

# OYAK's enlarged footprint

by **OYAK Cement Group, Turkey**

OYAK also gained 97.3 per cent of Aslan Cement from the Lafarge deal, as well as full ownership of Birtas Company, Marmara Madencilik, Aslan Beton, Assan AS and the Aslan Cement Foundation.

The Marmaray acquisition also fits well with the group's current national strategy of each base playing a specific role depending on its location – an idea extended throughout its various cement plants. For instance, Adana and Bolu are both used as special-product making facilities, with Bolu Cement specialising in low heat cement – such as that used in the construction of the Marmaray tunnel – as well as G-type cement for oil well applications.

Adana Cement, together with a large grey cement capacity also produces white cement. The recent adjustment of its third kiln has tripled its capacity and allowed the whiteness of its cement to reach a minimum of 85 per cent.

Meanwhile, the addition of the Marmara plant increases OYAK Cement Group's overall production capacity. Previously, OYAK oversaw four plants in six regions throughout Turkey – Bolu Cement, Unye Cement, Mardin Cement and Adana Cement. Combined, these had a capacity of 14.1Mta.

Mardin Cement was established in 1969 to supply cement to the Anatolia region. Its 2Mta clinker and 3Mta cement capacity makes it the largest cement plant in southeast Turkey. Perfectly situated for exports to the Middle East, the new 1Mta capacity, created following the expansion of the plant in 2007, is now solely for export – again helping the OYAK Cement

*On December 30, 2009 Turkey's leading cement company, OYAK (Ordu Yardımları Kurumu/Armed Forces Pension Fund) Cement Group, acquired the Lafarge Marmara Cement Group for €130.3m. The move increased the Turkish manufacturer's production capacity by 24 per cent and raised its share of the domestic cement market to 18.4 per cent. The acquisition also completed OYAK Cement Group's national footprint by providing the group with its first strategic base in the Marmaray region – an area which accounts for 30 per cent of the Turkish economy.*



The OYAK Adana cement plant, Turkey

Group develop and maintain specialist plants while not adding to Turkey's present difficulties of overcapacity.

"The problem of overcapacity in Turkey is solved through each plant having its own role to play within the group," confirms Celal Caglar, OYAK Cement Group's chairman. "We avoid worsening the over supply problems as one plant increased its capacity only for export, another producing white cement, and another concentrates on cement for the Marmaray area. This creates a synergy between the plants that the acquisition of Lafarge Marmara Group will serve to enhance."

Indeed, its ownership of businesses that complement and work alongside the cement companies demonstrates that the group favours a vertically-integrated model. Subsidiaries include OYAK Beton (concrete), OYKA (kraft paper and packaging) and OYTAS (foreign trade).

Given that OYAK has invested in cement companies since 1963, OYAK Beton is a relatively new establishment – being part of the group since 2004. It is one of Turkey's market leaders for the supply of ready-mix concrete. Some 95 per cent of its input comes from Adana, Bolu and Unye, which are also its minority shareholders.

OYKA produces kraft paper and industrial bags, including packaging for cement, while OYTAS is a leader in foreign trade of clinker, cement, steam coal, petcoke, sacks and kraft paper.

This obvious synergy between the businesses explains much of OYAK Cement Group's success – as the company is focused on efficiency throughout production and group sales.

Indeed, its capacity and sales figures place OYAK Cement Group as the leading cement company in Turkey. Its acquisition strategy, meanwhile, allows

the group to invest in businesses – such as the Marmara Group – which will boost efficiency and profits.

### Future optimism

OYAK Cement Group's 2010 sales forecast has been announced at over TRY1bn (US\$700m) (including the Lafarge Marmara Group).

"We view the coming year positively, and the new assets in the Marmara region adds to our optimism with respect to growth," says Mr Caglar. "2010 is expected to see an eight per cent rise in the Turkish cement market to a total domestic sales of 41Mt. Consumer interest rates are falling, which allows people to invest in things like housing."

Certainly, many analysts are expecting lower interest rates to trigger home building projects as well as Turkish infrastructure investments such as the proposed third bridge across the Bosphorus Strait. Indeed, OYAK Cement Group already has a strong reputation through its involvement in previous projects – not least due to the fact OYAK Cement developed a special type of cement for the Marmaray tunnel to meet the specific demands of the scheme. The cement has a low alkali level, which means long durability in the sea.

Mardin cement plant, Turkey



Unye cement plant, Turkey

To stay at the fore of the Turkish cement industry the company is determined to maintain and build on its

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Chairman, OYAK Cement Group*

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reputation as forward thinking. Central to its efforts in this regard is the desire to create as little impact on the environment as possible.

OYAK Cement Group constantly monitors its production methods, and views reducing carbon dioxide emissions as a priority. OYAK Cement Group also has the largest slag cement capacity in Turkey. Slag cement production requires less

clinker usage, which helps lower carbon dioxide emissions.

Bolu was the first player in the Turkish cement industry to gain a patent for waste incineration. It developed a hazardous waste incineration process which is integrated with its kiln so that 10 per cent of heat is recovered – a feat that won government recognition for its work to reduce energy costs and lower its environmental impact.

OYAK has also been involved with afforesting works in areas where its factories operate. Indeed, among the plants involved, Bolu has planted 195,755 trees, and Mardin 62,000. OYAK was also a founder of ENAT (Industrial Tree Agriculture), which has planted 1,000,750 trees in and around industrial sites in Turkey.

Behind OYAK Cement Group sits OYAK Group, the major shareholder of the cement companies. Oyak Group is Turkey's largest pension fund as well as the leading private equity investor.

Other OYAK Group companies include the Erdemir Steel works, Turkey's largest steel manufacturer, and the Oyak Renault car plant in Bursa – the largest Renault plant outside of France.

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