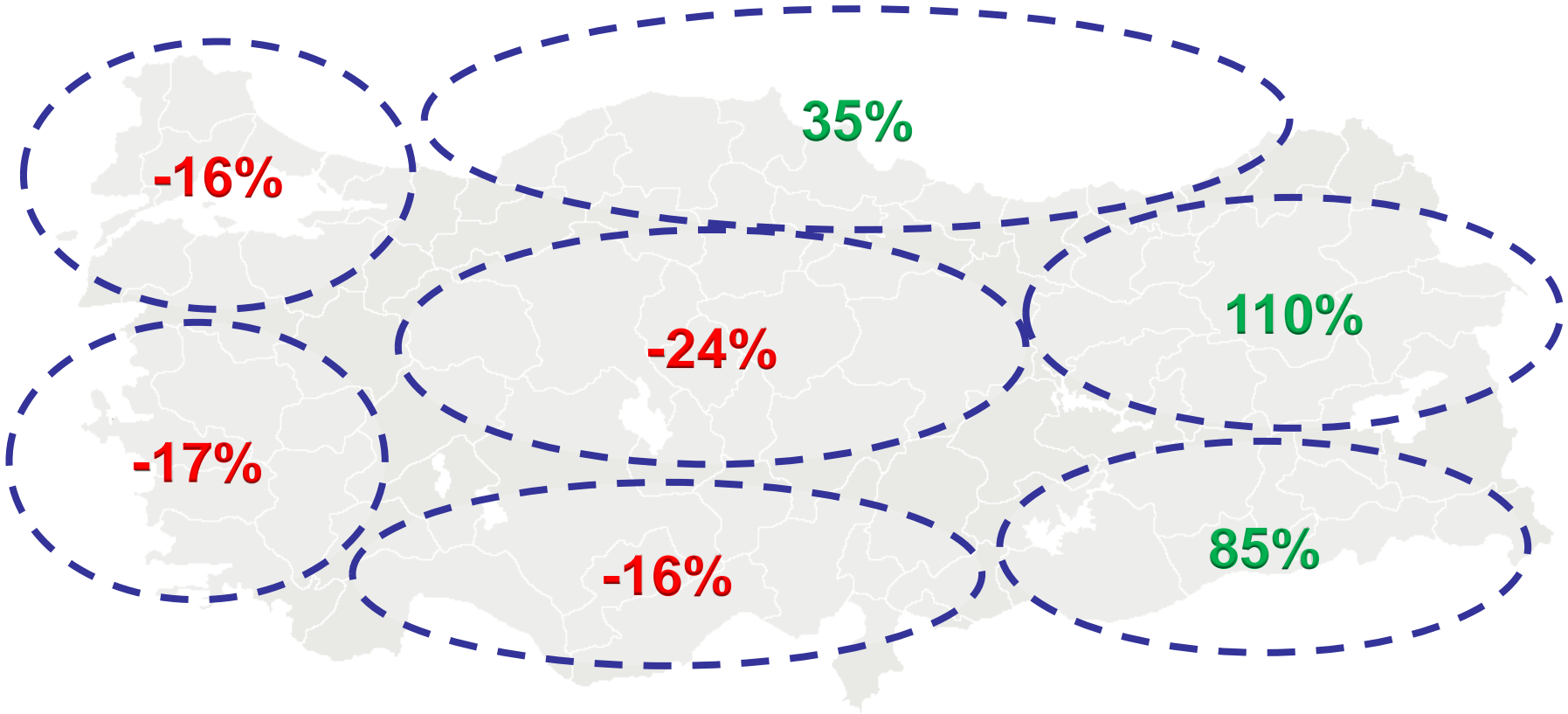
- **Housing stocks** are therefore expected to decrease

Overview of Major Projects

Akcansa is a big beneficiary of increase in large infrastructure projects in the Marmara region

