

Financials (TRY mn)	4Q2017	3Q2018	4Q2018	YoY Growth	QoQ Growth	2017	2018	YoY Growth
Revenue	645	913	936	45%	3%	2.411	3.231	34%
Gross Profit	181	280	283	56%	1%	663	976	47%
Gross Margin	28%	31%	30%			28%	30%	
EBIT	86	272	45	-47%	-83%	318	555	74%
EBIT Margin	13%	30%	5%			13%	17%	
Adjusted EBIT*	67	170	93	39%	-45%	257	443	73%
Adjusted EBIT Margin*	10%	19%	10%			11%	14%	
Analyst EBIT**	92	138	112	22%	-19%	246	414	68%
Analyst EBIT Margin	14%	15%	12%			10%	13%	
EBITDA	164	365	133	-19%	-64%	615	896	46%
EBITDA Margin	25%	40%	14%			25%	28%	
Adjusted EBITDA*	145	263	181	25%	-31%	553	784	42%
Adjusted EBITDA Margin*	22%	29%	19%			23%	24%	
Analyst EBITDA**	169	230	200	18%	-13%	542	755	39%
Analyst EBITDA Margin	26%	25%	21%			22%	23%	
Net Income	14	147	74	429%	-50%	184	451	145%
Net Margin	2%	16%	8%			8%	14%	
Capex	97	181	180	86%	-1%	339	694	105%
Capex/Sales	15%	20%	19%			14%	21%	
*Excl. non-recurring income/expense								
**Calculated by deducting the sum of COGS and OPEX from Revenues								

COMMENTS ON ANADOLU CAM SANAYİİ A.Ş. 4Q2018 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 4Q2018 financial results were derived from 4Q2017 restated results.

Topline Contributors

4Q2018 vs. 4Q2017

- **7%** increase in consolidated volume of sales; domestic and international sales up by **3%** and **11%**, respectively,
- Unit price increases implemented throughout the year, resulted in 2018 annual average per ton price increase of **20%** vs. 2017 average for Turkey region gross domestic sales
- Annual average unit price increase of **1%** implemented for the exports from Turkey in HCY terms
- Annual average unit price increase of **5%** in RUB terms in Russia
- Appreciation of RUB against TRY by **28%** on average
- Growing share of exports from Turkey and Russia with respective contributions to both regions' gross revenues of **20%** and **15%** (vs. **15% each** in 4Q2017)
- LCY depreciation's lifting impact on annual average unit price resulting from the rise in share of exports from Turkey
- Change in sales mix with higher share of value added products

Key Points on the Operational Performance

In 4Q2018, on a y-o-y basis, domestic production grew by **19%** while non-Turkey output declined by **1%**. As a result, consolidated production volume went up from **501K tons** to **548K tons (+9%)**. Parallel to the levels recorded for the full year 2018, 4Q2018 specific CURs of Turkey and non-Turkey operations stood at **99%** and **95%**, respectively.

Consolidated sales volume grew by **7%**. Domestic sales volume increase of **3%** was in deed significantly strong considering the high base impact of 4Q2017 (please recall that domestic sales volume grew by 30% last year in the same period due to brought forward orders). Meanwhile, international sales volume grew by **11%**; on a y-o-y basis exports from Turkey increased by **31%** while sales from other geographies went up by **8%**.

Share of international revenues (incl. exports from Turkey) in consolidated net sales continued to move in an upward trend - **55%** in 4Q2018 vs. **53%** in 4Q2017.

Review of 4Q2018 IFRS Results on a Y-o-Y Basis

Anadolu Cam recorded **TRY 936mn** net revenues (**+45%**). Based on IFRS regional breakdown;

a) Turkey operations (incl. exports), with **TRY 526mn** sales revenues (**+44%**), maintained its dominant position with **56%** share in consolidated topline figure.

b) Non-Turkey operations recorded **47%** rise in revenues from **TRY 280mn** to **TRY 410mn**.

