ŞİŞECAM GLASS PACKAGING

COMMENTS ON ANADOLU CAM SANAYİİ A.Ş. 3Q2019 CONSOLIDATED FINANCIAL STATEMENTS

Financials (TRY mn)	3Q2018	2Q2019	3Q2019	YoY Growth	QoQ Growth	9M2018	9M2019	YoY Growth
Revenue	913	1.112	1.259	38%	13%	2.294	3.146	37%
Gross Profit	280	367	425	51%	16%	693	1.049	51%
Gross Margin	31%	33%	34%			30%	33%	
EBIT	272	177	218	-20%	23%	510	540	6%
EBIT Margin	30%	16%	17%			22%	17%	
Adjusted EBIT*	171	163	219	28%	34%	350	496	42%
Adjusted EBIT Margin*	19%	15%	17%			15%	16%	
Analyst EBIT**	138	159	205	49%	29%	302	462	53%
Analyst EBIT Margin	15%	14%	16%			13%	15%	
EBITDA	365	283	333	-9%	18%	763	858	12%
EBITDA Margin	40%	25%	26%			33%	27%	
Adjusted EBITDA*	264	269	334	26%	24%	603	814	35%
Adjusted EBITDA Margin*	29%	24%	27%			26%	26%	
Analyst EBITDA**	230	265	320	39%	21%	555	780	41%
Analyst EBITDA Margin	25%	24%	25%			24%	25%	
Net Income	147	155	171	16%	10%	377	428	14%
Net Margin	16%	14%	14%			16%	14%	
Capex	181	385	137	-25%	-65%	514	708	38%
Capex/Sales	20%	35%	11%			22%	23%	
*Excl. non-recurring income/expense								
**Calculated by deducting the sum of COGS and OPEX from Revenues								

Financial Highlights (3Q19 vs. 3Q18)

- **Revenues,** recorded at TRY 1,26bn, were up by 38% (EUR 200mn, up by 43% in EUR terms), with 26% positive pricing and product mix, and 11% increase in sales volume and 1% local currency depreciation impact
- **Gross profit** increased to TRY 425mn, up by 51% (EUR 67mn, up by 57% in EUR terms), with a margin of 34%
- **Adjusted EBITDA**, recorded at TRY 334mn, was up by 26% (EUR 53mn, up by 31% in EUR terms), with 27% margin
- **Net income** was TRY 171mn, up by 16% (EUR 27mn, up by 21%), and the net margin stood at 14%, down by ~250bps
- **Capex**, recorded at TRY 137mn (EUR 22mn), corresponded to 11% of the revenues
- **FCFE** came in at TRY -618mn in 9M19

Operational Highlights (3Q19 vs. 3Q18)

- In relation with the scheduled cold repair work process, 100K ton-Mersin AF30 furnace was offline since February and it was ignited back in mid-June with an increase of annual production capacity by 30K tons. The furnace became operational in July.
- **Total glass packaging production** was at **571K tons**, **up** by **9%**. Domestic output increased by 13% while international production grew by 4%. CURs were **96%** and **99%** in Turkey and in Russia plants, respectively.
- **Total sales volume** was **up** by **11%**. Domestic sales grew by **5%** with improved demand dynamics triggered by the holiday season, warm weather conditions and better consumer sentiment , while international sales were **up** by **16%**; a) exports from Turkey increased by **114%** b) sales from Non-Turkey operating facilities were up by **0,5%**
- **Share of international sales volume** (incl. exports from Turkey)**,** recorded at **57%**, was **up** by **240 bps**

Regional Analysis of 3Q19 IFRS Results In Comparison with 3Q18 Results

Based on figures excluding intra-group sales;

- **Turkey operations (incl. exports)**;
  - **63%** share in the consolidated topline figure, with **TRY 795mn** revenues (**up** by **55%**)
  - **COGS** was **up by 48%,** from **TRY 361mn** to **TRY 533mn**, mainly due to the inflationary impact of natural gas and electricity tariff increases implemented within a one year period, and the rise in hard currency denominated-raw material expenses such as soda ash and packaging materials
  - **Gross profit** stood at **TRY 261mn**, **up** by **74%,** with a margin of **33%** (vs. **29%**), while its share in consolidated gross profit increased by **800bps** to **62%**
  - **Adjusted EBITDA margin** (to one-off gains/losses), recorded at **26%** (vs. **31%**)

- **Non-Turkey operations;**
  - With revenues, recorded at **TRY 464mn** and **up** by **16%**, contribution to the consolidated topline stood at **37%**
  - **COGS** was **up** by **11%,** from **TRY 271mn** to **TRY 301mn**. **Although,** percentage increases in per ton raw material costs were at mid-single digit levels in RUB and GEL terms, lagged impact of higher per ton production costs realized in 1H19, change in sales mix and DIO cycle were some of the reasons behind the rise in COGS
  - **Gross profit** was **TRY 163mn**, **up** by **25%,** with a margin of **35%** (vs. **32%**), while its share in consolidated gross profit decreased to **38%**, **-800bps**
  - **Adjusted EBITDA margin** (to one-off gains/losses), recorded at **28%**, was **up** by +**60bps**