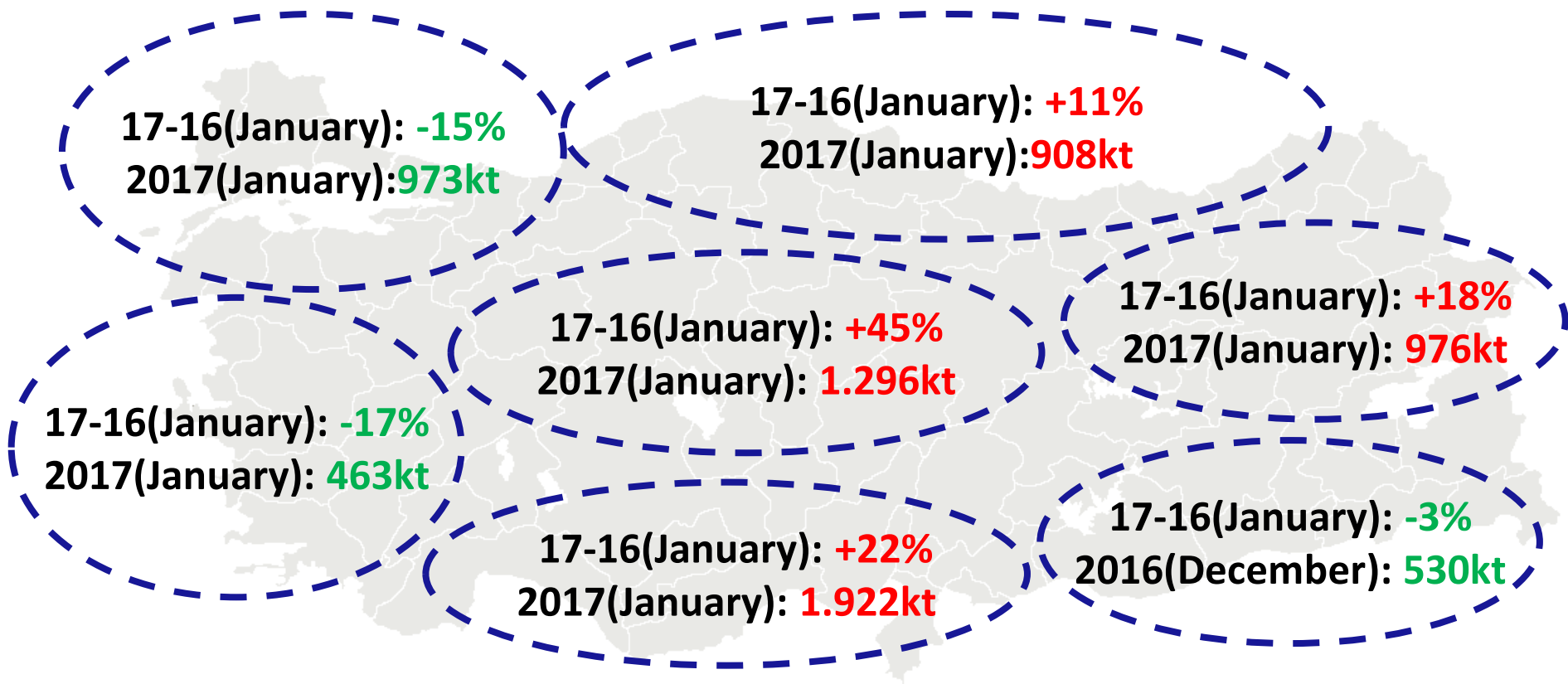


Domestic Sales Volume Change (January YTD)



Source: TCMA

Clinker Stock Level Change (January YTD)



Source: TCMA

Volume, Price and Energy Cost Trends of Akçansa

Almost same sales volume of total cement and clinker vs PY

1Q17 vs 1Q16	Domestic Cement	
	Volume	Price (TL/ton)
Domestic Cement	→	↓
Marmara	↓	↓
Aegean	↑	↓
Black Sea	↑	→

1Q17 vs 1Q16	Export	
	Volume	Price (\$/ton)
Export Cement	↓	→
Export Clinker	↑	↓

1Q17 vs 1Q16	Readymix	
	Volume	Price (TL/m3)
General	↓	→
Marmara	↓	↑
Aegean	↓	↑
Black Sea	↓	→

Energy Costs	1Q17 vs 1Q16
Coal (USD / ton)	↑
Petrocoke (USD / ton)	↑
Diesel (TL / Lt)	↑
Electricity (TL / kwh)	↑

- Negative impact of increasing fossil fuel, electricity prices and devaluated TL
- Lower domestic cement prices but higher export prices thanks to the devaluated TL