Consolidated COGS increased by **41%** (**TRY 654mn** vs. **TRY 464mn**) with larger scale of operations but also due to the rise in general production (**+68%**) and raw material expenses (**+50%**).

a) Cost rise in Turkey operations resulted mainly from increased natural gas and electricity expenses with the tariff hikes implied in all four quarters of 2018 and the rise in FCY denominated raw material expenses such as soda ash and packaging materials due to LCY devaluation. Regional COGS was up by **44%**.

b) Cost rise in non-Turkey operations was mainly due to RUB's appreciation against TRY but also in relation with the growth in raw material expenses. Regional COGS grew by **36%**.

TRY 283mn gross profit, generated by Anadolu Cam, pointed out to a **56%** increase and led to a gross profit margin of **30%**, (up from **28%**). From a regional perspective, Turkey operations composed **53%** of the consolidated gross profit and recorded a flat margin of **29%**, while non-Turkey operations gross profit margin stood at **32%** (up by **+500bps**).

Operating expenses were up by **91%** (**TRY 171mn** vs. **TRY 89mn**), while OPEX/sales ratio was up by **440 bps** to **18%**. Please recall that there was a one-time sizeable decline in OPEX/sales ratio recorded in 4Q2017 with the decline in severance payment provision, resulting from the rise in discount rate parallel to the market interest rate, and the decrease in outsourced expenses. Meanwhile, S&M expenses grew by **74%** with larger scale of operations and rising logistic expenses.

Based on the financial reporting principles, FX gains and losses, in relation with commercial receivables and payables, are booked under "other operating income and expenses". As the company's DSO and DPO terms are less than 3 months, comments on these P/L items were derived on a q-o-q basis. LCY appreciation seen in 4Q2018, resulted in significantly lower financing gain on trade receivables as well as lower financing losses on trade payables. As a result, net other **expenses** from main operations of **TRY 5mn** was recorded at the end of 4Q2018 compared to **TRY 28mn income** in 3Q2018.

With the **12%** q-o-q rise in period-end USD/TRY rate, Anadolu Cam recorded **TRY 45mn** as revaluation losses on its investment portfolio, which is composed of **TRY 349mn** equivalent USD-denominated long-term fixed income securities with semi-annual coupon payments.

Net expenses incurred in relation with investing activities stood at **TRY 62mn** including revaluation losses on fixed income securities portfolio, share in net profit of its associates and impairment gain in relation with IFRS 9 standards (out of which **TRY 4mn** booked as provision for potential losses Eurobond investments).

Excluding one-off gain/loss and provision for potential losses on the fixed income securities investment and recorded in the last quarters of both 2017 and 2018, EBIT was **TRY 93mn** (up from **TRY 67mn**) and EBITDA was **TRY 181mn** (up from **TRY 145mn**) and the margins were **10%** (flat on a y-o-y basis) and **19%** (vs. **22%**), respectively.

On the financing side, the company recorded a net financial income of **TRY 29mn** (vs **TRY 32mn** net financial **expenses** in 4Q2017) - net interest expenses were **TRY 35mn** (vs. **TRY 32mn**) and net FX gains were **TRY 65mn** (vs. **TRY 1mn**).

Thanks to primarily its strong operational performance, which was also supported by net financial income and deferred tax assets on its new investments, 4Q2018 net income came in at **TRY 74mn** with a net margin of **8%** versus **TRY 14mn** and **2%** recorded in the same period last year.

Anadolu Cam had a total capex of **TRY 180mn** (vs. **TRY 97mn** in 4Q2017) in relation with its new furnace investments in Eskişehir plant together with mold and operational efficiency investments.

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

- Anadolu Cam had a **USD 83mn** decrease in USD net long position, bringing it down to a net short position of **USD 26mn** due to a parallel decline in USD-denominated assets
- Even though the company's EUR 65mn-derivative assets were expired, its net short position decreased by **EUR 49mn**, bringing it to a net long position of **EUR 12mn**
- Other currencies' net long position decreased by **TRY 6mn**
- Accordingly, the company recorded a net short FX position of **TRY 53mn**.

Compared with 2017 year-end, gross debt increased by **TRY 243mn** to **TRY 2,1bn** and cash&cash equivalents' balance (incl. financial investments and other receivables from related parties) stood at **TRY 543mn** (down by **TRY 283mn**), which in turn led to a net debt of **TRY 1,5bn** as of 4Q2018.

Şişecam IR Team



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