

Financials (TRY mn)	2Q2016	1Q2017	2Q2017	YoY Growth	QoQ Growth	1H2016	1H2017	YoY Growth
Revenue	489	514	604	23%	18%	834	1.117	34%
Gross Profit	116	120	146	25%	21%	186	266	43%
Gross Margin	24%	23%	24%			22%	24%	
EBIT	120	67	81	-33%	22%	401	148	-63%
EBIT Margin	25%	13%	13%			48%	13%	
Adjusted EBIT*	43	56	54	26%	-4%	59	110	86%
Adjusted EBIT Margin*	9%	11%	9%			7%	10%	
Analyst EBIT**	35	37	51	45%	36%	38	88	133%
Analyst EBIT Margin**	7%	7%	8%			5%	8%	
EBITDA	181	138	154	-15%	11%	518	292	-44%
EBITDA Margin	37%	27%	25%			62%	26%	
Adjusted EBITDA*	104	128	127	22%	-1%	177	254	44%
Adjusted EBITDA Margin*	21%	25%	21%			21%	23%	
Analyst EBITDA**	96	109	124	29%	13%	156	233	50%
Analyst EBITDA Margin**	20%	21%	21%			19%	21%	
Net Income	133	43	71	-47%	64%	387	114	-70%
Net Margin	27%	8%	12%			46%	10%	
Adjusted Net Income***	55	43	39	-29%	-10%	45	82	82%
Adjusted Net Margin***	11%	8%	6%			5%	7%	
Capex	71	69	114	60%	65%	193	182	-6%
Capex/Sales	15%	13%	19%			23%	16%	
*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/(loss) on fixed income securities investment								

## COMMENTS ON ANADOLU CAM SANAYİİ A.Ş. 2Q2017 CONSOLIDATED FINANCIAL STATEMENTS

In 2Q2017, domestic output grew less than a percentage point on a y-o-y basis, while international production increased by +5%. Accordingly, consolidated production volume increased by ~3% to 480K tons and international production accounted for 52% (up by ~120bps) of the total.

Based on 2Q2017 IFRS results,

Anadolu Cam recorded TRY 604mn net revenues, 23% higher on a y-o-y basis, backed by average unit price increases. On average, an 8% price increase was implemented in Turkey mostly effective 2Q2017 and a 9% (in RUB terms) in Russia. Appreciation of RUB against TRY (by 43% y-o-y on average) had a supporting impact on the average unit prices in consolidated terms. In addition, the company benefited from growing volume of international sales coupled with change in product portfolio towards a higher level of value added sales mix.

Volume component of revenues, on the other hand, were nearly unchanged y-o-y on the consolidated level. Anadolu Cam experienced a volume decrease of 3% in domestic sales. This was mainly caused by the very high level of sales volume recorded in 1Q2017 due to client orders, which were brought forward with the initiation of price negotiation process. Secondly, 2Q2016 had a high base impact when comparing annual sales volume. On the contrary, Anadolu Cam recorded a 4% increase in international sales volume – including exports from Turkey up by 1% and sales from Russia & Georgia up by 4% with slightly improving macroeconomics and glass packaging demand dynamics in Russia, coming from multinationals thanks to the company's stable supply accompanied with its financial stability.

Geographical breakdown of consolidated revenues were **evenly split between domestic and international sales** (incl. exports from Turkey) in the reporting period whereas sales within Turkey accounted for **62%** of 2Q2016 consolidated revenues.

In 2Q2017, **58%** of net revenues were composed of Turkey operations (incl. exports from Turkey) while the remaining **42%** were recorded by Russia, Ukraine (continues to be shut down temporarily) and Georgia. Turkey operations had a more dominant position in 2Q2016 with **67%** share in total revenues.

Based on gross revenue figures provided by the company,

Exports from Turkey accounted for **12%** of revenues generated by the domestic operations. Exports' revenue contribution to Turkey stood at **10%** in 2Q2016.

Share of exports generated by the Russian operations on the other hand, was in line with the domestic/export breakdown recorded last year in the same period (**14%**), whereas exports from Georgia accounted for **29%** of revenues.