Source: AKC management report

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Income Statement

7 TL/t increase in fuel cost and lower domestic cement sales price vs PY pressured gross margin

Company (M TL)	1Q16	1Q17	Var. 1Q167 vs. 1Q16	% Ch. Q
Net Sales	329,0	298,1	(30,9)	-9,4%
Cost of Sales	(246,6)	(250,6)	(4,0)	1,6%
Gross Margin	82,4	47,6	(34,9)	-42,3%
M&S Expenses	(4,4)	(5,1)	(0,6)	14,4%
G&A Expenses	(13,9)	(14,9)	(1,0)	7,2%
EBIT	64,1	27,6	(36,5)	-57,0%
Other Operating Income/(Charges)	(1,9)	(4,3)	(2,4)	123,4%
Operating Income	62,2	23,3	(38,9)	-62,6%
Income/(Losses) from Investment Activities	23,9	23,0	(0,8)	-3,5%
Financial Income/(Charges)	(5,0)	(9,2)	(4,2)	84,6%
Profit/Loss before Taxes	81,1	37,1	(44,0)	-54,2%
Tax Expenses	(12,0)	(2,8)	9,3	-77,1%
Net Income/Loss	69,1	34,4	(34,7)	-50,2%
Gross Margin %	25,1%	16,0%	-9,1%	
EBITDA Margin %	25,0%	16,0%	-9,1%	
EBIT Margin %	19,5%	9,3%	-10,2%	
Net Income Margin %	21,0%	11,5%	-9,5%	

Source: CMB financials and AKC calculations

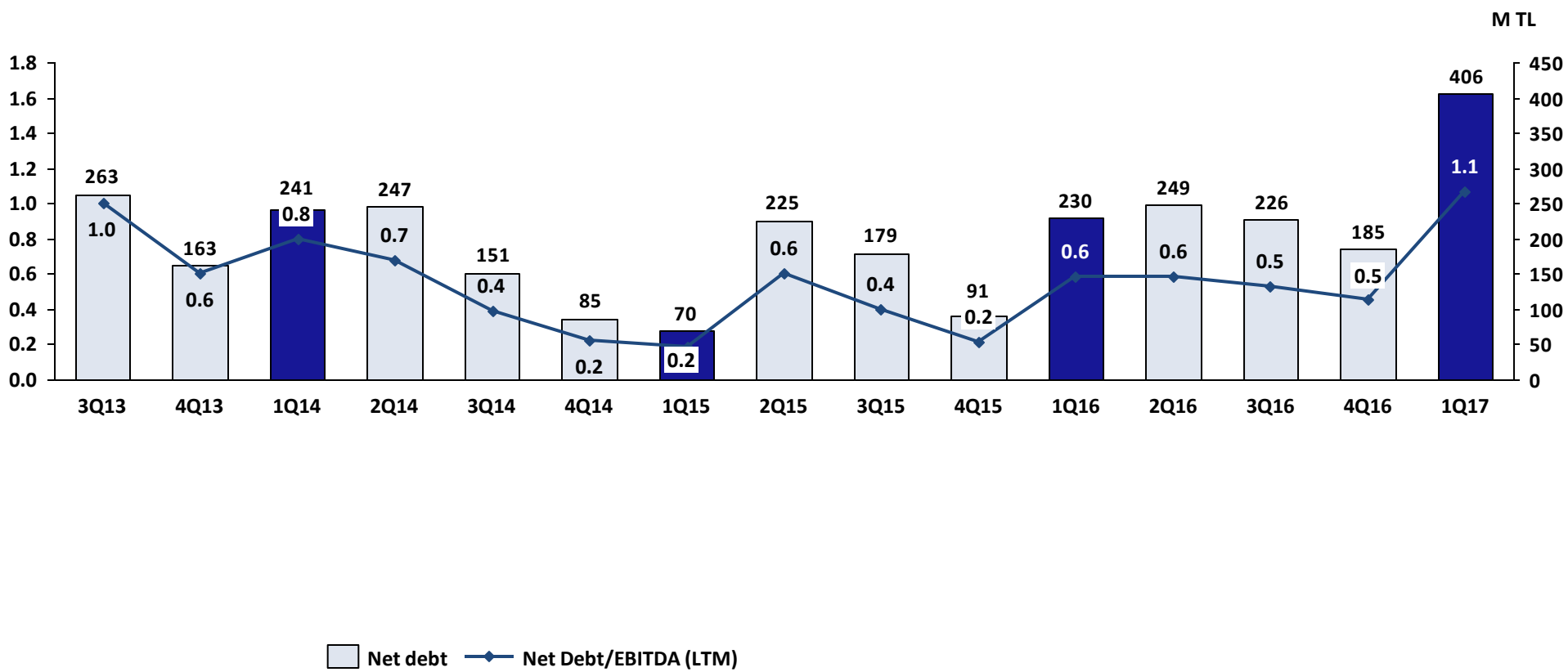
Cash Flow

Higher working capital and lower operating income lead to decreased cash flow from operating activities and higher borrowing

