

Financials (TRY mn)	1Q2017	4Q2017	1Q2018	YoY Growth	QoQ Growth
Revenue	534	645	545	2%	-16%
Gross Profit	139	184	166	19%	-10%
Gross Margin	26%	29%	30%		
EBIT	67	86	92	39%	8%
EBIT Margin	12%	13%	17%		
Adjusted EBIT*	56	67	77	37%	14%
Adjusted EBIT Margin*	11%	10%	14%		
Analyst EBIT**	37	92	58	55%	-37%
Analyst EBIT Margin	7%	14%	11%		
EBITDA	138	164	171	23%	4%
EBITDA Margin	26%	25%	31%		
Adjusted EBITDA*	128	145	155	21%	7%
Adjusted EBITDA Margin*	24%	22%	28%		
Analyst EBITDA**	109	169	136	25%	-20%
Analyst EBITDA Margin	20%	26%	25%		
Net Income	43	14	64	47%	354%
Net Margin	8%	2%	12%		
Capex	69	97	91	32%	-6%
Capex/Sales	13%	15%	17%		
*Excl. non-recurring income/expense					
**Calculated by deducting the sum of COGS and OPEX from Revenues					

COMMENTS ON ANADOLU CAM SANAYİİ A.Ş. 1Q2018 CONSOLIDATED FINANCIAL STATEMENTS

Important Notice Regarding Accounting Policy Change;

Şişecam Group Companies were used to report third party logistic expenses by deducting from gross revenues. Starting from 4Q2017, these expenses are now booked under S&M expenses. Comments on the year-on-year changes in 1Q2018 financial results were derived from 1Q2017 restated results.

In 1Q2018, domestic output declined by **4%** on a y-o-y basis, while a **9%** growth was recorded in international production. As a result, Anadolu Cam experienced a **3%** increase in its consolidated production volume, which brought up the company's total output to **475K ton** (vs. **463K ton** in 1Q2017). International production accounted for **53%** of the total output in 1Q2018 vs. **49%** in 1Q2017.

Based on 1Q2018 IFRS results,

Anadolu Cam recorded **TRY 545mn** net revenues, **2%** higher on a y-o-y basis, backed by

- 1) average annual unit price increase of **12%-13%** in Turkey effective from 1Q2018 on top of the price increase implied in Russia in the second quarter of last year by **9%** in RUB terms
- 2) appreciation of RUB against TRY by **6%** y-o-y on average,
- 3) higher share of value added products in exports portfolio together with the local currency depreciation against hard currencies

However, Anadolu Cam recorded a **10%** contraction in its consolidated sales volume, due to especially brought forward client orders in Turkey in the last quarter of 2017 following the company's decision to imply price increases starting from 1Q2018. It is also necessary to highlight the fact that the company had another round of brought forward orders in 1Q2017, which created a high base impact for the reporting period. Accordingly, Anadolu Cam's domestic sales declined by **23%** y-o-y in 1Q2018.

In the meantime, international sales volume grew by **2%**. Breaking down the sales in order to have a clear view on the international sales volume showed that exports from Turkey decreased by **5%** y-o-y while the sales from other operating regions went up by **2%**.

From a geographical point of view, **55%** of the revenues were generated by international sales (incl. exports from Turkey) in the reporting period. Contribution of international revenues to the consolidated turnover was **50%** of 1Q2017.

In 1Q2018, **53%** of net revenues were composed of Turkey operations (incl. exports from Turkey) compared to the region's more dominant position with **59%** share in overall revenues in the same period last year.

Based 1Q2018 gross revenue figures provided by the company,

Exports from Turkey accounted for **15%** of revenues generated by the domestic operations. Exports' revenue contribution to Turkey stood at **11%** in 1Q2017.

Share of exports generated by the Russian operations, was **17%**, **~600bps** higher on a y-o-y basis, whereas exports from Georgia accounted for **24%** of revenues.

In the reporting period, consolidated COGS contracted by **4%** y-o-y (**TRY 379mn vs. TRY 394mn**) mainly as a consequence of slightly more than **250%** increase in the value of final product inventory. This increase resulted from a higher level of inventories due to especially the sales volume contraction seen in Turkey operations compared to 1Q2017. Meanwhile, raw material and general production expenses grew by **13%** **each** on a y-o-y and direct labor expenses in relation with the reporting period were **18%** higher compared to the level recorded in 1Q2017. Breaking down those accounts, showed that;

a) the rise in Turkey operations resulted from natural gas and electricity tariff hikes and increasing hard currency denominated raw material and general production expenses such as soda ash and packaging materials due to especially local currency devaluation.

b) for Non-Turkey operations, on the other hand, increase in natural gas and utilities expenses were balanced with growing production efficiency with the higher CUR and lower idle capacity expenses as the company had no cold repairs within the reporting period. With the appreciation of RUB against TRY, flat regional costs had an increasing impact on consolidated COGS account.