P&L Analysis (3Q19 vs. 3Q18)

- **Revenues,** recorded at **TRY 1,26bn**, were **up** by **38%**

- **Consolidated COGS** increased by **32%** to **TRY 834mn**

- **Gross profit** moved **up** by **51%** and increased to **TRY 425mn**. Gross profit margin was **34%** (vs. **31%**)

- **Operating expenses** were **up** by **54%** (**TRY 220mn** vs. **TRY 143mn**)**,** while OPEX/sales ratio increased by **~200 bps** to **17%**, mainly due to S&M expenses, having grown by **74%** in nominal terms and contributed to the rise in OPEX by ~90%, due increased logistic expenses, inland transportation costs, larger scale of operations and revision in royalty fee rate charged as a percentage of Sisecam Group Companies' revenues stemming from third party sales

- **Net other income from operations,** recorded at **TRY 6mn** (vs. **TRY 28mn** with significantly lower interest rates and lower net FX gains on trade receivables and payables as a result of, smooth FX rates and appreciated local currency based on q-o-q period-end FX rates

- **Net income from investing activities** stood at **TRY 7mn** (vs. **TRY 106mn**) including the share in net income generated by associates and joint ventures and gain on the provision for impairment losses in relation with IFRS 9 standards, out of which **TRY 0,1mn** was booked on Eurobond investments. With the **2%** q-o-q decline in period-end USD/TRY rate, Anadolu Cam recorded **TRY 1,2mn** as revaluation loss on its investment portfolio incl. gain on provision for potential losses (vs. **TRY 101mn revaluation gain**), which is composed of **TRY 381mn** 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 219mn** (**up** from **TRY 171mn**). Adjusted EBIT margin stood at **17%** (vs. **19%**)

- **Depreciation expense,** recorded at **TRY 115mn**, was **up** by **24%** and depreciation/sales ratio came **down** by **100bps** to **9%** thanks to higher growth in revenues resulting from positive pricing and higher sales volume

- **Adjusted EBITDA** (to one-off gains/losses and provision for potential losses on the fixed income securities investment) increased by **26%** to **TRY 334mn**, hence the margin stood at **27%** (vs. **29%**)

- **Net financial expenses** declined from **TRY 131mn** to **TRY 40mn**. Net interest expense rose by TRY 40mn to TRY 89mn while net FX income stood at TRY 48mn (vs. net FX expense of TRY 91mn) due to issued bonds and increased leverage while higher net FX gain resulting from local currency appreciation

- **Tax expense** recorded at **TRY 6mn** (vs. **TRY6mn tax income**) with lower level of 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 was **TRY 171mn** (vs. **TRY 147mn**). Net margin stood at of **14%** (vs. **16%**)

- As it was reported in 1Q2019 earnings release, 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 TRY 3,8bn equivalent **USD 679mn** (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, debt repayment and financing of capital expenditures

- **Cash&Cash Equivalents** (including fixed income securities investments and other receivables from related parties) stood at TRY 1,6bn equivalent **USD 285mn** (vs. TRY 543mn equivalent **USD 103mn**). USD 100mn cash inflow was booked with the new bond issuance

- **Net Debt** position was TRY 2,2bn equivalent **USD 394mn**, and Net Debt/Ebitda at **2,3x**

- **Net Long** FX Position was **TRY 216mn, up** by **TRY 269mn**, compared to 2018 year-end net **short** FX position of **TRY 53mn**;

  - **Net long USD** position of **104mn, up** by **USD 131mn,** 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 **64mn, down** by **EUR 76mn,** 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 19mn, up** by **TRY 6mn**

- **Capital Expenditures**: Anadolu Cam had a total capex of **TRY 137mn** (vs. **TRY 181mn**) in relation with its new furnace investments together with cold repair expenses, mold and operational efficiency investments

Important Events during and after the Period

- Anadolu Cam announced its decision to resume its operations in Pokrov Plant, where production was temporarily halted in July 2013, with one furnace within 2Q20. Annual production capacity of the furnace will be 70K ton/year upon completion of the required capex of USD 15mn and **total operating capacity** of Anadolu Cam will have reached 2,43 million tons (vs. current operating capacity of 2,36 million tons)
- Legal name of Balsand B.V., Netherlands-based subsidiary, was changed to Sisecam Glass Packaging B.V. on August 13th. Sale of glass packaging was added to the company's business scope
- On September 17th, parent company Sisecam purchased 1,31mn Anadolu Cam Sanayii shares. Accordingly, Sisecam's share in Anadolu Cam Sanayii increased from 77,10% to 77,27%

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

Excluding From EBIT:

- **9M19: TRY 44 Million:** Revaluation loss on fixed income instruments amounting to TRY 44 Million including IFRS-9 adjustments
- **9M18: TRY 160 Million:** Revaluation gain on fixed income instruments amounting to TRY 160 Million including IFRS-9 adjustments

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