Company (M TL)	1Q16	1Q17
Cash flow from operating activities		
Operating income before the changes in working capital	82,3	45,8
Changes in working capital	(25,9)	(52,8)
Taxes paid	(14,0)	(10,7)
Other items	17,7	(5,4)
	60,2	(23,1)
Cash flow from investing activities		
Tangible and intangible fixed assets	(18,2)	(28,6)
Proceeds from fixed asset disposals	1,8	0,5
Dividends Received	23,1	22,9
	6,7	(5,2)
Cash flow from financing activities		
Dividend payments	(201,3)	(184,5)
Net proceeds from bonds and loans	136,9	224,4
Interest paid	(2,9)	(10,5)
Interest received	0,1	0,0
	(67,2)	29,5
Net change in cash and cash equivalents - continuing operations	(0,3)	1,2
Change in cash & cash equivalents	(0,3)	1,2
Cash & cash equivalents at 1 January	21,9	23,4
Cash & cash equivalents at 31 March	21,5	24,6

Source: CMB financials and AKC calculations

Net Debt / EBITDA



Balance Sheet

M TL	31.12.2016	31.03.2017	Variance 2017 vs 2016
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Current Assets	644,3	659,0	14,7
Cash & cash equivalents	23,4	24,6	1,2
Trade receivables	416,8	392,0	(24,8)
Inventories	159,8	190,0	30,3
Other current assets	44,3	52,3	8,0

Non-current Assets	1.198,9	1.201,0	2,1
Financial investments	218,9	214,8	(4,1)
Fixed Assets	840,8	849,0	8,2
Goodwill	129,5	129,5	-
Deferred tax assets	1,0	1,2	0,2
Other non-current assets	8,7	6,6	(2,1)

TOTAL ASSETS	1.843,2	1.860,0	16,8
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M TL	31.12.2016	31.03.2017	Variance 2017 vs 2016
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Current Liabilities	528,2	753,1	225,0
Financial Liabilities	208,5	431,0	222,5
Trade payables	276,4	229,8	(46,6)
Tax payable	10,6	4,3	(6,4)
Other current liabilities	32,6	88,0	55,4

Non-current Liabilities	87,6	86,7	(0,9)
LT provisions	39,7	40,4	0,7
Deferred tax liabilities	47,9	46,3	(1,6)

Shareholders Equity	1.227,5	1.020,1	(207,4)
Paid in Capital	191,4	191,4	-
Retained earnings	578,3	627,4	49,1
Comprehensive income	158,9	154,9	(3,9)
Net income	286,4	34,8	(251,6)
Minority interest	12,5	11,5	(0,9)

TOTAL LIABILITIES & EQUITY	1.843,2	1.860,0	16,8
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<i>BS data and key ratios</i>	31.12.2016	31.03.2017	Variance 2017 vs 2016
Working Capital	300	352	52,1
Working Capital / Net Sales (LTM)	21%	25%	4,1%
Net debt	185	406	221,3
Net debt / EBITDA (LTM)	0.5x	1.07x	0.3x
Net Debt / Equity	15%	40%	24,8%

Source: CMB financials and AKC calculations

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2017 Outlook

Subdued demand ahead of referendum and unfavourable weather conditions in 1Q17

Recovery expected starting with 2Q17 thanks to strong underlying demand

FY17	Expectations	
	Volume	Price
Domestic Cement (TL/t)	↑	↑
Export Cement (\$/t)	→	→
Export Clinker (\$/t)	→	→
RMC (TL/m3)	→	↑

(*) 17E compared to AC16

Energy Price	2017E
	FY
Coal (USD / ton)	↑
Petcoke (USD/ton)	↑
Diesel (TL / Lt)	↑
Electricity (TL / kwh)	↑

(*) 17E compared to AC16

Compared to AC16:

