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TÜRKİYE ÇİMENTO MÜSTAHSİLLERİ BİRLİĞİ

Dear guests, distinguished representatives of the Cement Industry,

On behalf of the Turkish Cement Industry, I would like to welcome you all to the "4th Cement Trade" International conference.

On this occasion, I would like to extend our thanks to Mr. Evgeny Oakes, for providing us the opportunity and the honor of hosting you here in Istanbul.

Now, I would like to highlight briefly the recent developments in our Economy.

As you all know, after the previous five of years remarkable growth performance, Turkish Economy has first slowed down in 2008 and later experienced a strong recession in 2009 as a result of the worldwide economic crisis.

Based on the latest statistics, in 2009 GDP decreased by 4.7 % which was in fact still better than our previous forecasts thanks to the visible upturn taken place in the last quarter of the year.

Amongst the economical circles, this upturn is considered as an absolute sign of the recovery.

Despite the last quarter's promising upturn for almost all sectors, the construction sector remained sluggish and experienced decrease in the fourth quarter resulting in an annual decrease of 16.3 % with respect to 2008.

Nevertheless the decline in construction sector is mostly linked to the price deterioration rather than the contraction in volumes.

Cement Sector is a good example of this phenomenon.

Domestic sales turnover declined by 20% in 2009 whilst the domestic volumes remained almost at the same level of the previous year.

Consequently the operating margins made by the domestic sales lowered even steeper.

Nevertheless the recent bounce in national economy is believed to trigger soon a new momentum in construction activities.

The favorable economical climate besides the current low interest rates should enhance the appetite of the investors for real estate and consequently should give a new impetus to the construction.

Yet, we shouldn't expect a fast recovery soon, similar to the one we've experienced during the last housing boom.

As you know, global crisis in EU is still very influential and recently unveiled new risks and threats in some Euro Zone Countries. If the current financial problem spreads over the other countries, our economy might as well get some adverse impacts.
Therefore, I believe that we should preserve our present, rather conservative position for short and middle term forecasts.
To summarize, we should consider that 2010 shall be the start of the recovery, and if no other unpredicted shocks arrive, a stable growth should be envisaged starting 2011 and onwards.

Dear Guests,

After this introductory brief, let me go little more on specifics of the Turkish Cement Industry.
As we all know, the last worldwide housing boom has found strong reflexions also in Turkey and our domestic cement consumption raised to its historical peak, 46 million ton in 2007.

During this high growth period of our industry, many producers as well as the new entrepreneurs invested for new capacities and our total clinker capacity augmented from 40 mtons to 63 mtons within last five years.
Obviously such a big capacity increase in such a short time created rather troubled business environment.
Moreover, in 2008 as a result of the global crisis, domestic demand sharply dropped down to 43 million ton, making the competitive environment even more difficult for the cement producers.
Consequently the sluggish domestic demand in 2009 as well as the excessive capacity pressure in the markets forced the Producers to focus more intensively on the export markets. Besides the traditional export markets new market opportunities in North and West Africa have been widely exploited.

Hence our overall export volumes exceeded 20 mtons bringing our Industry to the top of the World Cement Exporters.
Besides Turkey now ranks among the major cement producers of Europe and Middle East.

We have 64 cement plants; 47 of which are integrated plants and 17 are grinding units.

In 2009, total cement production, including non-member plants to TCMA, was 59,2 million tons, domestic consumption stayed around 42,8 million tons.

The country-wide domestic sales were at the same level of previous years.

Yet, the market showed big differences depending on the geographic locations.

For example, in Marmara and Aegean Region we have seen a volume drop of 15%, while a growth at similar rates was observed in East and Southeastern Anatolia.

Such a severe differentiation is purely due to the different impact of the economic crisis related to the different intensivity of the economical activities at regional levels.

Regions with higher level of economical activity were depressed more than the others.

Obviously during the recovery phase suffering regions are envisaged to benefit stronger than the others.

Moreover we predict that the future recovery in construction shall be primarily led by the housing and somehow partially by the infrastructure sectors.

Dear Friends,

In the last decade our role and importance in European Cement Industry has been growing day by day. This fact gives us more responsibility and consciousness in meeting the future challenges

Being closely linked to the European Cement Industry, and operating in a highly competitive environment, oblige us to anticipate all risks / threats that our Industry is facing at global level.

With this understanding, we have incorporated “Sustainable Development” as an indispensable commitment of our Industry, and accordingly we are taking a leading role in all efforts to mitigate the emissions and to enhance the sustainability standards in our Country.

In that regard, besides the reduction of the total emissions, a great extent of investments have been completed in order to improve our technical coefficients, in particular those related to the energy saving.

As Industry, our shared vision is, “to mitigate the emissions without causing a reduction in cement production and consumption volumes hence without jeopardizing the Country’s Economical Growth and Welfare Prospects”.

I am confident that in coming years, our industry is capable reinforcing our global competitive position in all aspects and will continue to be a center of attraction both for international investors and cement traders.

With these final words, I would like to rephrase our sincerest pleasure hosting you in Istanbul, and wish you a pleasant stay and a fruitful Conference for our Industry.

Thank you all,

Adnan İĞNEBEKÇİLİ

Chairman
Turkish Cement Manufacturers Association