

COMMENTS ON ANADOLU CAM SANAYİİ A.Ş. 2Q2020 CONSOLIDATED FINANCIAL STATEMENTS

Financials (TRY mn)	2Q2019	1Q2020	2Q2020	YoY Growth	QoQ Growth	1H2019	1H2020	YoY Growth
Revenue	1.112	1.112	1.320	19%	19%	1.887	2.433	29%
Gross Profit	367	395	451	23%	14%	624	846	35%
Gross Margin	33%	35%	34%	116 bps	-133 bps	33%	35%	168 bps
EBIT	177	234	247	39%	5%	322	481	49%
EBIT Margin	16%	21%	19%	274 bps	-237 bps	17%	20%	270 bps
Adjusted EBIT*	163	184	220	35%	19%	277	404	46%
Adjusted EBIT Margin*	15%	17%	17%	198 bps	6 bps	15%	17%	194 bps
Analyst EBIT**	159	160	190	19%	18%	257	350	36%
Analyst EBIT Margin	14%	14%	14%	4 bps	-5 bps	14%	14%	77 bps
EBITDA	283	359	375	33%	5%	525	734	40%
EBITDA Margin	25%	32%	28%	295 bps	-386 bps	28%	30%	233 bps
Adjusted EBITDA*	269	309	348	30%	13%	480	657	37%
Adjusted EBITDA Margin*	24%	28%	26%	219 bps	-143 bps	25%	27%	157 bps
Analyst EBITDA**	265	285	318	20%	12%	460	603	31%
Analyst EBITDA Margin	24%	26%	24%	25 bps	-154 bps	24%	25%	40 bps
Net Income	155	116	123	-21%	6%	257	239	-7%
Net Margin	14%	10%	9%	-462 bps	-109 bps	14%	10%	-377 bps
Adjusted Net Income*	155	110	123	-21%	12%	257	233	-9%
Adjusted Net Margin*	14%	10%	9%	-466 bps	-57 bps	14%	10%	-405 bps
Capex	385	145	89	-77%	-39%	572	234	-59%
Capex/Sales	35%	13%	7%	-2790 bps	-634 bps	30%	10%	-2067 bps
*Excl. non-recurring income/expense								
**Calculated by deducting the sum of COGS and OPEX from Revenues								

Financial Highlights (Q2'20 vs. Q2'19)

- **Revenues**, recorded at TRY 1,3 bn, were up by 19% (EUR 175 mn, up by 4% in EUR terms), with 12% positive pricing and product mix, 4% local currency depreciation mix and 3% increase in sales volume impacts
- **Gross profit** increased to TRY 451 mn, up by 23% (EUR 60 mn, up by 8% in EUR terms), with a margin of 34%
- **Adjusted EBITDA**, recorded at TRY 348 mn, was up by 30% (EUR 46 mn, up by 13% in EUR terms), with a margin of 26%
- **Adjusted Net income** was TRY 123 mn, down by 21% (EUR 16 mn, down by 31%), and the net margin stood at 9%, down by -470 bps
- **Capex**, recorded at TRY 89 mn (EUR 12 mn), corresponded to 7% of the revenues (vs 35% in Q2'19)
- **FCFE** came in at TRY -184 mn in H1'20

Operational Highlights (Q2'20 vs. Q2'19)

- **Total glass packaging production** was at 548K tons, up by 8% as a result of new capacity introductions (130k ton/year capacity introduced with two cold repairs and a investment starting from Q2 2019). **Domestic output** increased by 16% while **international production** remained flat. **CUR** in Turkey came in at **88%** due to the capacity management optimization implemented in May and June as a result of Covid-19; while CUR in Russia was **100%**. **Share of domestic and international production** were 54% and 46%, respectively
- **Total sales volume** was up by 3%. **Domestic sales** increased by 6% thanks to higher output on top of low base effect of Q2'19. **International sales** were up by 2%; a) **exports from Turkey** rose by 63% b) **sales from Non-Turkey operating facilities** decreased by 12% due to corona virus impact and high base effect of Q2'19. With its wide product and geographically dispersed customer portfolio, Anadolu Cam remained resilient amidst the slowdown arisen from Covid-19. With the temporary closure of the HoReCa, the glass packaging demand coming from beer, soft beverages, wine and water industries have decreased; while demand coming from food and mineral water industries have increased thanks to household type product consumption
- Share of **international sales volume** (incl. exports from Turkey), recorded at 61% of the consolidated volume, was down by ~100 bps