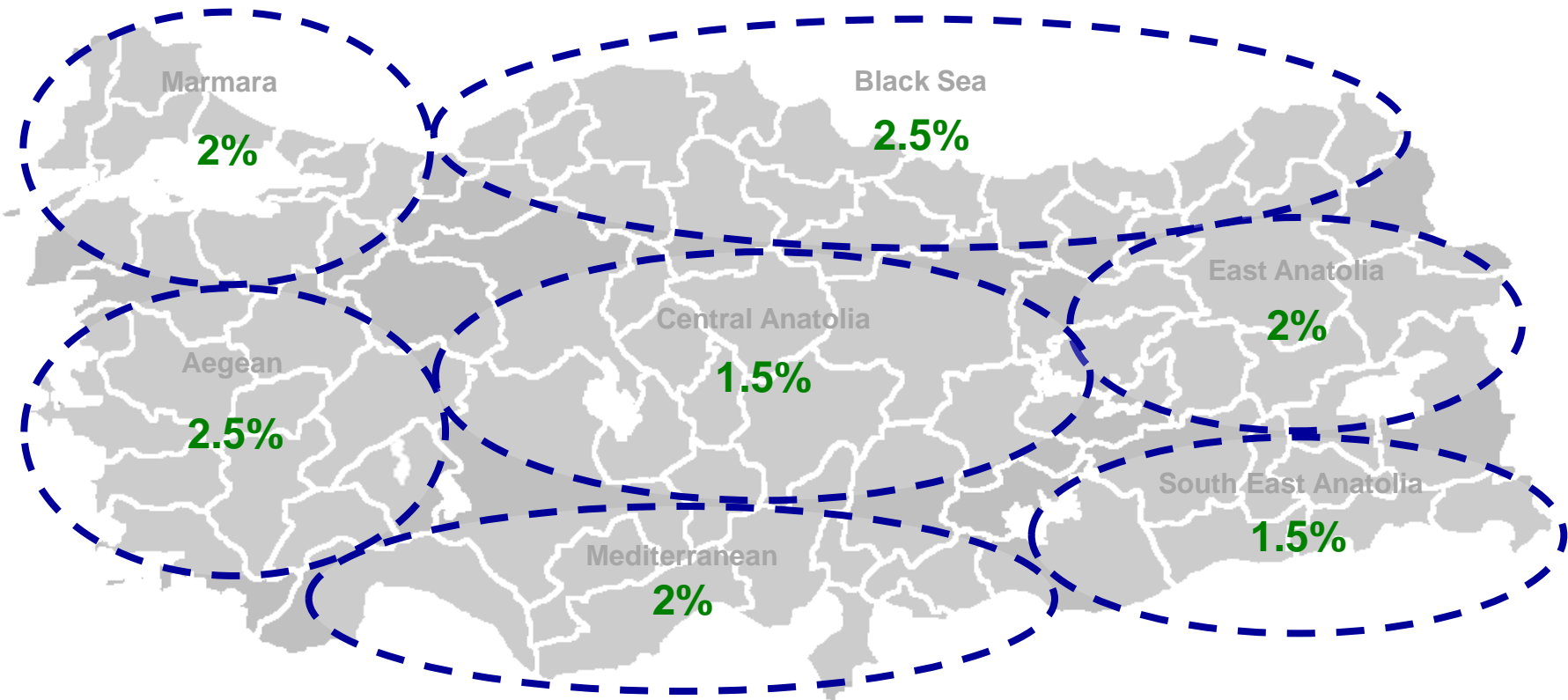
- Gradual increase in domestic cement prices expected
- Export cement prices in TL expected to stay higher
- Stable RMC volume with an increasing price trend

Compared to AC16:

- Sharp increase in fuel prices started at the end of 2016. Slight decline in 1Q17 and stable price trend expected in year-to-end
- Actions initiated to minimize the negative impact of increasing fossil fuel prices. Fuel mix optimized, alternative fuel ratio increased and higher utilization of local fuel suppliers

