

Financials (TRY mn)	4Q2016	4Q2017	YoY Growth	2016	2017	YoY Growth
Revenue	460	643	40%	1.831	2.411	32%
Gross Profit	111	182	63%	457	671	47%
Gross Margin	24%	28%		25%	28%	
EBIT	35	86	144%	502	318	-37%
EBIT Margin	8%	13%		27%	13%	
Adjusted EBIT*	10	67	546%	134	257	92%
Adjusted EBIT Margin*	2%	10%		7%	11%	
Analyst EBIT**	5	92	1605%	95	246	158%
Analyst EBIT Margin**	1%	14%		5%	10%	
EBITDA	101	164	62%	747	615	-18%
EBITDA Margin	22%	25%		41%	25%	
Adjusted EBITDA*	76	145	91%	378	553	46%
Adjusted EBITDA Margin*	17%	23%		21%	23%	
Analyst EBITDA**	71	169	139%	340	542	59%
Analyst EBITDA Margin**	15%	26%		19%	22%	
Net Income	38	14	-63%	465	184	-60%
Net Margin	8%	2%		25%	8%	
Adjusted Net Income***	38	14	-63%	123	152	23%
Adjusted Net Margin***	8%	2%		7%	6%	
Capex	74	97	31%	332	339	2%
Capex/Sales	16%	15%		18%	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. 4Q2017 CONSOLIDATED FINANCIAL STATEMENTS

### Important Notice Regarding Accounting Policy Change:

Şişecam Group Companies were reporting third party logistic expenses by deducting from gross revenues. Starting from 4Q2017, these expenses are now booked under S&M expenses. 2017 and 2016 year-end financial statements were restated accordingly.

Comments on 4Q2017 financial results are based on restated quarterly results.

In 4Q2017, domestic output grew by **8%** on a y-o-y basis, while a **2%** contraction 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 **501K tons** (vs. **486K ton** in 4Q2016). Domestic production accounted for **51%** of the total output while the rest (**49%**) was composed of international production.

Based on 4Q2017 IFRS results,

Anadolu Cam recorded **TRY 643mn** net revenues, **40%** higher on a y-o-y basis, backed by

- 1) **14%** volume growth in consolidated sales volume

- large growth in domestic sales, **30%**, seen at Anadolu Cam Turkey level with client orders brought forward following the company's decision to start implementing product price increases at the beginning of each year and therefore holding the negotiation process in 4Q2017
  - **3%** volume growth in international sales **a) 20%** sales volume decrease in exports from Turkey due to high base impact **b) 5%** growth in sales volume from Russia
- 2) average unit price increases in all regions effective from 2Q2017 (**8%** in Turkey and **9%** - in RUB terms - in Russia)
- 3) appreciation of RUB against TRY by **25%** y-o-y on average

In addition, the company continued to benefit from the change in product portfolio towards a higher level of value added sales mix.

From a geographical point of view, **48%** of the revenues were generated by domestic sales and **52%** by international sales (incl. exports from Turkey) in 4Q2017. Contribution of Turkey to the consolidated turnover was **40%** of 4Q2016.

In 4Q2017, **57%** of net revenues were composed of Turkey operations (incl. exports from Turkey) while the remaining **43%** were recorded by Russia, Ukraine (continues to be shut down temporarily) and Georgia. Turkey operations had a more dominant position in 4Q2016 with **58%** share in total revenues.

**Based 4Q2017 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 **18%** in 4Q2016.

Share of exports generated by the Russian operations, was **15%**, **200bps** higher on a y-o-y basis, whereas exports from Georgia accounted for **9%** of revenues.

In 4Q2017, consolidated COGS grew by **32%** 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 but also the increase in average selling prices of card board tray and layer. Depreciation expenses, booked under COGS, had increased following the completion of cold repair and capacity addition investment in Mersin plant by the second half of this year, which also had a decreasing impact on idle capacity expenses.

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

Even though CUR at all operational facilities were in line with the levels recorded last year in the same period, COGS/sales ratio came down to **72%** (**76%** in 4Q2016) thanks to a topline growth rate higher than the increase in COGS level as a consequence of higher level of value added sales mix. Consequently, Anadolu Cam recorded **TRY 182mn** gross profit, up by **63%** on a y-o-y basis and at a gross margin of **28%** (vs. **24%** in 4Q2016).

