

Financials (TRY mn)	1Q2016	4Q2016	1Q2017	YoY Growth	QoQ Growth
Revenue	345	441	514	49%	16%
Gross Profit	69	92	120	73%	30%
Gross Margin	20%	21%	23%		
EBIT	280	35	67	-76%	89%
EBIT Margin	81%	8%	13%		
Adjusted EBIT*	16	10	57	255%	450%
Adjusted EBIT Margin*	5%	2%	11%		
Analyst EBIT**	3	5	37	1299%	598%
Analyst EBIT Margin**	1%	1%	7%		
EBITDA	337	101	138	-59%	37%
EBITDA Margin	98%	23%	27%		
Adjusted EBITDA*	73	76	129	76%	70%
Adjusted EBITDA Margin*	21%	17%	25%		
Analyst EBITDA**	60	71	109	83%	54%
Analyst EBITDA Margin**	17%	16%	21%		
Net Income	254	38	43	83%	14%
Net Margin	74%	9%	8%		
Adjusted Net Income***	-10	38	43	533%	14%
Adjusted Net Margin***	N.M.	9%	8%		
Capex	122	74	69	-44%	-7%
Capex/Sales	35%	17%	13%		
*Excl. one-off gains/losses					
**EBIT: calculated by deducting COGS and OPEX from Revenues / EBITDA: EBIT + Depreciation					
***Excl. the proceeds from asset/subsidiary sale, incl. revaluation gain on fixed income securities investment					

## COMMENTS ON ANADOLU CAM SANAYİİ A.Ş. 1Q2017 CONSOLIDATED FINANCIAL STATEMENTS

Based on gross revenue figures provided by the company,

In line with the strategy of increasing exports' share in total sales, exports from Turkey, having grown by 51% in value terms y-o-y, accounted for **11%** of revenues generated by the domestic operations. Exports' revenue contribution to Turkey stood at **10%** in 1Q2016.

In the same period, share of exports generated by the Russian operations was **11%**, down by ~400 bps y-o-y as a consequence of Ruble appreciation and favorable local demand conditions, whereas exports from Georgia accounted for **24%** of revenues.

On the production side, compared with 1Q2016 data, domestic output grew by **8%**, while product volume, manufactured at the facilities located outside Turkey, increased by **18%**. Accordingly, consolidated production volume went up by **13%** to **462K** tons and international production accounted for **49%** (up by **+200bps**) of the company's total output

Based on 1Q2017 IFRS results,

Anadolu Cam recorded **TRY 514mn** net revenues, **49%** higher on a y-o-y basis backed by

- Average per unit price increases supported by a) growing volume of international sales b) change in portfolio towards a higher level of value added sales mix c) increased price levels for a few clients as part of the negotiation process Anadolu Cam Turkey and Anadolu Cam Russia have been through since the second half of 1Q2017.
- **18%** growth in consolidated sales volume backed by a) **17%** increase in domestic sales volume with growing glass packaging demand in Turkey and larger deliveries with some client orders brought forward b) **19%** increase in international sales volume – including exports from Turkey up by **34%** and c) sales from Russia & Georgia up by **18%** with slightly improving macroeconomics and glass packaging demand dynamics in Russia, coming from multinationals thanks to Anadolu Cam's stable supply accompanied with its financial stability.
- Anadolu Cam benefited from the y-o-y appreciation of RUB against TRY (by **59%**) during the translation of the accounts in TRY for consolidation purposes.

**48%** of the consolidated net revenues were composed of international sales (incl. exports from Turkey) whereas domestic sales contributed to the remaining **52%**.

Turkey operations accounted for **60%** of net revenues while the remaining **40%** were generated by Russia, Ukraine (continues to be shut down temporarily) and Georgia. .

Even though there was a **42%** y-o-y increase in cost of goods sold (up from **TRY 276mn** to **TRY 394mn**), thanks to the efficiency investments carried out and increased CUR, ratio of cost of goods sold to revenues was kept at **~77%**, which is +300 bps lower than the level recorded in 1Q2016. Gross profit figure for the quarter was **TRY 120mn**, up by **73%** on a y-o-y basis and the gross margin was **23%**.

Compared with 1Q2016, Anadolu Cam's operating expenses grew by **24%** to **TRY 83mn**, which was mainly a result of escalated selling and marketing expenses (**36%** y-o-y) parallel to the rise in sales volumes. Moreover, G&A expenses increased by **25%** y-o-y due to the changes in the transfer pricing policies in line with the amendments in OECD legislation effective 2017. Still, OPEX/sales ratio was kept at **16%** level.

