

Financials (TRY mn)	3Q2017	2Q2018	3Q2018	YoY Growth	QoQ Growth	9M2017	9M2018	YoY Growth
Revenue	602	837	913	52%	9%	1.766	2.294	30%
Gross Profit	174	247	280	61%	13%	482	693	44%
Gross Margin	29%	30%	31%			27%	30%	
EBIT	85	145	272	220%	87%	232	510	119%
EBIT Margin	14%	17%	30%			13%	22%	
Adjusted EBIT*	80	100	169	113%	70%	189	346	83%
Adjusted EBIT Margin*	13%	12%	19%			11%	15%	
Analyst EBIT**	66	106	138	109%	30%	154	302	96%
Analyst EBIT Margin	11%	13%	15%			9%	13%	
EBITDA	159	228	365	129%	60%	451	763	69%
EBITDA Margin	26%	27%	40%			26%	33%	
Adjusted EBITDA*	154	183	262	71%	44%	408	600	47%
Adjusted EBITDA Margin*	26%	22%	29%			23%	26%	
Analyst EBITDA**	140	188	230	65%	22%	373	555	49%
Analyst EBITDA Margin	23%	23%	25%			21%	24%	
Net Income	56	166	147	165%	-11%	170	377	122%
Net Margin	9%	20%	16%			10%	16%	
Capex	60	242	181	204%	-25%	242	514	112%
Capex/Sales	10%	29%	20%			14%	22%	
*Excl. non-recurring income/expense								
**Calculated by deducting the sum of COGS and OPEX from Revenues								

## COMMENTS ON ANADOLU CAM SANAYİİ A.Ş. 3Q2018 CONSOLIDATED FINANCIAL STATEMENTS

### Important Notice Regarding Accounting Policy Change;

Şişecam Group Companies used to report third party logistic expenses by deducting them from gross revenues. Starting from 4Q2017, these expenses are now booked under S&M expenses. Comments on the year-on-year changes in 3Q2018 financial results were derived from 3Q2017 restated results.

In the third quarter of this year, Anadolu Cam recorded **TRY 913mn** net revenues, **52%** higher y-o-y.

### Topline Contributors

#### **3Q2018 vs. 3Q2017**

- **11%** increase in consolidated volume of sales
- A total average unit price increase of **17%-18%** in TRY terms, implemented in the first and the third quarters of 2018 in Turkey
- Annual average unit price increase of **4%** in RUB terms in Russia
- Appreciation of RUB against TRY by **45%** y-o-y on average
- Growing share of exports from Turkey and Russia with respective contributions to both regions' gross revenues of **17%** (vs. **12% in Turkey** and **15% in Russia** in 3Q2017)
- Positive impact of TRY depreciation on the average annual unit selling price resulting from the rise in share of exports from Turkey
- Higher share of value added products in export-oriented portfolios

## **Key Points on the Operational Performance**

In 3Q2018, domestic and international output levels grew by **9%** and **17%**, respectively, on a y-o-y basis. As a result, Anadolu Cam experienced a **13%** increase in its consolidated production volume, which brought up the company's total output to **525K tons** vs. **466K tons** in 3Q2017.

Anadolu Cam recorded a **11%** growth in its consolidated sales volume. Domestic sales volume increase of **6%** was in line with the regional growth. At the same time, international sales volume grew by **16%**. Breakdown of the international operations pointed out that exports from Turkey increased by **31%** y-o-y thanks to more trade with existing clients and successful attempts in acquiring new clients. Meanwhile sales from other operating regions continued to increase (by **10%** y-o-y) thanks to the beer and beverage markets supported by good weather conditions and local football championship, which followed the World Cup event and additional demand due to temporary production stoppages of our local competitors on top of growing demand for exports.

From a geographical point of view, **55%** of the revenues were generated by international sales (incl. exports from Turkey) in 3Q2018. Contribution of international revenues to the consolidated topline was **48%** of 3Q2017.

## **Review of 3Q2018 IFRS results**

Based on IFRS segmental breakdown, Turkey operations (incl. exports from Turkey) maintained its dominant position with **56%** share in **TRY 913mn** consolidated topline figure.

Consolidated COGS increased by **48%** y-o-y (**TRY 632mn** vs. **TRY 428mn**) with the growth in sales volumes on top of the rise in raw material expenses and general production expenses, which grew by **74%** and **59%**, respectively. Breaking down those accounts, showed that;

**a)** the rise in Turkey operations resulted from increased natural gas and electricity expenses with the tariff hikes implied in all three quarters of 2018 and increasing FCY denominated raw material expenses such as soda ash and packaging materials due to LCY devaluation. Therefore, regional COGS was up by **43%**.

