

**COMMENTS ON ANADOLU CAM SANAYİİ A.Ş. 1Q2020 CONSOLIDATED FINANCIAL STATEMENTS**

Financials (TRY mn)	1Q2019	4Q2019	1Q2020	YoY Growth	QoQ Growth
Revenue	775	1.161	1.112	43%	-4%
Gross Profit	257	385	395	53%	3%
Gross Margin	33%	33%	35%	229 bps	234 bps
EBIT	145	229	234	62%	2%
EBIT Margin	19%	20%	21%	237 bps	137 bps
Adjusted EBIT*	114	203	184	62%	-9%
Adjusted EBIT Margin*	15%	18%	17%	188 bps	-92 bps
Analyst EBIT**	98	168	160	64%	-5%
Analyst EBIT Margin	13%	14%	14%	181 bps	-5 bps
EBITDA	242	350	359	48%	3%
EBITDA Margin	31%	30%	32%	101 bps	217 bps
Adjusted EBITDA*	212	324	309	46%	-5%
Adjusted EBITDA Margin*	27%	28%	28%	52 bps	-13 bps
Analyst EBITDA**	195	289	285	46%	-1%
Analyst EBITDA Margin	25%	25%	26%	45 bps	74 bps
Net Income	102	99	116	14%	17%
Net Margin	13%	9%	10%	-268 bps	190 bps
Adjusted Net Income*	102	99	110	8%	11%
Adjusted Net Margin*	13%	9%	10%	-323 bps	134 bps
Capex	187	182	145	-22%	-20%
Capex/Sales	24%	16%	13%	-1103 bps	-258 bps

\*Excl. non-recurring income/expense  
 \*\*Calculated by deducting the sum of COGS and OPEX from Revenues

**Financial Highlights (Q1'20 vs. Q1'19)**

- **Revenues**, recorded at TRY 1,1 bn, were up by 43% (EUR 166 mn, up by 30% in EUR terms), with 21% increase in sales volume, 13% positive pricing and product mix and 9% local currency depreciation impact
- **Gross profit** increased to TRY 395 mn, up by 53% (EUR 59 mn, up by 39% in EUR terms), with a margin of 35%
- **Adjusted EBITDA**, recorded at TRY 309 mn, was up by 46% (EUR 46 mn, up by 33% in EUR terms), with a margin of 28%
- **Adjusted Net income** was TRY 110 mn, up by 8% (EUR 16 mn, down by 2%), and the net margin stood at 10%, down by 323 bps
- **Capex**, recorded at TRY 145 mn (EUR 22 mn), corresponded to 13% of the revenues
- **FCFE** came in at TRY 81 mn in Q1'19

### Operational Highlights (Q1'20 vs. Q1'19)

- **Total glass packaging production** was at 586K tons, up by 13% as a result of new capacity introductions (130k ton/year capacity introduced with two cold repairs and a furnace investment starting from Q2 2019). **Domestic output** increased by 20% while **international production** grew by 6%. **CURs** were **96%** and **100%** in Turkey and in Russia plants, respectively. **Share of domestic and international production** were 56% and 44%, respectively
- **Total sales volume** was up by 21%. **Domestic sales** increased by 36% thanks to higher output on top of low base effect of Q1'19. **International sales** were up by 15%; a) **exports from Turkey** rose by 98% b) **sales from Non-Turkey operating facilities** decreased slightly by **2%**. With a wide range of product portfolio, Anadolu Cam remained resilient in the first quarter amidst the slowdown in global economic activity especially starting mid-March. Increase in household type product consumption, stock piling due to curfews and stay home advices had supported food retailer industry, which is an end market of Anadolu Cam.
- Share of **international sales volume** (incl. exports from Turkey), recorded at 65% of the consolidated volume, was down by ~380 bps

### Regional Analysis of Q1'20 IFRS Results In Comparison with Q1'19 Results

Based on figures excluding intra-group sales;