In the reporting period, consolidated COGS grew by **23%** y-o-y as a result of the increase in hard currency denominated raw material and general production expenses such as soda ash and packaging materials in relation with Turkey operations due to especially local currency depreciation. It should be noted that even though per ton COGS in RUB terms was flat y-o-y for Russian operations, consolidated COGS account was negatively affected by the significant depreciation of TRY against RUB. Thanks to the efficiency investments carried out and improved CUR levels above 90% both in Turkey and in Russia, COGS/sales ratio came down to **76%**. Consequently, Anadolu Cam recorded **TRY 146mn** gross profit, up by **25%** on a y-o-y basis and at a gross margin of **24%**.

From a regional perspective, increasing COGS per ton as a consequence of currency devaluation together with lower contribution of Turkey operations in revenues due to decline in sales volume, there was a shift in gross profit composition towards a higher level of non-Turkey operations contribution. Assuming that the consolidation reconciliations are in relation with only Turkey operations and adjusting gross profit generated by the region accordingly, Turkey operations witnessed a setback of **+250bps** y-o-y in its gross profit margin (**25%**) and it consisted **59%** of the consolidated gross profit in 2Q2017 vs. **78%** recorded in 2Q2016. Growing sales volume and nearly flat COGS per ton in local currency terms seen in Russia, Ukraine and Georgia operations coupled with TRY depreciation against RUB have had a boosting impact on the gross profit generated by the region. Regional profitability increased by **+700 bps** from **16%** in 2Q2016 to **23%** in this period, and the region's contribution to the consolidated gross profit (**41%**) has nearly doubled y-o-y.

Compared with 2Q2016, Anadolu Cam's operating expenses increased by **17%** to **TRY 95mn**, mainly as a consequence of escalated S&M expenses (**45%** y-o-y) with the acceleration in marketing activities in order to benefit from the upcoming high season to the extent possible and the changes in the transfer pricing policies in line with the amendments in OECD legislation effective 2017. Still, OPEX/sales ratio was sustained slightly below **16%** level (**90 bps lower y-o-y**).

Based on the financial reporting principles, interest and FX income/expenses in relation to the main operations are booked under "other income and expenses from operations". Anadolu Cam recorded other income from main operations of **TRY 9mn** in 2Q2017 compared to **TRY 7mn other income** generated in the same quarter of 2016 mainly as interest income on trade receivables. On the other, the company's other expenses on its main operations increased from **TRY 6mn** in 2Q2016 to **TRY 10mn** in this quarter due to mainly interest expenses on trade payables. Accordingly, a **TRY 0,5mn net other expense** figure was recorded in 2Q2017, while the company had a **net other income of TRY 1,6mn** last year in the same period.

In addition to the Eurobond investments Anadolu Cam made in 2016 and in 1Q2017, the company increased its investment portfolio by further purchasing **~TRY 4mn** equivalent USD-denominated Eurobonds with semi-annual coupon payments. The company recorded **TRY 5mn** as revaluation loss 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. A period-end USD/TRY rate lower than the average rate recorded within the period both for the first and second quarters of 2017 prevented the company to generate revaluation gains on the fixed income securities allocated to the portfolio within the 1H2017 as the rates used to book the very same investments were higher compared to 2Q2017 period-end rate.

In June 2017, Anadolu Cam announced sale of its full stake (50%) in OMCO İstanbul Kalıp A.Ş. As a result of this financial asset sale, which was used to be booked under the company's financial statements based on equity pick-up method, Anadolu Cam generated **TRY 32mn** as investment income. Accordingly, Anadolu Cam booked **TRY 31mn** net income from investing activities including the share received from the net profit of associates and net other investment income. The account had a net balance of **TRY 84mn** last year in the same period as at that time Anadolu Cam recorded **TRY 78mn** one-off gain from Soda Sanayii A.Ş. stake sale.

