

**COMMENTS ON ANADOLU CAM SANAYİİ A.Ş. 1Q2019 CONSOLIDATED FINANCIAL STATEMENTS**

Financials (TRY mn)	1Q2018	4Q2018	1Q2019	YoY Growth	QoQ Growth
Revenue	545	936	775	42%	-17%
Gross Profit	166	283	257	55%	-9%
Gross Margin	30%	30%	33%		
EBIT	92	45	145	57%	222%
EBIT Margin	17%	5%	19%		
Adjusted EBIT*	77	93	114	48%	22%
Adjusted EBIT Margin*	14%	10%	15%		
Analyst EBIT**	58	112	98	68%	-13%
Analyst EBIT Margin	11%	12%	13%		
EBITDA	171	133	242	42%	83%
EBITDA Margin	31%	14%	31%		
Adjusted EBITDA*	155	181	212	36%	17%
Adjusted EBITDA Margin*	28%	19%	27%		
Analyst EBITDA**	136	200	195	43%	-2%
Analyst EBITDA Margin	25%	21%	25%		
Net Income	64	74	102	60%	37%
Net Margin	12%	8%	13%		
Capex	91	180	187	106%	4%
Capex/Sales	17%	19%	24%		
*Excl. non-recurring income/expense					
**Calculated by deducting the sum of COGS and OPEX from Revenues					

**Important Notice:**

With a change in the implementation of IFRS 16, accounting standard on leases, effective starting from January 2019, total assets and total liabilities increased by TRY 25mn and TRY 28mn, respectively, while there was no material impact on P&L

**Financial Highlights (1Q19 vs. 1Q18)**

- **Revenues**, recorded at TRY 775mn, were up by 42% (EUR 127mn, up by 9% in EUR terms), with 3% increase in sales volume, 26% positive pricing and product mix and 13% local currency depreciation impact
- **Gross profit** increased to 257mn, up by 55% (EUR 42mn, up by 19% in EUR terms), with a margin of 33%

- **Adjusted EBITDA**, recorded at TRY 212mn, was up by 36% (EUR 35mn, up by 5% in EUR terms), with 27% margin
- **Net income** reached to TRY 102mn by growing 60% (EUR 17mn, up by 23%), and the net margin stood at 13%, up by ~150bps
- **Capex**, recorded at TRY 187mn (EUR 31mn), corresponded to 24% of the revenues
- **FCFE** came in at TRY -114mn in 1Q19

### Operational Highlights (1Q19 vs. 1Q18)

- In relation with the scheduled cold repair work process, 120K ton-Yenişehir A furnace became offline on February 11<sup>th</sup>. The furnace was ignited back in mid-April with an annual production capacity increase of 20K tons
- **Total glass packaging production** was at **519K tons, up by 9%**. Domestic production grew by 21% whereas international production declined by 2%. Domestic facilities' contribution to the consolidated output was 53%, and the remaining 47% by the facilities located in Russia and Georgia. CURs were 98% and 96% in Turkey and in Russia plants, respectively.
- **Total sales volume** was **up by 3%**. Domestic sales declined by 20% due to seasonality and slow-down in demand. International sales grew by **18%**; a) exports from Turkey increased by **86%** b) sales from Non-Turkey operating facilities went up by **9%**
- **Share of international sales volume (incl. exports from Turkey), recorded at 69%, was up by +850 bps**

### Regional Analysis of 1Q19 IFRS Results In Comparison with 1Q18 Results

Based on figures free of intra-group sales;

- **Turkey operations (incl. exports);**
  - **53%** share in the consolidated topline figure, with **TRY 408mn** sales revenues (**up by 40%**)
  - **COGS** was **up by 38%**, from **TRY 205mn** to **TRY 283mn**, mainly due to natural gas and electricity tariff increases witnessed throughout the year 2018, and the rise in hard currency denominated-raw material expenses such as soda ash and packaging materials with increasing commodity prices and depreciating local currency
  - **Gross profit** stood at **TRY 125mn, up by 46%**, with a margin of **31%** (vs. **29%**), while its share in consolidated gross profit declined by **300bps to 48%**
  - **Adjusted EBITDA margin** (to one-off gains/losses), recorded at **30%, up by 80bps**
- **Non-Turkey operations;**
  - With revenues, recorded at **TRY 368mn** and **up by 44%**, contribution to the consolidated topline stood at **47%**
  - **COGS** was **up by 35%**, from **TRY 174mn** to **TRY 235mn**. Although the rise in raw material expenses were at single digit levels in RUB terms, the impact was higher due to the accounts' translation into TRY
  - **Gross profit** was **TRY 133mn, up by 65%**, with a margin of **36%** (vs. **32%**), while its share in consolidated gross profit increased to **52%**
  - **Adjusted EBITDA margin** (to one-off gains/losses) was flat at **26%**

### P&L Analysis (1Q19 vs. 1Q18)

- **Revenues**, recorded at **TRY 775mn**, were **up by 42%**
- **Consolidated COGS** increased by **37%** to **TRY 518mn**
- **TRY 257mn** gross profit moved **up by 55%** and led to a gross profit margin of **33%** (vs. **30%**)