Consequently, Anadolu Cam recorded **TRY 166mn** gross profit, up by **19%** on a y-o-y basis and at a gross margin of **30%** (vs. **26%** in 1Q2017).

From a regional perspective, the shift in gross profit composition towards a higher level of non-Turkey operations continued in 1Q2018 thanks higher level of CUR in the region but also due to TL depreciation. Turkey operations composed **51%** of the consolidated gross profit versus **62%** recorded in 1Q2017, while there was a **200bps** rise in the profitability (up from **27%** to **29%**). On the hand, Anadolu Cam generated **49%** of its consolidated gross profit from Russia, Ukraine and Georgia operations and the regions gross profit margin increased from **24%** to **32%** in 1Q2018.

Compared with the same period of the previous year, Anadolu Cam's operating expenses were recorded at **TRY 108mn**, up by **6%**. Accordingly, OPEX/sales ratio stood at **20%** level (up from **19%** in 1Q2017).

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 net

other income from main operations of **TRY 18mn** in 1Q2018 compared to **TRY 13mn** in the same quarter of 2017 mainly as a result of higher FX gains on trade receivables.

With the **5%** q-o-q rise in period-end USD/TRY rate, Anadolu Cam recorded **TRY 16mn** as revaluation gain on its investment portfolio, which is composed of **TRY 270mn** equivalent USD-denominated long-term fixed income securities with semi-annual coupon payments

Anadolu Cam generated **TRY 16mn** as net income from investing activities including revaluation gains on fixed income securities portfolio and the share received from the net profit of its associates. The account's balance was also **TRY 16mn** in 1Q2017 even though revaluation gain on fixed income securities were **TRY 5mn** lower back then. Decline in net income from investing activities excluding revaluation gains was a result of the stake sale in OMCO Kalıp, which was used to be booked based on equity pick-up method in the company's financial results, before it was sold in 2Q2017.

Excluding gain/loss on the fixed income securities investment in relation with 1Q of 2017 and 2018, one-off gains adjusted EBIT and EBITDA grew by **37%** and **21%** on a y-o-y basis and the profitability margins were **360bps** and **450bps** higher, respectively. In the reporting period, EBIT was **TRY 77mn** and EBITDA was **TRY 155mn** and the margins were **14%** (vs. **11%** in 1Q2017) and **28%** (vs. **24%** in 1Q2017), respectively.

Appreciation of EUR and RUB against TRY, by **25%** and **6%** y-o-y, respectively, based on period-end rates, increased the company's financial liabilities and limited its FX gains on the interest rate and cross-currency swaps. As a result, Anadolu Cam recorded a net financial loss of **TRY 31mn**.

Thanks to mainly its strong operational performance in 1Q2018, the company recorded a net income of **TRY 64mn** (up by **56%** y-o-y) and net margin of **12%** versus **TRY 43mn** and **8%** seen in the same period last year.

Contrary to **TRY 1mn** tax expense recorded in 1Q2017, Anadolu Cam had **TRY 2mn** tax revenue in the reporting period thanks to investment incentives implying discounts on corporate tax expenses.

In 1Q2018, Anadolu Cam recorded a total capex of **TRY 91mn** (up by **32%** y-o-y) in relation with its new furnace investment together with cold repair in Yenişehir plant, mold and operational efficiency investments.

Compared with 2017 year-end net long FX position of **TRY 64mn**,

- Anadolu Cam recorded **USD 2mn** increase in USD net long position with the parallel rise in USD-denominated assets
- The company's EUR net short position including forward contracts grew by **EUR 7mn** with **EUR 12mn** increase in its EUR-denominated liabilities and **EUR 5mn** decline in its forward liabilities
- Other currencies' net long position decreased by **TRY 1mn**
- Accordingly, the company recorded a net long FX position of **TRY 32mn**.

Compared with 2017 year-end, gross debt increased by **TRY 114mn** to **TRY 1,9bn** and cash&cash equivalents' balance (incl. financial investments and other receivables from related parties) stood at **TRY 788mn** (down by **TRY 37mn**). Accordingly, the company's net debt position of **TRY 1bn** increased to **TRY 1,2bn** as of 1Q2018.

Important events during and after the reporting period:

New furnace investment, announced by Anadolu Cam in December 2017, will be operational in the second half of 2018 as it was initially planned.

Furnace-B located in Yenişehir Plant went through a cold repair process between February – April 2018.

Şişecam IR Team



TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

Şişecam Genel Merkezi

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

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

sc_ir@sisecam.com