Excluding one-off gains including revaluation gain/loss on the fixed income securities investment and financial asset stake sales in relation with 2Q of both 2016 and 2017, adjusted EBIT related to the reporting period was **TRY 54mn** and EBITDA was **TRY 127mn**, while the accounts balances were **TRY 43mn** and **TRY 104mn**, respectively, in 2Q2016. Anadolu Cam recorded **9%** EBIT and **21%** EBITDA margin, which are both in line with the profitability seen in 2Q2016 on the adjusted level.

Appreciation of RUB and EUR against TRY, by **32%** and **25%** y-o-y based on period-end rate, respectively, increased the company's financial liabilities and limited the FX gains on the Interest Rate swaps and cross-currency swaps. Additionally, the company closed USD 42,5mn-swap position and thereafter increased its EUR and TRY denominated cash in comparison with USD denominated portfolio held in 2Q2016 and local currency fluctuations recorded within the period translated into lower FX gains on the cash at hand. As a result, Anadolu Cam recorded **TRY 44mn** net financial loss in this quarter compared to **TRY 26mn** net financial income booked in the 2Q2016.

As of 2Q2017, the company had a net profit of **TRY 39mn** (excl. one-off gains in relation with OMCO stake sale) and a net margin of **6%** versus **TRY 55mn** net profit (exc. one-gains in relation Soda Sanayii share sale) booked in 2Q2016.

It is necessary to note that Anadolu Cam recorded a tax income of **TRY 34mn** compared with **TRY 13mn** tax expense in 2Q2016. Increasing corporate tax allowances, defined as reduced tax payables on regional and large scale investments as a government subsidy was the main reasons behind the tax income booked in the reporting period.

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

- Anadolu Cam recorded **USD 5mn** decrease in USD net long position due to the decline in USD-denominated deposits
- The company's EUR net short position including forward contracts turned into a net long position of **EUR 5,5mn** 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 grew by **TRY 5mn**
- Accordingly, the company recorded a net long FX position of **TRY 295mn**.

In 2Q2017, Anadolu Cam recorded a total capex of **TRY 114mn** (up by **60%** y-o-y) for cold repairs and moulds and for operational efficiency investments.

Compared to 1Q2017, the company's gross debt decreased by **TRY 211mn** to **TRY 2.070mn**, while, scaled by **TRY 160mn**, cash&cash equivalents' balance (incl. financial investments and other receivables from related parties) stood at **TRY 1.031bn**. Accordingly, net debt of **TRY 1.089mn** in 1Q2017 declined to **TRY 1,039mn** at the end of 2Q2017.

### Important events during and after the reporting period:

Cold repair process of 90K ton furnace, located in Mersin plant, was completed at the end of 1H2017 and the furnace came online with 20K ton capacity expansion in July 2017.

Anadolu Cam announced a BoD decision regarding the merger of Anadolu Cam Yenişehir and Anadolu Cam Eskişehir plants under Anadolu Cam Sanayii A.Ş. and Capital Markets Board (CMB) approved the company's submission in the 2<sup>nd</sup> week of August. Merger process is expected to be completed within 3Q2017.

Anadolu Cam distributed **TRY 50mn** cash dividend at the end of 2Q2017.

On the 24th of July, the company made a **TRY 306mn** capital increase through bonus share issuance by channeling **TRY 66mn** of the net profit recorded in 2016 together with **TRY 234mn** generated from subsidiary sale that took place in 2016. The remaining **TRY 6mn** were met by the use of internal resources.

### Conference Call

ŞİŞECAM is pleased to invite you to its 2017H1 Financial Results Audio Webcast Call held on Tuesday, August 22nd, 2017 at 18:00 (İstanbul), 16:00 (London) and 11:00 (New York).

To join the conference-call, please dial in through one of the following telephone numbers:

Turkish Toll Access Number: +90 212 708 1236  
UK Toll Access Number: +44 203 367 9461  
UK Toll Free Access Number: +44 (0) 808 238 1775  
US Toll Free Access Number: +1 855 402 7763

Şişecam IR Team



## TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

Şişecam Genel Merkezi

D-100 Karayolu Cad.  
No:44A 34947  
Tuzla/İstanbul  
Türkiye

P +90 850 206 50 50  
D +90 850 206 33 74

[sc\\_ir@sisecam.com](mailto:sc_ir@sisecam.com)