**b)** on the non-Turkey operations side, rising raw material and packaging product expenses were balanced with proper mix of SKU combinations enabling the company to improve its cost efficiency through the elimination of low profit margin products. Regional COGS increased by **54%** on a y-o-y basis in TRY terms, mainly due to RUB's appreciation against TRY.

**TRY 280mn** gross profit, generated by Anadolu Cam, pointed out to a **61%** y-o-y increase and led to a gross profit margin of **31%**, (up from **29%** in 3Q2017). From a regional perspective, Turkey operations composed **53%** of the consolidated gross profit and recorded **29%** margin (down from **30%**). Gross profit margin recorded by non-Turkey operations was up from **27%** to **32%**.

Compared with the same period of the previous year, Anadolu Cam's operating expenses were up by **31%** (**TRY 143mn** vs. **TRY 109mn**), while OPEX/sales ratio was down by **240 bps** to **16%**.

Based on the financial reporting principles, FX gains and losses in relation with commercial receivables and debt are booked under "other operating income and expenses". LCY depreciation seen 3Q2018, resulted in higher financing gain on trade receivables as well as higher FX losses on trade payables. As a result, Anadolu Cam has a net other income from main operations of **TRY 28mn** at the end of 3Q2018 compared to **TRY 7mn loss** in 2Q2018.

With the **31%** q-o-q rise in period-end USD/TRY rate, Anadolu Cam recorded **TRY 103mn** as revaluation gain on its investment portfolio, which is composed of **TRY 405mn** equivalent USD-denominated long-term fixed income securities with semi-annual coupon payments.

Anadolu Cam generated **TRY 106mn** net income from investing activities including revaluation gains on fixed income securities portfolio, the share received from the net profit of its associates and gain on provisions for potential losses recorded in 1H2018 in relation with IFRS 9 standards.

Excluding one off gain/loss on the fixed income securities investment recorded in 3Q of both 2017 and 2018, EBIT was **TRY 169mn** and EBITDA was **TRY 262mn** and the margins were **19%** (vs. **13%** in 3Q2017) and **29%** (vs. **26%** in 3Q2017), respectively.

On the financing activities, Anadolu Cam experienced two-sided impact of LCY depreciation. Even though, the company's FX gains on cash held in hard currencies recorded a significant jump, they were not high enough to cover the FX losses on issued Eurobonds as the company used part of its cash to lower its FCY debt. Compared with the same period of 2017, net FX losses and net interest expenses recorded were **TRY 91mn and TRY 2mn higher**, respectively. Accordingly, the company recorded a net financial expense of **TRY 131mn vs TRY 37mn** recorded in 3Q2017.

Thanks to mainly its strong operational performance, 3Q2018 net income came in at **TRY 147mn** (up by **165%** y-o-y) and net margin of **16%** versus **TRY 56mn** and **9%** seen in the same period last year.

Anadolu Cam had a total capex of **TRY 181mn** (vs. **TRY 60mn** in 3Q2017) in relation with its new furnace investment together with mold and operational efficiency investments.

Compared with 2017 year-end net long FX position of **TRY 64mn**,

- Anadolu Cam had a **USD 63mn** decrease in USD net long position due to a parallel decline in USD-denominated assets
- The company's EUR net short position including derivate contracts decreased by **EUR 33mn** with the rise in EUR-denominated assets while **EUR 75mn** cross currency interest rate swaps were expired and forward liabilities came down to **EUR 2mn**
- Other currencies' net long position decreased by **TRY 2mn**
- Accordingly, the company recorded a net short FX position of **TRY 50mn**.

Compared with 2017 year-end, gross debt increased by **TRY 742mn** to **TRY 2,6bn** and cash&cash equivalents' balance (incl. financial investments and other receivables from related parties) stood at **TRY 859mn** (up by **TRY 33mn**), which in turn led to a net debt of **TRY 1,7bn** as of 3Q2018.

#### **Important events during and after the reporting period:**

Anadolu Cam announced its decision to invest in a new furnace in Mersin with a total capex requirement of USD 18,2mn. The furnace, which is projected to be online in the second half of 2019 will increase the company's domestic glass packaging capacity by 80K tons/year to 1.285K tons/year.

Şişecam IR Team



### **TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.**

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