Regional Analysis of Q2'20 IFRS Results In Comparison with Q2'19 Results

Based on figures excluding intra-group sales;

- **Turkey operations (incl. exports);**
 - **61% share** in the consolidated topline figure, with TRY 811 mn **revenues** (up by 34%)
 - **COGS** was up by 37%, from TRY 411 mn to TRY 563 mn, with the increase in sales volume (up by 19%) 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 248 mn, up by 29%, with a margin of 31% (vs. 32% in Q2'19), while its share in consolidated gross profit increased to 55% (vs. 52% in Q2'19)
 - **Adjusted EBITDA margin** (to one-off gains/losses), recorded at 24% (vs. 24% in Q2'19)
- **Non-Turkey operations;**
 - With revenues recorded at TRY 509 mn and remained flat YoY despite the contraction in sales volume due to mainly Covid-19 thanks to positive pricing, better product mix on top of positive currency translation impact, Non-Turkey operations' contribution to consolidated topline stood at 39%
 - **COGS** was down by 8%, from TRY 334 mn to TRY 307 mn due to decrease in sales volume despite increases in per ton production costs in RUB and GEL terms
 - **Gross profit** was TRY 203 mn, up by 16%, with a margin of 40% (vs. 34% in Q2'19) thanks to positive pricing, better product mix on top of positive currency translation impact, while its share in consolidated gross profit decreased to 45% (vs. 46% in Q2'19)
 - **Adjusted EBITDA margin** (to one-off gains/losses), recorded at 30%, (vs. 25% in Q2'19)

P&L Analysis (Q2'20 vs. Q2'19)

- **Revenues**, recorded at **TRY 1,3 bn**, were up by 19% and **COGS** increased by 17% to **TRY 869 mn**. **Gross profit** moved up by 23% and increased to **TRY 451 mn**, while **gross profit margin** was 34% (vs. 33% in Q2'19)
- **Main operating expenses** grew by 26% (**TRY 261 mn** vs. TRY 208 mn), while **OPEX/sales** ratio increased by ~110 bps to **20%**, mainly due to rise in S&M expenses. S&M expenses increased by 33% YoY while its share in main operating expenses rose up to 73% from 69% with larger scale of Turkish operations (both domestic sales and exports), increased logistic expenses and inland transportation costs in both domestic and export markets
- **Net other income from operations**, recorded at **TRY 32 mn** (vs. TRY 3 mn in Q2'19) was supported by higher net financing income related to operating activities resulting from local currency depreciation and lower interest rates (TRY 24 mn vs TRY -3 mn)
- **Net income from investing activities** stood at **TRY 25 mn** (vs. TRY 15 mn in Q2'19) including TRY 2,2 mn loss 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 27 Million revaluation gain on fixed income securities including IFRS-9 adjustments booked in Q2'20 compared to TRY 14 Million in Q2'19. As of the reporting date, Eurobond investment portfolio was composed of TRY 422 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 220 mn** (up from TRY 163 mn). **Adjusted EBIT margin** stood at **17%** (vs. **15%**)
- **Depreciation expense**, recorded at **TRY 128 mn**, was up by 21% due to the new capacity introduction, **depreciation/sales ratio** remained flat at 10%
- **Adjusted EBITDA** (to one-off gains/losses and provision for potential losses on the fixed income securities investment) increased by 30% to **TRY 348 mn**, hence the **adjusted EBITDA margin** was recorded at 26% (vs. 24%)
- **Net financial expenses** were **TRY 91 mn** (vs. TRY 97 mn). **Net interest expense** decreased by 11% from TRY 67 mn to TRY 59 mn thanks to lower borrowing cost and credit volume compared to Q2'19, while **net loss on FX differences** stood at TRY 32 mn (vs. net loss of TRY 31 mn)
- **Tax expense** recorded at **TRY 32 mn** (vs **TRY 75 mn tax income** in Q2'19) mainly due to increased corporate income tax as a result of increased profitability and deferred tax expense
- **Adjusted net income**, recorded at **TRY 123 mn** (vs. TRY 155 mn), led to a **net margin** of 9% (down by ~470 bps) mainly due to TRY 18 mn deferred tax expense recorded in the Q2'20, compared to TRY 81 mn deferred tax income in Q2'19, which resulted from decrease in capital expenditures
- **Gross Debt** (incl. other payables to related parties) increased to **TRY 3,8 bn** equivalent **USD 559 mn** (vs. TRY 3,7 bn equivalent USD 619 mn as of 2019 YE). **79%** of gross debt were **long-term liabilities** compared to 65% in 2019 YE. Following the re-payment of USD 60 mn debt in relation with Sisecam's 2020 Eurobond in May 2020, the remaining guarantorship of Anadolu Cam is USD 140 mn for Sisecam's 2026 Eurobond
- **Cash & Cash Equivalents** (including fixed income securities investments and other receivables from related parties) stood at **TRY 1,3 bn** equivalent **USD 195 mn** (vs. TRY 1,5 bn equivalent USD 248 mn as of 2019 YE)