Based on the financial reporting principles, interest and FX income and expenses in relation with the operations are booked under "other income and expenses from operations". Anadolu Cam recorded other income from main operations of **TRY 29mn** in 1Q2017 compared to **TRY 9mn other income** generated in the same quarter of 2016 mainly as interest income on trade receivables. On the other, the company's other expenses in relation with the main operations increased from **TRY 7mn** in 1Q2016 to **TRY 15,5mn** in this quarter due to mainly interest expenses on trade payables. Accordingly, net other income from main operations figure for the quarter stood at **TRY 13,5mn**.

In addition to the Eurobond investments Anadolu Cam made in 2016, the company increased its investment portfolio by further purchasing **TRY 39mn** equivalent USD-denominated Eurobonds with semi-annual coupon payments. The company recorded **TRY 9mn** as revaluation gain on these securities, which is the sum of coupon payments received to its account until the reporting date, discounted value of future coupon payments and face values of the Eurobonds excluding the revaluation gains recorded in previous periods. Accordingly, Anadolu Cam's net income from investing activities including the share received from the net profit of associates increased to **TRY 16mn**.

Excluding the revaluation gain, adjusted EBIT related to the period was **TRY 57mn** and EBITDA was **TRY 129mn** while the margins were **11%** (up from adjusted EBIT margin of **5%** in 1Q2016) and **25%** (up from adjusted EBITDA margin of **21%** in 1Q2016), respectively.

Appreciation of RUB against EUR limited the FX gains on the Interest Rate swaps and cross-currency swaps. Additionally, Anadolu Cam recorded higher interest rate expenses due to increased net debt position. As a result, Anadolu Cam's financial expenses exceeded its financial revenues and in turn the company recorded **TRY 22mn** net financial losses in this quarter compared to **TRY 15mn** booked in the 1Q2016.

As of 1Q2017, the company had a net income of **TRY 43mn** (including revaluation gain on fixed income securities investment) and a net margin of **8%** versus **TRY 10mn net loss** (adjusted to one-gains in relation Soda Sanayii share sale) booked in 1Q2016.

Compared with 2016 year-end net long FX position of **TRY 109mn**,

- Anadolu Cam recorded **USD 6mn** decrease in USD net long position due to the decline in USD-denominated deposits
- The company's EUR net short position including forward contracts came down by **EUR 14mn** in line with a) increase in EUR-denominated assets b) decrease in EUR-denominated liabilities c) expiry of forward contracts
- Other currencies' net long position decreased by **TRY 9mn**
- Accordingly, the company recorded a net long FX position of **TRY 134mn**.

In 1Q2017, Anadolu Cam recorded a total capex of **TRY 69mn** (down by **44%** y-o-y) for cold repairs and molds and for operational efficiency investments.

Compared to 2016 year-end, the company's gross debt increased by **TRY 207 mn** to **TRY 2,3bn** mainly due to increase in long term debt and other payables to shareholders in relation with the cash dividend payables and minority share purchases of Yenişehir and Eskişehir plants while, scaled down by **TRY 135m**, cash&cash equivalents' balance stood at **TRY 1,2bn**. Accordingly, net debt of **TRY 745mn** in 2016 year-end increased to **TRY 1,1bn** at the end of 1Q2017.

Important events during the reporting period:

Cold repair process of 120K ton , located in Ufa plant, started in January 2017 and completed three months later in April. Cold repair cost stood at **RUB 599mn (~USD 10mn)**.

Ongoing cold repair process of 90K ton furnace, located in Mersin plant, is expected to be completed at the end of 1H2017.

Anadolu Cam announced the acquisition of minority shares (15% each) in Yenişehir and Eskişehir plants for a total value of **TRY 107mn**.

Anadolu Cam BoD agreed to increase Ruscam's share capital by up to **RUB 3bn (~USD 50mn)** in the context of improving the company's financial strength and financing its working capital needs.

At the Ordinary General Assembly that took place in March 2017, it was decided to distribute **TRY 50mn** cash dividend and **TRY 300mn** bonus shares on the company's 2016 net profit.

Important events after the reporting period:

In April 2017, Anadolu Cam announced the decision to sell its full stake (50%) in OMCO İstanbul Kalıp A.Ş. to the other shareholder. As per the company disclosure, the transaction is subject to the approval of Turkish Competition Authority.

Kristal-İş Union adopted a strike decision during the collective labor agreement process carried out for Mersin and Yenişehir plants. Implementation date of the strike was announced as the 24th of May. Process for the collective labor agreements is still ongoing.

Şişecam IR Team



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