

| Financials (TRY mn) | 3Q2016 | 2Q2017 | 3Q2017 | YoY Growth | QoQ Growth | 9M2016 | 9M2017 | YoY Growth |
|---|--------|--------|--------|------------|------------|--------|--------|------------|
| Revenue | 491 | 604 | 580 | 18% | -4% | 1.326 | 1.697 | 28% |
| Gross Profit | 115 | 146 | 153 | 33% | 5% | 301 | 419 | 39% |
| Gross Margin | 23% | 24% | 26% | | | 23% | 25% | |
| EBIT | 66 | 81 | 85 | 29% | 5% | 467 | 232 | -50% |
| EBIT Margin | 13% | 13% | 15% | | | 35% | 14% | |
| Adjusted EBIT* | 64 | 54 | 80 | 24% | 48% | 123 | 189 | 54% |
| Adjusted EBIT Margin* | 13% | 9% | 14% | | | 9% | 11% | |
| Analyst EBIT** | 52 | 51 | 66 | 27% | 29% | 90 | 154 | 72% |
| Analyst EBIT Margin** | 11% | 8% | 11% | | | 7% | 9% | |
| EBITDA | 127 | 154 | 159 | 25% | 3% | 646 | 451 | -30% |
| EBITDA Margin | 26% | 25% | 27% | | | 49% | 27% | |
| Adjusted EBITDA* | 126 | 127 | 154 | 22% | 21% | 302 | 408 | 35% |
| Adjusted EBITDA Margin* | 26% | 21% | 26% | | | 23% | 24% | |
| Analyst EBITDA** | 113 | 124 | 140 | 23% | 13% | 269 | 373 | 39% |
| Analyst EBITDA Margin** | 23% | 21% | 24% | | | 20% | 22% | |
| Net Income | 40 | 71 | 56 | 39% | -22% | 427 | 170 | -60% |
| Net Margin | 8% | 12% | 10% | | | 32% | 10% | |
| Adjusted Net Income*** | 40 | 39 | 56 | 39% | 42% | 84 | 138 | 65% |
| Adjusted Net Margin*** | 8% | 6% | 10% | | | 6% | 8% | |
| Capex | 65 | 114 | 60 | -8% | -48% | 258 | 242 | -6% |
| Capex/Sales | 13% | 19% | 10% | | | 19% | 14% | |
| *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. 3Q2017 CONSOLIDATED FINANCIAL STATEMENTS

In 3Q2017, domestic output grew by **10%** on a y-o-y basis, while a **14%** contraction was recorded in international production. As a result, Anadolu Cam experienced a **2%** decline in its consolidated production volume, which brought down the company's total output to **466K tons** (vs. **478K ton** in 3Q2016). Domestic production accounted for **54%** of the total output while the rest (**46%**) was composed of international production.

Based on 3Q2017 IFRS results,

Anadolu Cam recorded **TRY 580mn** net revenues, **18%** higher on a y-o-y basis, backed by average unit price increases. Although average price increases of **8%** in Turkey and **9%** (in RUB terms) in Russia were implemented effective from 2Q2017, completion of a small number of clients' negotiations lasted until the beginning of the reporting period. Appreciation of RUB against TRY (by **30%** y-o-y on average) had a supporting impact on the average unit prices in consolidated terms. In addition, the company benefited from the change in product portfolio towards a higher level of value added sales mix.

Volume component of revenues, on the other hand, were 4% lower y-o-y in consolidated terms. Domestic sales grew by **120bps**, while international sales volume decreased by **8%**. Breaking down the two components of international sales pointed out the fact that exports from Turkey continued to grow, **6%** on a y-o-y basis, but on the contrary, total sales from Russia & Georgia were down by **10%** mostly due to significant sales volume recorded in the first half of the year and the high base impact of 3Q2016 sales, which had grown by 5% y-o-y.

From a geographical point of view, **54%** of the revenues were generated by domestic sales and **46%** by **international sales** (incl. exports from Turkey) in the reporting period. Contribution of Turkey to the consolidated turnover was **59%** of 3Q2016.

In 3Q2017, **61%** of net revenues were composed of Turkey operations (incl. exports from Turkey) while the remaining **39%** were recorded by Russia, Ukraine (continues to be shut down temporarily) and Georgia. Turkey operations had a more dominant position in 3Q2016 with **65%** share in total revenues.

Based 3Q2017 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 3Q2016.

Share of exports generated by the Russian operations, was **14%**, which is **60bps** lower on a y-o-y basis, whereas exports from Georgia accounted for **19%** of revenues.

In the reporting period, consolidated COGS grew by **13%** y-o-y as a result of;

a) Turkey operations: increase in hard currency denominated raw material and general production expenses such as soda ash and packaging materials due to especially local currency devaluation. Depreciation expenses, booked under COGS, had also increased as cold repair and capacity addition investment in relation with one of the furnaces located in Mersin plant was completed at the end of 2Q2017.

b) Non-Turkey operations: increase in utility expenses led to a rise in COGS coupled with higher depreciation expenses due to the cold repair process, which started in Ufa plant C furnace in the beginning of 3Q2017. With the appreciation of RUB against TL, regional cost increase had a higher impact on consolidated COGS account.

Thanks to the efficiency investments carried out and improved CUR levels at all operational facilities, COGS/sales ratio came down to **74%** (**77%** in 3Q2016). Consequently, Anadolu Cam recorded **TRY 153mn** gross profit, up by **33%** on a y-o-y basis and at a gross margin of **26%** (vs. **23%** in 3Q2016).