- **Net Debt** position was **TRY 2,5 bn** equivalent **USD 364 mn** (vs. TRY 2,2 bn equivalent USD 371 mn in 2019 YE), and **Net Debt/Ebitda** at **1,8x** (vs. 1,8x in 2019 YE)
- **Net long FX Position** was TRY 563 mn, compared to net long FX position of TRY 207 mn in 2019 YE;
 - **Net long USD** position of 143 mn vs 130 mn (long) in 2019 YE
 - **Net short EUR** position of 59 mn vs 90 mn (short) in 2019 YE
 - **Net long position of other currencies:** TRY 39 mn vs 27 mn (long) in 2019 YE
- Anadolu Cam had a total **CapEx** of TRY 89 mn equivalent EUR 12 mn (vs. TRY 385 mn equivalent EUR 58 mn) in relation with cold repair expenses, mold and operational efficiency investments. CapEx/Sales ratio decreased to 7% from 35% because of CapEx postponements due to Covid-19.

Material Events during and after the Reporting Period

- Şişecam Group has developed a special coating technology that neutralizes viruses and bacteria on glass surfaces. The patent application of V-Block technology was filed upon the completion of the laboratory tests related to the formula and implementation technique of this 100% domestic Antimicrobial V-Block Technology preventing harmful organisms from sheltering on glass surfaces. This technology is planned to be first applied to glassware products to be sold in domestic market, then to the international markets. In the coming periods, this technology is also planned to be applied to glass packaging, architectural glasses and white goods glasses
- With the Article 12 of the Law No. 7244 and Provisional Article 13 has been added to the Turkish Commercial Code No. 6102, companies are entitled to decide to distribute only up to 25% of the annual net profit of the year 2019 until 30.09.2020. Profits of the previous years and free legal reserves cannot be made subject to distribution. In addition, general assembly cannot authorize the board of directors to distribute advance dividend. Due to those regulations, it has been decided to pay TRY 142 mn cash dividend on two installments. TRY 101 mn is paid in May 29, 2020 and the remaining TRY 42 mn is decided to be paid in October 1, 2020
- Şişecam's application on merger with Anadolu Cam, Denizli Cam, Paşabahçe, Soda Sanayii and Trakya Cam through acquisition has been approved by the decision of the Capital Markets Board dated 23.07.2020

Conversion Rate for ANACM = 0,88239
Exit Right Price (TL/Share) for ANACM= 4,322

- Extraordinary General Meeting of Anadolu Cam will be held on August 26, 2020 at 08:30 for privileged shares and at 09:30 for others in Haliç Congress Center. Participants can attend the meeting physically or electronically

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

Excluding From EBIT:

- **H1'20: TRY 77 Million:** TRY 70 mn, revaluation gain on fixed income instruments including IFRS-9 adjustments and TRY 7 mn one-off income arisen from accounting correction
- **H1'19:TRY 45 Million:** Revaluation loss on fixed income instruments including IFRS-9 adjustments
- **Q2'20: TRY 27 Million:** TRY 27 mn, revaluation gain on fixed income instruments including IFRS-9 adjustments and TRY 0,4 mn one-off income arisen from accounting correction
- **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
- **Q2'19:TRY 14 Million:** Revaluation loss on fixed income instruments including IFRS-9 adjustments

Excluding From Net Income:

- **H1'20: TRY 7 Million:** One-off income arisen from accounting correction
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- **Q2'20: TRY 0,4 Million:** One-off income arisen from accounting correction
- **Q1'20: TRY 6 Million:** One-off income arisen from accounting correction

Şişecam IR Team



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