- **Turkey operations (incl. exports);**
  - **60% share** in the consolidated topline figure, with TRY 664 mn **revenues** (up by 63%)
  - **COGS** was up by 55%, from TRY 283 mn to TRY 438 mn, firstly with the increase in sales volume (up by 53%) resulting from larger scale of operations. Local currency depreciation also has an inflationary impact on CoGS mainly on the hard currency denominated-raw material expenses and packaging materials. Moreover, natural gas tariff hike implemented in July 2019 had also increased per ton COGS as well as depreciation expenses resulting from the introduction of a new furnace and capacity expansions attained through cold repairs starting from Q2'19
  - **Gross profit** stood at **TRY 226 mn**, up by 81%, with a margin of 34% (vs. 31% in Q1'19) thanks to higher pricing and better product mix, while its share in consolidated gross profit increased to 57% (vs. 48% in Q1'19)
  - **Adjusted EBITDA margin** (to one-off gains/losses), recorded at 27% (vs. 30% in Q1'19)
- **Non-Turkey operations;**
  - With revenues recorded at **TRY 448 mn** (up by 22%), Non-Turkey operations' contribution to consolidated topline stood at 40%
  - **COGS** was up by 19%, from TRY 235 mn to TRY 279 mn. 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 169 mn, up by 27%, with a margin of 38% (vs. 36% in Q1'19) thanks to higher pricing and better product mix, while its share in consolidated gross profit decreased to 43% (vs. 52% in Q1'19)
  - **Adjusted EBITDA margin** (to one-off gains/losses), recorded at 29%, (vs. 26% in Q1'19)

### P&L Analysis (Q1'20 vs. Q1'19)

- **Revenues**, recorded at **TRY 1,1 bn**, were up by 43% and **COGS** increased by 39% to **TRY 718 mn**. **Gross profit** moved up by 53% and increased to **TRY 395 mn**, while **gross profit margin** was 35% (vs. 33% in Q1'19)

- **Main operating expenses** grew by 47% (**TRY 234 mn** vs. TRY 160 mn), while **OPEX/sales** ratio increased by ~50 bps to 21%, mainly due to rise in S&M expenses. S&M expenses increased by 63% YoY while its share in main operating expenses rose up to 70% from 63% with larger scale of Turkish operations (both domestic sales and exports), increased logistic expenses and inland transportation costs
- **Net other income from operations**, recorded at **TRY 30 mn** (vs. TRY 18 mn in Q1'19) was supported by higher net financing income related to operating activities resulting from local currency depreciation and lower interest rates (TRY 16 mn vs TRY 5 mn) and TRY 6 mn one-off income arisen from accounting correction
- **Net income from investing activities** stood at **TRY 44 mn** (vs. TRY 29 mn in Q1'19) including TRY 1,4 mn gain on provision for impairment losses in relation with IFRS 9 standards and the share of profit from investments accounted for using equity was TRY 0,4 mn. TRY 44 Million revaluation gain on fixed income securities including IFRS-9 adjustments booked in Q1'20 compared to TRY 31 Million in Q1'19. As of the reporting date, Eurobond investment portfolio was composed of TRY 416 mn 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 184 mn** (up from TRY 114 mn). **Adjusted EBIT margin** stood at **17%** (vs. **15%**)
- **Depreciation expense**, recorded at **TRY 125 mn**, was up by 28% due to the new capacity introduction, **depreciation/sales ratio** decreased by 136 bps to 11%
- **Adjusted EBITDA** (to one-off gains/losses and provision for potential losses on the fixed income securities investment) increased by 46% to **TRY 309 mn**, hence the **adjusted EBITDA margin** was recorded at 28% (vs. 27%)
- **Net financial expenses** were **TRY 91 mn** (vs. TRY 82 mn). **Net interest expense** rose by 51% from TRY 42 mn to TRY 64 mn due to increase in TRY and other currencies (except USD, EUR and RUB) denominated LT borrowings and Eurobond's coupon payment effect multiplied TRY devaluation against USD on while **net loss on FX differences** stood at TRY 27 mn (vs. net loss of TRY 40 mn) despite TRY devaluation thanks to decrease in hard currency denominated borrowings
- **Tax expense** recorded at **TRY 27 mn** (vs **TRY 39 mn tax income** in Q1'19) mainly due to increased corporate income tax as a result of increased profitability and deferred tax expense
- **Adjusted net income**, recorded at **TRY 110 mn** (vs. TRY 102 mn), led to a **net margin** of 10% (down by 323 bps). Good operational performance is absorbed by tax effect
- **Gross Debt** (incl. other payables to related parties) increased to **TRY 3,8 bn** equivalent **USD 581 mn** (vs. TRY 3,7 bn equivalent USD 619 mn as of 2019 YE). **73%** of gross debt were **long-term liabilities** compared to 65% in 2019 YE. In aggregate terms, Anadolu Cam is guarantor of USD 200 mn of Sisecam's 2020 and 2026 Eurobonds. USD 60 mn will be matured and repaid in May
- **Cash & Cash Equivalents** (including fixed income securities investments and other receivables from related parties) stood at **TRY 1,5 bn** equivalent **USD 236 mn** (vs. TRY 1,5 bn equivalent USD 248 mn as of 2019 YE)
- **Net Debt** position was **TRY 2,2 bn** equivalent **USD 345 mn** (vs. TRY 2,2 bn equivalent USD 371 mn in 2019 YE), and **Net Debt/Ebitda** at **1,7x** (vs. 1,8x in 2019 YE)