From a regional perspective, there was a shift in gross profit composition towards a higher level of non-Turkey operations contribution due to TL depreciation. Turkey operations composed **71%** of the consolidated gross profit versus **75%** recorded in 3Q2016, while there was a **+300bps** rise in the profitability (up from **27%** to **30%**). On the hand, Anadolu Cam generated **29%** of its consolidated gross profit from Russia, Ukraine and Georgia operations (up by **+300bps** compared to 3Q2016) and the regions gross profit margin increased from **17%** in 3Q2016 to **20%** in 3Q2017.

Compared with the same period of the previous year, Anadolu Cam's operating expenses grew by **38%** to **TRY 88mn**, as a consequence of escalated S&M expenses (**25%** y-o-y) and the depreciation of TL against RUB. Changes in the transfer pricing policies in line with the amendments in OECD legislation effective 2017 and the low base impact of 3Q2016 G&A expenses, which resulted from a one-time improvement seen in that period, ended in a **50%** annual growth in G&A expenses. Anadolu Cam managed to keep its OPEX/sales ratio at **15%** level (up by **220bps** y-o-y), which is below the average ratio recorded in the first half and in the first 9 months of 2017.

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 22mn** in 3Q2017 compared to **TRY 13mn other income** generated in the same quarter of 2016 mainly as FX and interest income on trade receivables. On the other, the company's other expenses on its main operations increased from **TRY 4mn** in 3Q2016 to **TRY 8mn** in this quarter due to mainly FX expenses on trade payables. Accordingly, **TRY 13mn net other income** was recorded in 3Q2017, while the company had a **net other income of TRY 9mn** last year in the same period.

In addition to the Eurobond investments Anadolu Cam made in 2016 and in 1H2017, the company increased its investment portfolio by further purchasing ~**TRY 38mn** equivalent USD-denominated Eurobonds with semi-annual coupon payments. The company recorded **TRY 5mn** 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. A period-end USD/TRY rate higher than both the average rate recorded within the period and the period-end FX rate of 1H2017 enabled the company to generate revaluation gains on its fixed income securities investments.

Anadolu Cam generated **TRY 6mn** as net income from investing activities including revaluation gains on fixed income securities investments and the share received from the net profit of its associates. The account's balance was only ~**TRY 0,35mn** higher compared to 3Q2016 due to the fact that there were no income recognition in the reporting period in relation with OMCO Kalıp as Anadolu Cam is no longer a shareholder of that company.

Excluding gain/loss on the fixed income securities investment in relation with 3Q of both 2016 and 2017, adjusted EBIT related to the reporting period was **TRY 80mn** and EBITDA was **TRY 154mn**, while the accounts balances were **TRY 64mn** and **TRY 126mn**, respectively, in 3Q2016. Anadolu Cam recorded **14%** EBIT and **26%** EBITDA margin, which were almost flat compared to the profitability ratios seen in 3Q2016 on the adjusted level.

Appreciation of RUB and EUR against TRY, by **29%** and **25%** 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. Additionally, the company collected most of its other receivables from related parties, which ended up in a decline in interest income generated on those receivables. As a result, Anadolu Cam's net financial losses increased by **TRY 24mn** to **TRY 37mn** on a y-o-y basis.

As of 3Q2017, the company had a net profit of **TRY 56mn** and a net margin of **10%** versus **TRY 40mn** net profit and **8%** net margin booked in 3Q2016.

It is necessary to note that Anadolu Cam recorded a tax income of **TRY 8mn** versus **TRY 12mn** tax expense recorded in 3Q2016 as the company was entitled to deduct the carry forward losses in relation with Anadolu Cam Eskişehir plant following its merger with Anadolu Cam Sanayii A.Ş.

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

- Anadolu Cam recorded **USD 6mn** increase in USD net long position as a result of **USD 4mn** increase in USD-denominated assets and **USD 2mn** decrease in USD liabilities
- The company's EUR net short position including forward contracts improved by **EUR 35mn** a) **EUR 28mn** increase in EUR-denominated assets b) **EUR 14mn** decrease in EUR-denominated liabilities c) expiry of **EUR 2mn** forward contracts and inclusion of **EUR 9,5mn** forward contracts
- Other currencies' net long position grew by **TRY 6mn**
- Accordingly, the company recorded a net long FX position of **TRY 260mn**.

In 3Q2017, Anadolu Cam recorded a total capex of **TRY 60mn** (down by **8%** y-o-y) for cold repairs and moulds and for operational efficiency investments.

Compared to 2Q2017, gross debt decreased by **TRY 70mn** to **TRY 2bn** and in the meanwhile cash&cash equivalents' balance (incl. financial investments and other receivables from related parties) stood at **TRY 1.04bn** (up by **TRY 7mn**). Accordingly, the company's net debt position of **TRY 1.04bn** decreased to **TRY 961mn** as of 3Q2017-end.

Important events during and after the reporting period:

Capital Markets Board (CMB) approved the merger of Anadolu Cam Yenişehir and Anadolu Cam Eskişehir plants under Anadolu Cam Sanayii A.Ş. on August 31st, 2017.

In this quarter, one of the three 120K ton capacity-furnaces located in Ufa plant entered into a cold repair process.

Şişecam IR Team



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