

Financials (TRY mn)	4Q2018	3Q2019	4Q2019	YoY Growth	QoQ Growth	2018	2019	YoY Growth
Revenue	936	1.259	1.161	24%	-8%	3.231	4.307	33%
Gross Profit	283	425	385	36%	-9%	976	1.434	47%
Gross Margin	30%	34%	33%			30%	33%	
EBIT	45	218	229	408%	5%	555	768	38%
EBIT Margin	5%	17%	20%			17%	18%	
Adjusted EBIT*	93	219	203	118%	-7%	443	699	58%
Adjusted EBIT Margin*	10%	17%	18%			14%	16%	
Analyst EBIT**	112	205	168	50%	-18%	414	630	52%
Analyst EBIT Margin	12%	16%	14%			13%	15%	
EBITDA	133	333	350	163%	5%	896	1.208	35%
EBITDA Margin	14%	26%	30%			28%	28%	
Adjusted EBITDA*	181	334	324	79%	-3%	784	1.138	45%
Adjusted EBITDA Margin*	19%	27%	28%			24%	26%	
Analyst EBITDA**	200	320	289	45%	-10%	755	1.069	42%
Analyst EBITDA Margin	21%	25%	25%			23%	25%	
Net Income	74	171	99	33%	-42%	451	527	17%
Net Margin	7,9%	14%	8,5%			14%	12%	
Capex	180	137	182	1%	33%	694	890	28%
Capex/Sales	19,2%	11%	15,6%			21%	21%	
*Excl. non-recurring income/expense								
**Calculated by deducting the sum of COGS and OPEX from Revenues								

COMMENTS ON ANADOLU CAM SANAYİİ A.Ş. 4Q2019 CONSOLIDATED FINANCIAL STATEMENTS

Financial Highlights (4Q19 vs. 4Q18)

- **Revenues**, recorded at TRY 1,16bn, were up by 24% (EUR 181mn, up by 22% in EUR terms), with 17% positive pricing and product mix, and 2% increase in sales volume and 5% local currency depreciation impact
- **Gross profit** increased to TRY 385mn, up by 36% (EUR 60mn, up by 34% in EUR terms), with a margin of 33%
- **Adjusted EBITDA**, recorded at TRY 326mn, was up by 80% (EUR 51mn, up by 77% in EUR terms), with 28% margin
- **Net income** was TRY 99mn, up by 33% (EUR 15mn, up by 31%), and the net margin stood at 9%, up by 60bps
- **Capex**, recorded at TRY 182mn (EUR 28mn), corresponded to 16% of the revenues
- **FCFE** came in at TRY -417mn in 2019

Operational Highlights (4Q19 vs. 4Q18)

- **Total glass packaging production** was at **573K tons**, **up** by **5%**. Domestic output **increased** by **4%** while international production **grew** by **5%**. CURs were **91%** and **100%** in Turkey and in Russia plants, respectively. Share of domestic and international production stood at 55% to 45%
- **Total sales volume** was **up** by **2%**. Domestic sales **declined** by **3,6%**, while international sales were **up** by **5,8%**; a) exports from Turkey **rose** by **51%** b) sales from Non-Turkey operating facilities **decreased** by **2,6%**
- **Share of international sales volume** (incl. exports from Turkey), recorded at **60% of the consolidated volume**, was **up** by **+200 bps**

Regional Analysis of 4Q19 IFRS Results In Comparison with 4Q18 Results

Based on figures excluding intra-group sales;

- **Turkey operations (incl. exports);**
 - **59%** share in the consolidated topline figure, with **TRY 689mn** revenues (**up** by **31%**)
 - **COGS** was **up** by **24%**, from **TRY 376mn** to **TRY 466mn**, mainly due the rise in depreciation expenses resulting from the introduction of a new furnace and capacity expansions attained through cold repairs. Local currency depreciation added to the rise in COGS with its increasing impact on the hard currency denominated-raw material expenses such as soda ash and packaging materials. Natural gas tariff hike implemented in July 2019 by 14% in addition to the lagged impact of successive tariff hikes announced starting from the second half of 2018 had also increased per ton COGS
 - **Gross profit** stood at **TRY 223mn**, **up** by **49%**, with a margin of **32%** (vs. **29%**), while its share in consolidated gross profit increased by **~500bps** to **58%**
 - **Adjusted EBITDA margin** (to one-off gains/losses), recorded at **28%** (vs. **25%**)
- **Non-Turkey operations;**
 - With revenues recorded at **TRY 473mn** (**up** by **15%**), Non-Turkey operations' contribution to Anadolu Cam consolidated topline stood at **41%**
 - **COGS** was **up** by **12%**, from **TRY 278mn** to **TRY 311mn**. Although, percentage increases in per ton raw material costs were at low-single digit levels in RUB and GEL terms, their reflection was amplified by the local currency depreciation
 - **Gross profit** was **TRY 162mn**, **up** by **22%**, with a margin of **34%** (vs. **32%**), while its share in consolidated gross profit decreased to **42%**, **-500bps**
 - **Adjusted EBITDA margin** (to one-off gains/losses), recorded at **27%**, (vs. **18%**)

P&L Analysis (4Q19 vs. 4Q18)

- **Revenues**, recorded at **TRY 1,16bn**, were **up** by **24%**
- **Consolidated COGS** **increased** by **19%** to **TRY 776mn**
- **Gross profit** moved **up** by **36%** and increased to **TRY 385mn**. Gross profit margin was **33%** (vs. **30%**)
- **Operating expenses** **grew** by **27%** (**TRY 217mn** vs. **TRY 171mn**), while OPEX/sales ratio **increased** by **~50 bps** to **19%**, mainly due to S&M expenses. **~70%** of the rise in OPEX was a result of **31%-growth** recorded in S&M expenses, with increased logistic expenses, inland transportation costs, larger scale of operations and revision in royalty fee rate charged as a percentage of SiseCam Group Companies' sales to third party sales