From a regional perspective, 2017 full year results pointed out to the fact that there was a shift in gross profit composition towards a higher level of non-Turkey operations contribution due to TL depreciation. Turkey operations composed **59%** of the consolidated gross profit versus **67%** recorded in 2016, while there was a **300bps** rise in the profitability (up from **26%** to **29%**). On the hand, Anadolu Cam generated **41%** of its consolidated gross profit from Russia, Ukraine and Georgia operations and the regions gross profit margin increased from **23%** in 2016 to **27%** in 2017.

Compared with the same period of the previous year, Anadolu Cam's operating expenses decreased by **15% to TRY 90mn**, mainly as a result of the decline in severance payment provision with the rise in discount rate parallel to the market interest rate and the decrease in outsourced expenses. OPEX/sales ratio stood at **14%** level (down from **23%** in 4Q2016).

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 13mn** in 4Q2017 compared to **TRY 32mn 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 29mn** in 4Q2016 to **TRY 37mn** in this quarter due to mainly the rise in litigation provisions debited in order to recognize potential risks in relation with ongoing court cases, FX expenses on trade payables and provision for the value decline in tangible assets Accordingly, **TRY 24mn net other expense** was recorded in 4Q2017, while the company had a **net other income of TRY 3mn** last year in the same period.

Anadolu Cam recorded **TRY 18mn** as revaluation gain on its investment portfolio, which is composed of **TRY 256mn** equivalent USD-denominated long-term fixed income securities with semi-annual coupon payments. Revaluation gain on fixed income securities is calculated as the sum of coupon payments collected until the reporting date and discounted value of future coupon payments and face values of the Eurobonds excluding the revaluation gains recorded in the previous periods. **6%** q-o-q rise in period-end USD/TRY rate enabled the company to generate revaluation gains on its fixed income securities investments.

Anadolu Cam generated **TRY 19mn** 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 **TRY 9mn** higher in 4Q2016 due to the fact that revaluation gain on fixed income securities were higher at that time and there were income recognition in relation with OMCO Kalip as Anadolu Cam was a shareholder of that company until 1H2017.

Excluding gain/loss on the fixed income securities investment in relation with 4Q of both 2016 and 2017, adjusted EBIT related to 4Q2017 was **TRY 67mn** and EBITDA was **TRY 145mn**, while the accounts balances were **TRY 10mn** and **TRY 76mn**, respectively, in 4Q2016. Anadolu Cam recorded **10%** EBIT and **23%** EBITDA margin in 4Q2017 compared to last year same period profitability margins of **2%** and **17%**, respectively.

Appreciation of EUR and RUB against TRY, by **22%** and **14%** 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 32mn**.

As of 4Q2017, the company had a net profit of **TRY 14mn** and a net margin of **2%** versus **TRY 38mn** net profit and **8%** net margin booked in 4Q2016.

Contrary to **TRY 3mn** tax revenue recorded in 4Q2016, Anadolu Cam had **TRY 40mn** tax expense in this quarter due to **a)** higher tax base resulting from the increase in income from operations **b)** increase in provisions for Ukrainian plants' carry forward losses in relation with previous periods **c)** deferred tax expenses in relation with the deduction of Anadolu Cam Eskişehir plants' carry forward losses

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

- Anadolu Cam recorded **USD 20mn** contraction in USD net long position as a result of **USD 24mn** decrease in USD-denominated assets and **USD 4mn** decrease in USD liabilities
- The company's EUR net short position including forward contracts improved by **EUR 10mn** with **EUR 25mn** decrease in its EUR-denominated liabilities even though its EUR-denominated assets contracted by **EUR 6mn** and its forward liabilities increased by **EUR 8mn**
- Other currencies' net long position grew by **TRY 4mn**

- Accordingly, the company recorded a net long FX position of **TRY 64mn**.

In 4Q2017, Anadolu Cam recorded a total capex of **TRY 97mn** (up by **31%** y-o-y) in relation with its new furnace investment together with cold repairs, molds and operational efficiency investments.

Compared to 3Q2017, gross debt decreased by **TRY 166mn** to **TRY 1,8bn** and cash&cash equivalents' balance (incl. financial investments and other receivables from related parties) stood at **TRY 825mn** (down by **TRY 213mn**). Accordingly, the company's net debt position of **TRY 961mn** increased to **TRY 1bn** as of 2017 year-end.

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

In October 2017, Anadolu Cam announced its decision to invest USD 58mn for the 4<sup>th</sup> furnace with a production capacity of 150K tons/year in its Eskişehir plant. Total investment will reach USD 66mn including the working capital requirement and the project will completed by the second half of 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](mailto:sc_ir@sisecam.com)