- **Operating expenses** were **up** by **48%** (**TRY 160mn** vs. **TRY 108mn**), while OPEX/sales ratio increased by almost **100 bps** to **21%**, mainly due to S&M expenses, having grown by **70%** in nominal terms, contributed to the rise in OPEX by 80%, due to increasing logistic expenses with larger scale of operations, expansion in client portfolio, local currency depreciation, rising inland transportation costs and the revision in royalty fee rate, charged as a percentage of Sisecam Group Companies' revenues stemming from third party sales, to better align with global transfer pricing regulations
- **Net other income from operations** was flat at **TRY 18mn**. Financing expenses on trade receivables and payables were higher in 1Q19 due to increased inventories with lower domestic sales volume and higher raw material and general production expenses. The account balance was supported by **TRY 6mn**-insurance policy indemnity payment and **TRY 5mn**-scrap sale revenues
- **Net income from investing activities** stood at **TRY 29mn** (vs. **TRY 16mn**) including the share in net income generated by associates and joint ventures and impairment gain in relation with IFRS 9 standards, out of which TRY 1mn was booked on Eurobond investments. With the **7%** q-o-q rise in period-end USD/TRY rate, Anadolu Cam recorded **TRY 31mn** as revaluation gains on its investment portfolio (incl. gain on provision for potential losses), which is composed of **TRY 378mn** equivalent USD-denominated long-term fixed income securities with semi-annual coupon payments
- **Adjusted EBIT** (to one-off gains/losses and provision for potential losses on the fixed income securities investment) was **TRY 114mn** (**up** from **TRY 77mn**). Adjusted EBIT margin stood at **15%** (vs. **14%**)
- **Depreciation expenses**, recorded at **TRY 98mn**, were **up** by **25%** and depreciation/sales ratio came down to **13%** (**-180bps**) mainly due to the decline in value of Pokrov Plant and its assets as a result of the revaluation study carried out in 2018 year-end
- **Adjusted EBITDA** (to one-off gains/losses and provision for potential losses on the fixed income securities investment) increased by **36%** to **TRY 212mn**, hence the margin stood at were **27%** (vs. **28%**)
- **Net financial expenses** increased from **TRY 31mn** to **TRY 82mn**. Net interest losses on issued bonds, bank loans and time deposits recorded at **TRY 36mn** (vs **TRY 30mn**). Incurred net FX losses stood at **TRY 43mn** (vs. **TRY 9mn**)
- **Tax income** increased to **TRY 39mn** (vs. **TRY 2mn**) with higher level of tax incentives in relation with cold repair and new furnace investments and higher level of carry forward losses deduction.
- **Net income** in relation with the period was **TRY 102mn** (vs. **TRY 64mn**) thanks to primarily its strong operational performance. Although the company recorded significant jump in its below the operating line financial expenses, its earnings were supported by deferred tax assets on its investments. Net margin stood at of **13%** (vs. **12%**)
- Sisecam issued Eurobonds with a coupon rate of 6,95% and maturity 2026 with an aggregate issue size of USD 700mn and Anadolu Cam acted as a guarantor for USD 140mn of the new issuance. Sisecam bought back USD 200mn of its 2013 Eurobonds, out of which USD 40mn covered by Anadolu Cam. As a result, amount guaranteed by Anadolu Cam on Sisecam Eurobonds due 2020 and 2026 stands at USD 200mn, in total
- **Gross Debt** (incl. other payables to related parties) came in at TRY 2,9bn equivalent **USD 518mn** (vs. TRY 2,1bn equivalent **USD 395mn** as of 2018 year-end). USD denominated financial liabilities rose by USD 100mn

parallel to the new bond issuance and the buyback of existing notes. TRY 28mn operational lease liabilities were recorded in accordance IFRS-16 standard

- **Cash&Cash Equivalents** (including fixed income securities investments and other receivables from related parties) stood at TRY 951mn equivalent **USD 169mn** (vs. TRY 543bn equivalent **USD 103mn**). USD 100mn cash inflow was booked with the new bond issuance
- **Net Debt** position was TRY 2bn equivalent **USD 349mn**, and Net Debt/Ebitda at **2x**
- Net Short FX Position was **TRY 177mn** (up by **TRY 124mn** compared with 2018 year-end balance);
  - **Net short USD** position of **41mn**, up by **USD 14mn**
  - **Net long EUR** position of **5mn**, down from **EUR 7mn**
  - **Net long other currencies'** long position of **TRY 18mn**, up by **TRY 5mn**
- **Capital Expenditures:** Anadolu Cam had a total capex of **TRY 187mn** (vs. **TRY 91mn**) in relation with its new furnace investments in Mersin Plant together with cold repair expenses in its Yenisehir, Mersin and Gorokhovets plants, mold and operational efficiency investments

#### **Important Events during and after the Period**

- At the AGM, Anadolu Cam decided to payout **TRY 90mn** cash dividends in gross terms (payout ratio 20%)
- On March 28<sup>th</sup>, Collective Labor Union Agreement, covering the period of 01.01.2019-31.12.2021, was signed between Kristal-İş Union and Anadolu Cam for Mersin, Eskişehir and Yenişehir facilities
- Sisecam issued Eurobonds with an aggregate issue size of USD 700mn and USD 200mn Sisecam notes (USD 500 million with 2020 maturity) was purchased via a tender offer in March 1Q19
- Gorokhovets Plant A furnace 3<sup>rd</sup> line and Yenişehir Plant A Furnace cold repair works were finalized in March-end and in Mid April, respectively

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