- **Net other income from operations**, recorded at **TRY 33mn** (vs. **net other expense of TRY 5mn**) was supported by TRY 13mn incentive on the logistic expenses of exports from Russia granted by the government to support export capabilities of the country and by higher net financing income on trade receivables and payables resulting from local currency depreciation and lower interest rates
- **Net income from investing activities** stood at **TRY 27mn** (vs. **net loss of TRY 62mn**) including the share in net income generated by associates and joint ventures and provision for impairment losses in relation with IFRS 9 standards, out of which **TRY 0,8mn** was booked on Eurobond investments. With a period-end USD/TRY rate that is **5%** higher on q-o-q basis, Anadolu Cam recorded **TRY 25mn** as revaluation gain on its investment portfolio incl. provision for potential losses (vs. **TRY 48mn revaluation loss**). As of the reporting date, Eurobond investment portfolio was composed of **TRY 394mn** 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 203mn** (up from **TRY 93mn**). Adjusted EBIT margin stood at **18%** (vs. **10%**)
- **Depreciation expense**, recorded at **TRY 121mn**, was **up by 38%** and depreciation/sales ratio **increased by 100bps to 10%**
- **Adjusted EBITDA** (to one-off gains/losses and provision for potential losses on the fixed income securities investment) **increased by 79%** to **TRY 324mn**, hence the margin was recorded at **28%** (vs. **19%**)
- **Net financial expenses** were **TRY 126mn** (vs. **net financial income of TRY 29mn**). Net interest expense rose by TRY 54mn to TRY 90mn while net FX expense stood at TRY 36mn (vs. **net FX income of TRY 65mn**) due to issued bonds and increased hard currency-denominated leverage
- **Tax expense** recorded at **TRY 3mn** with capex made in relation with investments entitled to collect tax incentives especially after the completion of cold repairs and new furnace investment
- **Net income** in relation with the period, recorded at **TRY 99mn** (vs. **TRY 74mn**), led to a net margin of **9%** (up by **60 bps**)
- 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) increased to TRY 3,7bn equivalent **USD 619mn** (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. Rest of the increase was in relation with cash dividend payment (TRY 125mn), debt repayment and working capital requirements (TRY 155mn) and financing of capital expenditures (TRY 890mn).
- **Cash&Cash Equivalents** (including fixed income securities investments and other receivables from related parties) stood at TRY 1,5bn equivalent **USD 248mn** (vs. TRY 543mn equivalent **USD 103mn**). USD 100mn cash inflow was booked with the new bond issuance. The company increased its TRY-denominated indebtedness increased by TRY 0,8bn to benefit from the decline in local currency interest rates
- **Net Debt** position was TRY 2,2bn equivalent **USD 371mn**, and Net Debt/Ebitda at **1,8x**

- **Net Long FX Position** was **TRY 207mn, up by TRY 261mn**, compared to 2018 year-end net **short FX** position of **TRY 53mn**;
 - **Net long USD** position of **130mn, up by USD 157mn**, out of which USD 100mn was in relation with cross currency swap transaction on USD 100mn out of the total guaranteed amount of USD 140mn for Sisecam Eurobond
 - **Net short EUR** position of **89mn, down by EUR 101mn**, out of which EUR 89mn was in relation with cross currency swap transaction on USD 100mn out of the total guaranteed amount of USD 140mn for Sisecam Eurobond
 - **Net long position of other currencies: TRY 27mn, up by TRY 14mn**
- **Capital Expenditures:** Anadolu Cam had a total capex of **TRY 182mn** (vs. **TRY 180mn**) in relation with its new furnace investments together with cold repair expenses, mold and operational efficiency investments.

Material Events during and after the Reporting Period

- On January 30th 2020, Şişecam made the following disclosure on the Public Disclosure Platform

“Considering the Group’s long term strategies, its global competitive environment, and the potential synergies that could be captured by combining all of Sisecam’s activities in one entity, it was decided in the Board of Directors Meeting of our Company on January 30, 2020 to engage in negotiations regarding a merger with Anadolu Cam Sanayii A.Ş., Denizli Cam Sanayii ve Ticaret A.Ş., Paşabahçe Cam Sanayii ve Ticaret A.Ş., Soda Sanayii A.Ş. and Trakya Cam Sanayii A.Ş. This is pursuant to Capital Markets Law Number 6362, Capital Market Board’s Communiqué Number Seri:II, N 23.1 on Common Principles Applicable to Important Category Transactions and the Right to Exit, Capital Market Board’s Communiqué Number Seri:II, N 23.2 on Mergers and Spin-offs, Turkish Commercial Code number 6102, Corporate Tax Law number 5520 and other applicable legislation. The expected synergies will be achieved through an efficient, lean and agile governance that will maximize shareholder value through increased trading volume and depth of shares.”

One-Off Impacts Excluded from EBIT & Net Income Analysis:

Excluding From EBIT:

- **2019:TRY 69 Million:** Revaluation gain on fixed income instruments including IFRS-9 adjustments
- **2018:TRY 112 Million:** Revaluation gain on fixed income instruments including IFRS-9 adjustments
- **4Q19:TRY 25 Million:** Revaluation gain on fixed income instruments including IFRS-9 adjustments
- **4Q18:TRY 48 Million:** Revaluation loss on fixed income instruments including IFRS-9 adjustments

Şişecam IR Team

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