Regional Sales Volumes - 2017 Expectation

Cement consumption is expected to grow by 2%



Source: AKC estimations based on TCMA data

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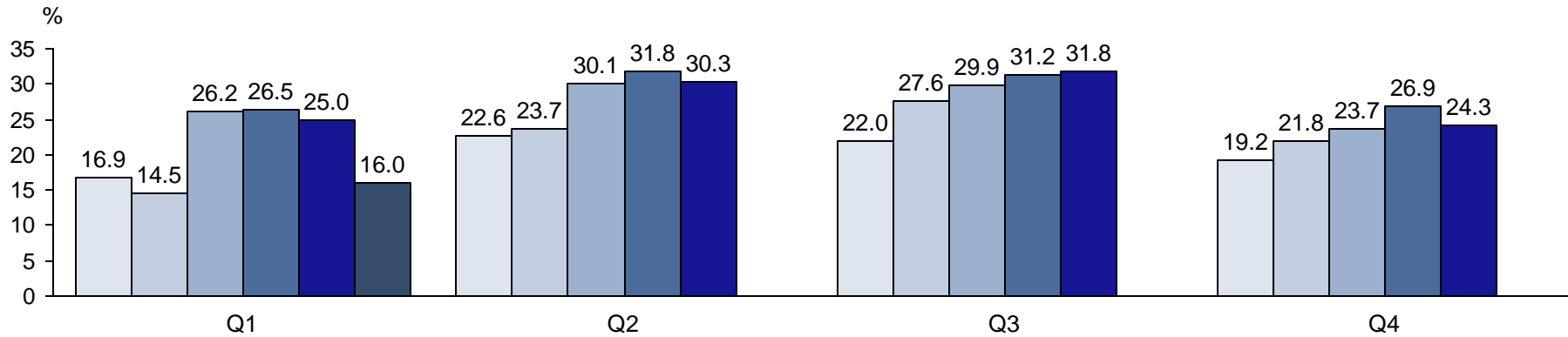
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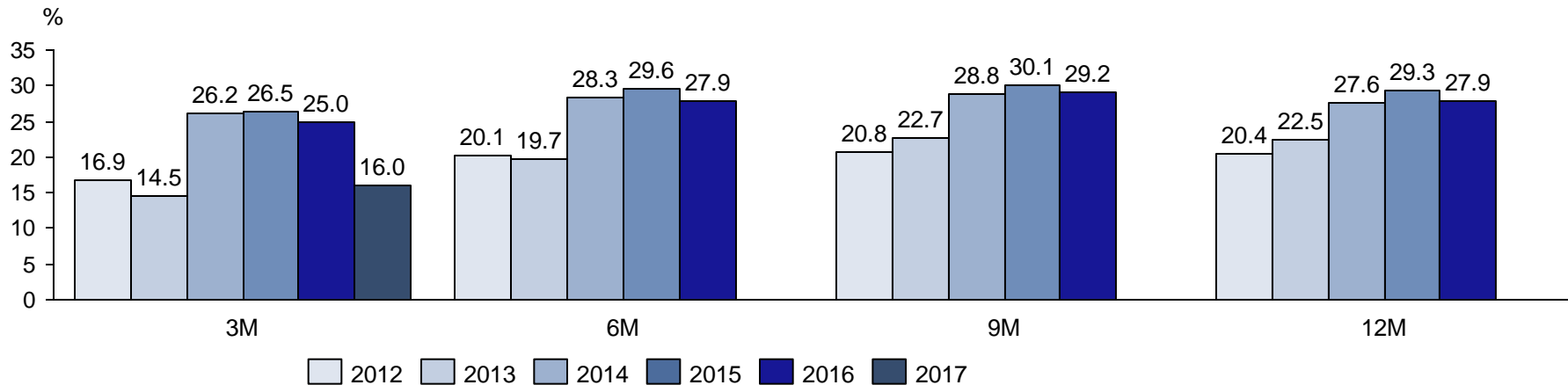
Appendix

EBITDA Margins

EBITDA Margin - Quarterly



EBITDA Margin - YTD



Source: AKC management report

General Basics About Cement and RMC Production

Production

- 1.6 ton of limestone are consumed to produce 1 ton of clinker
- 75-90% 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 : 75-80% variable and 20-25% fixed costs

Fuel

- A cement plant of 1 mio ton clinker capacity may consume 100 k ton petrocok or 130 k ton coal, or a mix of both
- 7.500 kcal/ton in petrocok vs. 6.000 kcal/ton in coal.
- Fuel accounts for 30-35% of the variable cost of producing 1 ton of cement
- 1% increase in alternative fuel usage provides a 1.5-2 mTL cost advantage per year

Electricity

- Electricity accounts for 25-30% of the variable cost of producing 1 ton of cement.
- 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
 - 33% of Çanakkale Plant electricity consumption
 - Monthly contribution to P&L of Akçansa is around 1-1.5m TL based on current electricity prices
- Contribution of one windmill
 - 1.7% of Çanakkale Plant electricity consumption
 - 1.4-1.6m TL saving
 - Capacity is 3.5 MW