- **Net long FX Position** was TRY 471 mn, up by TRY 264 mn, compared to net long FX position of TRY 207 mn in 2019 YE;
  - **Net long USD** position of 147 mn, up by USD 17 mn
  - **Net short EUR** position of 73 mn, down by EUR 16 mn
  - **Net long position of other currencies:** TRY 35 mn, up by TRY 8 mn
- Anadolu Cam had a total **CapEx** of TRY 145 mn equivalent EUR 22 mn (vs. TRY 187 mn equivalent EUR 31 mn) in relation with cold repair expenses, mold and operational efficiency investments.

### **Material Events during and after the Reporting Period**

- As of 12.03.2020, AC Glass Holding BV and Anadolu Cam Investment BV, our subsidiaries in the Netherlands, have merged within Sisecam Glass Packaging BV
- At the AGM on March 26, 2020, Anadolu Cam decided to payout TRY 142 mn cash dividends in gross terms, ex-date is on May 29, 2020
- Sisecam has purchased a total of ~8 mn shares of Anadolu Cam in 2020
- PwC, expert valuation company have conducted the valuation process of Şişecam Group, prepared the Expert Valuation Report and Opinion for the ongoing merger process (merger under Şişecam through acquisition of all assets and liabilities of its Group companies including Anadolu Cam) and determined the conversion rates, which are all subject to the Capital Markets Board approval. On April 27<sup>th</sup>, Şişecam had officially submitted the merger application to the CMB. TL per share exit rights were also calculated according to existing communiqué, which are the arithmetical mean of corrected weighted average prices, traded on the stock exchange within thirty days prior to the date of first disclosure of transaction to public, excluding the date of disclosure. Should the legislation change on exit rights, the valuation methodology will be updated accordingly. Please consider that the exit right prices will be recalculated following the dividend distribution and disclosed via Public Disclosure Platform
  - Conversion Rate for ANACM = 0,88239
  - Exit Right Price (TL/Share) for ANACM= 4,46
- Covid-19 virus outbreak that occurs in China and spreads to various parts of the world, affects economic conditions negatively both regionally and globally, especially in countries exposed to contagiousness. The ultimate magnitude of the coronavirus outbreak remains uncertain at this time, and therefore the Company cannot reasonably predict its impact on its operations

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

### **Excluding From EBIT:**

- **Q1'20: TRY 50 Million:** TRY 44 mn, revaluation gain on fixed income instruments including IFRS-9 adjustments and TRY 6 mn one-off income arisen from accounting correction
- **Q4'19: TRY 25 Million:** Revaluation loss on fixed income instruments including IFRS-9 adjustments
- **Q1'19:TRY 31 Million:** Revaluation loss on fixed income instruments including IFRS-9 adjustments

### **Excluding From Net Income:**

- **Q1'20: TRY 6 Million:** One-off income arisen from accounting correction

Şişecam IR Team



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